

Find a Way or Make One  
*Lessons Learned from Case Studies of  
Small Town Development*

Public/Private Partnership Gives Rise  
to a Pioneering Success  
*1,500-Acre Village West Tourism District,  
Kansas City, Kansas*

City of Boulder, Colorado's,  
Flexible Rebate Incentive Program  
*Economic Development Through Sustainability*

Partnerships and Collaboration  
*The Story of Danville, Virginia's,  
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# dear colleague

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With the Board of Directors setting sustainability and globalization among its strategic priorities, IEDC has recently launched several useful and timely products that speak to current economic trends.

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Throughout the year, we will continue to expand our work in strategic focus areas to advance IEDC's role as a leader in economic development. We are all working together to turn today's obstacles into tomorrow's opportunities.

A handwritten signature in black ink, appearing to read 'Ian Bromley', written in a cursive style.

Ian Bromley, FM, MA, MBA  
IEDC Chair

# THE IEDC Economic Development Journal

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# find a way or make one

By Jonathan Q. Morgan, Ph.D. and William Lambe

## INTRODUCTION

Economic developers and public officials continually search for what works in terms of strategies for stimulating private investment and job creation. The interest in identifying the ingredients for successful economic development is especially pronounced among those who care about small towns. So many small, rural communities find themselves on the losing end of globalization and economic transition, almost to the point of despondency. Yet, some manage to bounce back from the brink of economic ruin and create a renewed prosperity both materially and in spirit. What are the characteristics of those places that eventually get it right and achieve economic revitalization? What approaches and strategies do successful small towns tend to rely on in building their local economies? To what extent is there a “model” for small town economic development that can be applied across many communities?

This article addresses these questions by examining the challenge of small town revitalization in the context of the latest thinking about how best to achieve economic development. The analysis is based largely on what we learned from a recently completed compendium of 45 case studies of small town development efforts from around the U.S. titled *Small Towns, Big Ideas*.<sup>1</sup>

## DOES SIZE REALLY MATTER?

Being a small place has both advantages and disadvantages. The conventional wisdom is that the lack of resources – financial, human, techno-



Douglas, Georgia, where community leaders regularly call together economic development stakeholders in order to recommit the community to its vision.

logical, and physical – in small communities constrains their options and severely limits the capacity to do a whole lot with respect to economic development. In a common scenario, small towns feel victimized by forces beyond their control and passively wait for external assistance to fall down like manna from on high. This might be in the form of federal and state funds that are thought to be forthcoming. However, in the exceptional cases, small towns become motivated to take matters into their own hands and decide to take control of their destiny. They look inward to find assets and strengths to build upon in charting a new course. In the quest for an approach that works, they innovate and try new economic development strategies and often by design and sometimes by accident they find one. In this sense, the apparent limitations of being small lead to innovation out of sheer necessity.

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## LESSONS LEARNED FROM CASE STUDIES OF SMALL TOWN DEVELOPMENT

*So many small, rural communities find themselves on the losing end of globalization and economic transition, almost to the point of despondency. Yet, some manage to bounce back from the brink of economic ruin and create a renewed prosperity both materially and in spirit. What are the characteristics of those places that eventually achieve economic revitalization? What approaches and strategies do successful small towns tend to rely on in building their local economies? This article addresses these questions by discussing the lessons learned from a recently completed compendium of 45 case studies of small town development efforts from around the U.S.*

In the places where innovative development strategies are a function of being small and having limited resources, it is important to understand what makes the difference. This has sparked interest in learning more about the process of economic development in small communities

In the places where innovative development strategies are a function of being small and having limited resources, it is important to understand what makes the difference. This has sparked interest in learning more about the process of economic development in small communities. A good starting point for sizing up small town efforts is to examine if their goals for economic development differ significantly from larger jurisdictions. A 2006 survey of North Carolina localities found that smaller jurisdictions share many of the same goals as larger communities. But as shown in Table 1, some differences are apparent. For one, a higher percentage of respondents from small communities reported that attracting retail and service businesses is a goal. In addition, a higher percentage of small communities appear concerned about controlling growth. This is not surprising given that small, rural places often want to preserve the character, natural environment, and quality of life in their towns, villages, and hamlets.<sup>2</sup>

While quantitative survey research offers some insights, it does not capture the nuance of the economic development process within small communities. This process in small communities is not necessarily a linear one that lends itself to measures and relationships that are easily quantified. Indeed, some of the most essential elements of small town development tend to be intangibles such as leadership, culture, entrepreneurial spirit, and social capital. As a result, the special circumstances of small towns might require an approach to economic development that is qualitatively different from the traditional model.

## ALTERNATIVE APPROACHES TO ECONOMIC DEVELOPMENT

The traditional approach to economic development has emphasized recruiting the branch plants of major corporations by offering tax and financial incentives. The logic underlying this approach is that companies will choose locations where operating costs are lower and profits can be maximized. Industrial recruitment can create substantial employment and tax base for a community and has proven effective for many jurisdictions. However, the track record in small towns and rural communities is patchy. The number of large indus-

**TABLE 1. Economic Development Goals in North Carolina Localities (Percent Reporting)**

	Population	
	< 10,000	10,000+
Expand tax base	70.0	87.9
Job Creation	61.8	91.6
Recruit new business	58.2	89.7
Attract retail and services	55.5	50.5
Retain and grow existing business	54.5	86.9
Control growth	48.2	38.3
Diversify economic base	44.5	82.2
Promote entrepreneurship	42.7	65.4
Higher paying/better jobs	40.9	79.4
Promote social and economic equity	19.1	26.2
Wealth creation	10	31.8
Other	5.5	10.3
	n=110	n=107

Source: Jonathan Q. Morgan The Role of Local Government in Economic Development: Survey Findings from North Carolina, UNC School of Government, 2009

trial projects that come about in a given year has steadily declined, making business recruitment an increasingly competitive and costly undertaking. For many small places, the odds of landing a big manufacturing facility are less favorable than ever. If not industrial recruitment, what then is a small community to do in order to grow its local economy?

Over the last couple decades, many new and reformulated ideas have emerged that claim to represent a paradigm shift in economic development. The wave metaphor has been used to describe the evolution of economic development from a primary emphasis on industrial recruitment (e.g. “smokestack chasing”) in the first wave to so called “second-wave” business retention and entrepreneurship strategies, and most recently to “third-wave” principles that require new governance and implementation techniques.<sup>3</sup> Taken together, these ideas call for innovations not only in *what* is done but also in *how* strategies and tools are implemented.

Generally, the alternatives to industrial recruitment promote indigenous or “home-grown” sources of development rather than focusing primarily on attracting external investment. The emphasis is on growing from within, yet the new approaches recognize that securing private investment from elsewhere is more likely with a strong foundation of local assets to build upon. The alternative approaches often require communities to institute new organizational structures, devise creative financing mechanisms, and work more collaboratively with other entities.

The new approaches include: economic gardening, place-based development, creativity and talent cultiva-

**TABLE 2. Alternative Economic Development Approaches**

	Economic Gardening	Place-Based Development	Creativity & Talent Cultivation	Innovative Industrial Development
<b>Strategies and Tools</b>	Entrepreneurship Information brokering Infrastructure Social capital Business incubators	Quality of life amenities Downtown development Infrastructure Tourism development Growth management Arts and culture	Arts and culture Workforce development Leadership development Social capital	Cluster-based development Regional collaboration Joint industrial parks Eco-industrial parks Green industry development Creative incentives
<b>Example Communities</b>	Douglas, GA Ord, NE Siler City, NC Fairfield, IA Star, NC Big Stone Gap, VA Elkin, NC Spruce Pine, NC	Nelsonville, OH Dora, OR Hillsborough, NC Bakersville, NC Etowah, TN Ayden, NC Colquitt, GA Big Stone Gap, VA Columbia, NC Hollandale, MS	New York Mills, MN Siler City, NC Morrilton, AR Rugby, ND Allendale, SC Douglas, GA Fairfield, IA Elkin, NC	Sparta, NC Washington, NC Oxford, NC Cape Charles, VA Reynolds, IN Douglas, GA Ord, NE Farmville, NC Etowah, TN

tion, and innovative industrial development (see Table 2). Economic gardening is the specific entrepreneurship-based approach to economic development that was pioneered by Littleton, CO, in 1989.<sup>4</sup> Over time, as other communities have adopted various parts of the Littleton approach, economic gardening has become a way to describe a program of entrepreneurial development activities that includes: information (business and market intelligence); infrastructure (physical, quality of life, intellectual); and social capital (connections and networking).<sup>5</sup> The general theme of gardening is to “grow your own” by cultivating local entrepreneurs and small firms and creating an environment that supports their growth.

As the name suggests, placed-based development incorporates strategies that capitalize on the distinctive and special characteristics of a particular place. Such characteristics might include the natural environment, cultural heritage, specialized infrastructure, and arts/crafts traditions. Creativity and talent cultivation utilizes strategies that focus on attracting knowledge workers, equipping people with skills, and preparing people for community leadership. Arts and culture are often used to attract and retain talent and as occupational targets for apprenticeship and training programs. Using social capital to facilitate networking helps spawn creativity and promotes the exchange of new ideas. Innovative industrial development incorporates business clustering and regional collaboration; emphasizes “green” development; and makes use of creative incentive tools.

The alternative approaches to economic development shown in Table 2 are consistent with the goals that smaller communities reported in the survey discussed here. The preference among smaller communities for having amenities that come from attracting retail and service businesses and controlling growth makes place-based development strategies, in particular, a logical choice.

The case studies in *Small Towns, Big Ideas* enable us to determine how small communities are employing the alternative approaches to economic development. The collection profiles communities that stretch from Oregon to South Georgia and range in size from Chimney Rock in North Carolina with 175 people to Helena-West Helena in Arkansas with 15,000. In selecting case studies for publication, each case was screened

for its geographic and strategic diversity and for evidence of success, innovation or distinction within the local context.<sup>6</sup> Most case studies include discussion of more



Many of the examples cited in this article are drawn from *Small Towns, Big Ideas*. The full publication can be searched and downloaded for free at <http://www.sog.unc.edu/programs/cednc/stbi/>.



than one strategy. For example, Douglas, GA, combines entrepreneurship, leadership development, and creative industrial recruitment.

### THE SEARCH FOR “BEST PRACTICES” IN ECONOMIC DEVELOPMENT

The invention and diffusion of alternative approaches to economic development are part of the ongoing quest for best practices or strategies that work, particularly for small and rural areas. Defining best practice in economic development is more art than science. This is largely because we lack a standard set of criteria for what constitutes a best practice. Do we look for effective practices with proven results, or those that make efficient use of resources, promote equity or represent an innovative idea?



*Etowah, Tennessee, invested in a train depot renovation project as part of a broader strategy to attract tourists.*

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In an overly simplistic fashion, analysts have typically considered essentially any approach other than industrial recruitment to be a best practice. It is often assumed that any alternative strategy will be effective and work better just because it is not recruitment. This assumption is problematic, given that there surely are bad, good, and better ways to implement any type of strategy – traditional or alternative. The strategy in and of itself may not inherently be a best practice – it depends on how it is used and what outcomes it produces.

Another way to identify best practices is to focus on jurisdictions that appear to be doing well and take a look at their various processes for achieving economic development. This is essentially the approach taken with the case studies we draw on for this article. The original intent of that case study research was not to explicitly

look for best practices, per se. But in profiling successful small towns from around the U.S., the case studies found plenty of evidence of innovation in economic development. If the use of innovative approaches and strategies is the criterion, then the case studies represent best practices to that extent.

### LESSONS LEARNED FROM THE CASE STUDIES

In drawing broad lessons from the case studies, we recognize that local context matters a lot in economic development. Local contexts vary considerably, so it is unrealistic to think that what has worked in one place can be replicated with the same success in another. Indeed, mere emulation of what others have done may not even be desirable. Still, the point of doing the case studies was to learn something from various communities that could inform small town development efforts elsewhere. These lessons provide a better understanding of what makes for innovative development in small towns.

#### 1. In small towns, economic development is community development, and vice versa.

If community development – compared to economic development – is generally considered to include a broader set of activities aimed at building the capacity of a community, then the case studies demonstrate that capacity-building and other strategies typically associated with community development are analogous with actions designed to produce economic outcomes. In this sense, the communities profiled in the case

studies practice *community economic development* (CED). This is especially true, it seems, when these efforts are included as parts of a comprehensive package of CED strategies designed to address a community's core challenges and opportunities. For example, in Ord, NE, a broad-based

and inclusive approach to CED that included leadership development, youth entrepreneurship, and philanthropy enhanced the community's capacity to take on more traditional economic development projects, such as recruiting an ethanol facility (with dozens of new jobs) into the jurisdiction.

Further, communities that take a comprehensive approach to CED – one that includes economic and broader, longer-term, community development goals – stand to gain more than small towns that take a piecemeal approach. Selma, NC, for example, had made significant investments in revitalizing both its downtown area and the train depot. However, lack of consideration of a four-block area between these two investment zones limited the overall positive impacts of the community's work. By viewing redevelopment in a more comprehen-



sive way, and by including community development considerations such as revitalization of blighted downtown properties in its strategy, the town was able to identify a barrier to continued revitalization, and a potential means of overcoming this barrier that will hopefully pay off in the years ahead.

Because CED includes short-range and long-range strategies, it is by definition a long-term and transformative process (a fact that's recognized more in community development circles than in economic development). Successful small towns tend to balance short term economic gains with longer-term community development goals. The mayor of Davidson, NC, made this point when he said that every decision about development is weighed against the question of whether "this project is something that our grand children will be proud of." Civic leaders in Ord, NE, invest time and resources into entrepreneurship training in the local school system, with the hope that these activities will transform the local economy for the next generation. Similarly, Big Stone Gap, VA, having developed a CED strategy based on entrepreneurship, had to "help people think about economic development differently." Over a period of six years, local opportunities were harvested by entrepreneurs and, slowly but surely, new small businesses started appearing in town – new businesses with local ownership and local roots. However, these outcomes were not realized during the typical political cycle.

## **2. Small towns with the most dramatic outcomes tend to have proactive and future-oriented leaders who will embrace change and assume risk.**

Small town leaders can be the facilitators of, rather than the barriers to, innovation. Without local leaders to push and implement new ways of doing things, innovative practices, in whatever form they take, will fall short. These characteristics of innovative leadership in small communities – being proactive, future-oriented, adaptable, and risk-taking — are intangible aspects of the culture and attitude of a place that can make all the difference.

Being proactive (as opposed to reactive) can be measured by a community's willingness and ability to act on a particular challenge before it becomes a problem. In Tennessee, for example, Etowah's proactive approach to building and occupying its industrial park, as opposed to reacting to trolling industries, has paid major dividends in terms of maintaining a diverse array of living wage jobs in town. In Ord, NE, proactive meant preparing the community's residents and institutions for unknown opportunities in the future. Ord's economic development leaders tackled a number of small-scale challenges in the community and, in the process, seeded the roots of teamwork around development activities. In 2003, when a major economic development project arrived from state developers, Ord was prepared to act.

Small towns that embrace change and assume risk are more flexible and nimble in adjusting to a dynamic economy. For example, Etowah, TN, had a history of adapting to shifts in social and economic conditions. Local leaders, therefore, tended to be less steeped in a mindset of "well, this is just the way it's always been done." In the face of a growing tourism economy, downtown merchants embraced change and adapted their business models to the shifting circumstances.



*Fairfield, Iowa, has a strategy for economic development based on supporting entrepreneurs and cultivating downtown businesses.*

Fairfield, IA, has taken an approach to development in which the entire strategy of building an entrepreneurial culture is based on the natural business cycle of success and failure. According to a local leader, "there was a lot of trial and error and failures to get to where we are today, but the failures of some companies have provided cheap space, office furniture and equipment for another round of start-ups. Failure has freed up talented people who again ask what new concepts and companies can we start here in Fairfield."

## **3. Defining assets and opportunities broadly can yield innovative strategies that capitalize on a community's competitive advantage.**

In many communities, shell buildings, low tax rates, limited regulation, and access to trained workers, highways, railroads, or professional services are considered economic development assets and justifiably so. Innovative small communities, however, define economic development assets much more broadly. For example, Allendale, SC, capitalized on a regional university to create a local leadership development program that, in turn, trained new economic development leaders for the entire region. Brevard, NC, demonstrates that retirees within a community can be economic development assets. The Retiree Resource Network is a group of retirees with private sector experience who mentor local entrepreneurs.

In Columbia, NC, local leaders recognized that their region's natural beauty was an asset that could drive an

ecotourism strategy. In an ironic twist on small town development, the arrival of Wal-Mart became an asset for the small community of Oakland, MD, when local leaders took the opportunity to help Main Street retailers diversify their product lines. Assets for innovative rural development might include individual people, nonprofit organizations, businesses, open space, farms, parks, landfills (biomass), museums, schools, historic architecture, local attitudes, or any number of other things.

An emerging trend is to think about specific assets and opportunities related to environment-friendly “green” development and renewable energy resources. The case studies indicate that this trend is catching on in small towns. In Dillsboro, NC, the town turned an environmental challenge, the methane gas migrating from the county landfill, into an opportunity to create jobs and provide space for entrepreneurs. The Jackson County Clean Energy Park (in Dillsboro) is using the waste by-product to power the studios of local artisans. In Cape Charles, VA, the town’s investment in an eco-friendly industrial park was an innovative strategy to bridge the dual challenges of environmental degradation and job creation. And, in the most extreme case, Reynolds, IN, is capitalizing on latent energy contained agricultural waste from 150,000 hogs to become BioTown, USA, the nation’s first energy-independent community.

#### **4. Innovative local governance, partnerships, and organizations significantly enhance a community’s capacity for community economic development.**

The case studies suggest that innovative local governance, in a variety of forms, can strengthen a community’s CED strategy. Regionalism, or identifying opportunities and partnerships beyond municipal boundaries, is another emerging theme in successful CED. Cross-jurisdictional partnerships can help small towns pool resources toward shared CED objectives.

Strategies in Ord, NE, and in Davidson, Oxford, and Hillsborough, NC, each involve commitments to inter-local revenue- and responsibility-sharing among jurisdictions. Davidson and Oxford are partnering with neighboring communities in industrial development efforts, while Hillsborough is partnering with the county to manage growth beyond the town’s municipal boundaries. Ord joined with the county and the Chamber of Commerce to share costs and revenues from a wide range of development activities.

Public-private (including not-for-profit) partnerships are emerging as the prominent organizational structure for innovative development in small communities. In Siler City, NC, for example, the successful establishment of an incubator was the product of a partnership among the community college, local government, and a state-level nonprofit organization. In Spruce Pine, NC, the

town’s approach to supporting local entrepreneurs requires that the Chamber of Commerce and the craft community work closely together for the first time, to ensure successful marketing and branding.

#### **5. Effective communities measure progress and celebrate short-term successes in order to sustain support for long-term community economic development.**

Given the long-term nature of community economic development, and the fact that measurable results from a particular project may be years in the making, small town leaders must repeatedly advocate the importance of their efforts. Making the case is important to maintain momentum, invigorate volunteers and donors, to convince skeptics and, most importantly, to keep the focus of development on the vision or the goals established in a community’s strategic plan. Innovative small communities recognize that making the case is an ongoing and continuous effort.

Obviously, the best way to make the case for any intervention is to demonstrate success. In this vein, community leaders in Scotland Neck, NC, decided to begin with actions that would demonstrate success quickly. They decided to support local hunting and fishing guides, to start bringing more tourists into town, and to show local residents that there was reason to be optimistic. This initial success helped the town leaders to build momentum before beginning to tackle more intractable challenges.

In Ord, NE, the impacts of the community’s development programs are monitored and have become useful for both external and internal audiences. Data are used to attract additional investment from outside sources. Moreover, by demonstrating a reasonable return on investment, these data also may be used to convince a community’s naysayers to join the efforts. In Hollandale, MS, an analysis of local data helped the community to convince outside grant-makers that a rural transportation network was a smart investment. In addition, it helped to convince policy-makers that rural transportation was a viable (if incremental) strategy for alleviating a range of economic challenges.

### **THE PROVERBS OF SMALL TOWN DEVELOPMENT**

Based on the lessons from the case studies, we conclude that any prescription for small town development must draw from multiple approaches since it is about finding a way that works. Therefore, building a singular model for how to do economic development in small communities is very difficult. A more realistic and useful way to offer guidance is in the form of wise sayings or proverbs that we found to be true in the case studies. These maxims help explain why some communities figure out how to rebound from economic hardship while others flounder for years. The small communities that



*Ord, Nebraska, where community leaders have put together a broad and inclusive strategy for economic and community development.*



*Ord, Nebraska, pursues a strategy that includes leadership development, entrepreneurship, philanthropy, and industrial development.*

Small town development is largely about innovation in terms of new ideas and approaches; new ways of thinking and doing. The case studies are stories of community self-reinvention and the determination to create a better future.

tend to succeed in economic development experiment with new ideas and strategies but they also apply the wisdom of the ages.

**Find a way or make one.** Small town development is largely about innovation in terms of new ideas and approaches; new ways of thinking and doing. The case studies are stories of community self-reinvention and the determination to create a better future. The process of small town development is not formulaic. The case study communities experiment with both traditional and alternative strategies but use them in innovative ways. These towns are willing to accept the inherent risks associated with trying something new. Through trial and error they find an existing way, or multiple ways that work for them or they invent one from scratch.

In Columbia, NC, the town's ability to design an alternative arrangement for generating tax revenues on protected lands helped turn a potential obstacle into a local innovation. In Selma, NC, the town used an innovative property tax incentive tool to focus redevelopment on a particular blighted area of town. In New York Mills, MN, the town structured a public investment in the Regional Cultural Center so that the town had ownership of the building, thereby reducing long-term risk and creating a win-win situation for artists, public officials, and local residents.

**Where there is no vision the people struggle.** This paraphrase of scripture is timeless in its applicability. The case studies demonstrate that innovative small communities establish and maintain a broadly held vision, including goals for all types of development activities with measurable objectives. In small town development,

people (as opposed to money or other resources) are the one absolutely necessary ingredient to implementing and sustaining innovative practices. There is a greater need for vision and leadership initially than for money. If the right leadership and sense of direction are in place, then the necessary resources will follow. A committed group of local residents who are willing to work hard to support the community's vision can change the fate of an otherwise hopeless community. A widely shared vision provides local innovators with a common understanding of the road ahead.

The power of a widely shared vision is perhaps illustrated most dramatically by Helena, AR, where the inclusiveness of the community's planning and visioning process was crucial. In this case, the process included representatives from government, community organizations, for-profit and nonprofit interests, resource providers, and average citizens of the community. In fact, anybody could join the effort, and this perception of an inclusive and open-door process was widespread across Helena.

Similarly in Ord, NE, a significant amount of the momentum for economic development comes from one-on-one conversations. In Ord, local leaders take the time to meet individually with members of the community, sometimes going door to door, to ensure that opposition to development efforts does not take root for lack of understanding the larger vision that drives local development. In terms of maintaining momentum behind a community's vision, Douglas, GA, demonstrates how a local Chamber of Commerce can take responsibility for calling stakeholders together on a regular basis to recommit themselves to the community's shared vision.

**Nothing concentrates the mind like impending doom.** It is not a coincidence, that most of the case study communities achieved a modicum of success only after economic crisis forced them to act. Due to the recent meltdown of housing and financial markets and deepening economic recession nationally, this is where much of the U.S. finds itself at the moment. However, the case studies demonstrate how economic adversity can create the conditions for bringing about the change needed to improve the long-term viability of communities, even those with limited local resources and capacity.

Innovation often results when communities "hit the bottom," forcing local leaders to try new things and take new risks. For example, consider Helena, AR, where the community's collective sense of hitting bottom presented local leaders with an opportunity to step up, to initiate a new way of planning and implementing development efforts, and to convince local residents to participate in the process. Similarly, in Scotland Neck, NC, difficult economic and civic circumstances in the late 1990s presented an opportunity for a strong mayor and other civic leaders to look inward for new ideas and angles on old problems.



**As a community thinketh, so it will be.** The psyche of a place matters in small town development. Successful small towns believe that they can shape their destiny and have the ability to see the opportunities and promise in the future. They believe that the best days can still be yet to come. Small towns that survive and prosper in this new, global economy reject the victim mentality and focus instead on what is within their control that can be done. Hope and optimism carry the day in innovative small towns.

Small town leaders can cultivate hope and optimism by continually making the case for development efforts and demonstrating short-term success to keep up the momentum for long-term transformation. Celebrating and promoting success boosts morale in the community and fosters the can-do mentality that is so essential. It can also be used to shape how a community thinks about its economic development prospects and help pave the way for change. For example, in order to maintain buy-in from the community, the initial action steps in Helena's strategic plan were those that could be accomplished in short order and for which there was already some momentum. By starting with "low-hanging fruit" that was easiest to pick, they demonstrated to the community that change was possible. Once people started seeing change happen, there was more of an incentive to join in the process.

Communicating the success of small town development activities helps ensure that residents are well informed and can increase support for local efforts. Short term success is a way to show that particular CED activities are worth the investment. For example, in Douglas, community leaders work hard to keep local papers informed about various economic development projects and publicize even the most modest success, including stories of local entrepreneurial successes. Leaders in Ord spend an ever-increasing amount of time publishing newsletters and writing articles for the local newspaper. They send emails to as many residents as possible and appear on radio broadcasts regularly. The idea is to replace rumors and "coffee shop chatter" with accurate information about what the community is trying to accomplish.

**The whole is greater than the sum of its parts.** This proverb applies to the community generally and to its approach to CED more specifically. It is about creating synergy, using social capital, and connecting the dots in a way that produces the desired outcomes. Innovative small towns make the connections that increase their chances for success. They connect to valuable resources and information. They build relationships and form partnerships with other jurisdictions and organizations – public, private, and nonprofit. They try to connect residents to local development efforts by being as inclusive as possible in visioning, planning, and communicating the CED process and its results.

Successful small towns often make connections among various CED strategies by taking a multi-faceted approach to economic development. It was not uncommon for the case study communities to pursue economic gardening in conjunction with place-making or creativity and talent strategies or to pair place-based development with innovative industrial development. The point is that there is no universal formula for determining the one best way or the most innovative way to develop and revitalize small towns.

Innovative development is context-specific and communities should take nothing off the table in selecting strategies to pursue. Decisions about what to do and how to do it must be based on local conditions, context, and capacity. Successful communities usually have evolved to the point where they can pursue a holistic approach that is aligned with the core assets, challenges, and opportunities within their regional context.

Successful small towns identify local assets on which to build their economic development strategies and they try to overcome liabilities and shortcomings in the process. These towns do not wait passively for a proverbial knight in shining armor to save the day.

Another important connection that innovative small towns get is the nexus between growth and development. They understand that growth is about having more – quantitative increase – which can be both good and bad. And they know that development is about building a local economy that is diversified and sustainable. These small towns want more in the short term (growth) mostly to the extent that they are better off in the long-term as a result (development). Innovative small towns desire to grow in ways that enhance the quality of life and raise the standard of living in their communities. Their approaches to economic development reflect an appreciation for the trade-offs inherent in this relationship.

**Success is driven from within.** Successful small towns identify local assets on which to build their economic development strategies and they try to overcome liabilities and shortcomings in the process. These towns do not wait passively for a proverbial knight in shining armor to save the day. Rather, they close ranks internally and figure out how to make the most of what they have. By tapping into indigenous sources of jobs and investment, innovative small towns gain more control over their economic future. The local leadership of a place is an essential component of the capacity to affect change and transform a community from within.

While success in small town development is ultimately determined from within, it can be aided from without through external resources and assistance. The question



for policy makers is how to strengthen the local capacity within small towns to do economic development by connecting them to resources that support their efforts.

In North Carolina, there are a number of initiatives underway that intend to build local capacity in small communities. The North Carolina Rural Economic Development Center provides coaching, planning, research, technical assistance, and grants to small towns through the NC STEP (Small Towns Economic Prosperity) Program. The Golden LEAF Foundation is making \$2 million capacity-building investments into 40 of North Carolina's most economically distressed counties through the Community Assistance Initiative. The University of North Carolina is preparing to announce an initiative, dubbed the Community-Campus Partnership, which is designed to provide faculty, student and staff support to economically distressed communities in the state.

Although external resources are available for small towns, success will be determined largely from within. The pathway to success or innovation in small town development will be discovered, created, and built by local leaders. 🌐

## END NOTES

- 1 See Will Lambe, Small Towns, Big Ideas: Case Studies in Small Town Community Economic Development. UNC School of Government and N.C. Rural Economic Development Center, 2008. Available at [www.cednc.unc.edu/stbi](http://www.cednc.unc.edu/stbi).
- 2 Thomas E. Marano, Staying Small by Thinking Big, *Economic Development Journal* 4: 7-14 (2005).
- 3 See Ted K. Bradshaw and Edward J. Blakely, What are "third wave" state economic development efforts? From incentives to industrial policy, *Economic Development Quarterly* 13: 229-244 (1999); Doug Ross and Robert E. Friedman, The Emerging Third Wave: New Economic Development Strategies in the '90s, *The Entrepreneurial Economy Review* 9: 3-10.
- 4 City of Littleton Economic Gardening Program, <http://www.littletongov.org/bia/economicgardening/>.
- 5 Federal Reserve Bank of Atlanta, Economic Gardening Helps Communities Grow Their Own Jobs, *Partners in Community and Economic Development*, Vol. 18, no. 1, 2008.
- 6 The Small Towns, Big Ideas project was a broad qualitative research assessment. Small towns were selected to provide the reader with exposure to a wide variety of strategies and tools at work across a range of local conditions. The collection includes 10 in-depth analytical cases and 40 shorter descriptive cases. The selection of cases began with a key informant identification process, which resulted in a list of more than 150 small towns (population less than 10,000) that were known, either by word of mouth or in print, for success or innovation in CED. In addition to screening cases for geographic and strategic diversity, each case features a small town in which a CED strategy (or strategies) is active and where CED activities are controlled locally. Analytical cases were screened for evidence that the community's strategy was successful, in economic, social, civic and/or environmental terms. Analytic cases also were screened for evidence that the strategy was financially sustainable and that it demonstrated some measure of adaptability to changing circumstances. Descriptive cases were screened for evidence that the community's strategy represented CED innovation (first or early use of a particular practice) or a distinctive practice (unique among the alternatives for addressing a particular problem) within the local context.

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# public/private partnership

## GIVES RISE TO A PIONEERING SUCCESS

By Daniel F. Musser, CRE, and Richard C. Ward, CEcD, CRE, AICP

### INTRODUCTION

In less than one decade, the Unified Government (UG) of Wyandotte County and Kansas City, Kansas, has fostered the creation of an economic dynamo in a sector of the Kansas City region in serious need of a fiscal boost.

The vehicle for this transformation is a landmark commercial entertainment, shopping, and hospitality development that covers 1,500 acres and hosts more than two million square feet of space. It represents \$870 million in combined public and private investment. Home to the nationally renowned Kansas Speedway and Village West, a cluster of innovative commercial destinations anchored by Cabela's World's Foremost Outfitters and Nebraska Furniture Mart, the site attracts eight to 10 million visitors annually and generates more than \$53 million in annual state and local sales tax revenue, plus more than \$9 million in net new property taxes for taxing districts. Originally projected for completion in 2019, only 40 useable undeveloped acres remain. Pending transactions that will utilize all remaining inventory are on pace to close in 2009.

The discussion that follows details the confluence of factors that made this truly unique, wildly successful development a reality, including

- Local government reorganization,
- Cooperative state legislation,
- Market forces,
- Strong public leadership,
- Effective development management, and



Nebraska Furniture Mart was one of the original retailers to commit to the project and remains one of the top destination points for visitors to Village West.

- Most importantly, the willingness of government to assume an uncharacteristic level of entrepreneurial risk and creativity while partnering with private investors and the development community.

### FOUNDATION STEPS

Village West would not exist today without the convergence of two unique circumstances. The first was the decision of Kansas City, Kansas, and Wyandotte County to combine their operating gov-

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### 1,500-ACRE VILLAGE WEST TOURISM DISTRICT, KANSAS CITY, KANSAS

Reaffirming the adage that "chance favors the prepared mind," a massive development is born in eastern Kansas as entrepreneurially inclined municipal officials seize an opportunity to transform an underutilized, but strategically located, tract of land into a tourist Mecca anchored by a most atypical tenant – a NASCAR race track. An accommodating state legislature, capable development direction from private sector specialists, creative team-based problem-solving, and favorable market forces combine to create a major tax-generating asset – one that will increasingly strengthen the economic fiber of the community for decades to come as new users are drawn to underdeveloped parcels bordering the original development district.

ernments. The second was the action of the Kansas legislature to support this new growth-minded government in the acquisition and assembly of diverse parcels under separate ownership and to finance the creation of a tourism district to help fund development on the resulting mammoth tract.

### LOCAL GOVERNMENT UNIFICATION

In a historic vote April 1, 1997, the citizens of Kansas City, Kansas, and Wyandotte County agreed to consolidate their governments. For Kansas City Mayor Carol Marinovich, the vote culminated a two-year effort she had spearheaded through a state-appointed Consolidation Study Commission. The new merged entity became known as the Unified Government (UG). While the union created tremendous administrative efficiencies and paved the way for cost-saving headcount reductions, perhaps its most significant benefit was to align the goals of the governing bodies on issues of economic import.

Prior to consolidation, Kansas City, Kansas, was not considered an attractive area for commercial development. Neighborhoods were run down in the older, urban portions of the city. There were no restaurants, few national retailers, no movie theater, and no tourist destinations. Property taxes were high. Real estate values were low. Accelerating population migration from residential neighborhoods adjoining the city's urban core to new, more affluent suburban locales in adjacent Johnson County, Kansas, exacerbated the situation. A key goal of the unification effort was to stabilize inner ring neighborhoods and, over time, attract new private investment where private disinvestment had prevailed.

Marinovich, a former school teacher and two-term member of the Kansas City, Kansas, City Council prior to her election as mayor, is widely acknowledged for leading the charge for consolidation and for championing the creation of Village West and the NASCAR race track. However, equally important was the support of Kansas Republican Governor Bill Graves and a coalition of moderate Republican legislators representing suburban Kansas City and Democrats representing urban Kansas City and Wyandotte County. The coalition needed all of its combined political strength to fend off fierce and well-organized opposition from out-state legislators who decried the state-backed financing tool ultimately created to be a misdirected use of public power and improper channeling of public resources for the benefit of private business.

While a challenge to accomplish, consolidation of the city and county was not as daunting as it might be in many other metropolitan areas. Three municipalities comprised all of Wyandotte County, with Kansas City,

Kansas, occupying 85 percent of the land in the county. Hence, the merger brought together two units of government sharing in large measure the same geographic area. At the same time, it was important that the new UG respect the autonomy of the two municipalities comprising the remaining 15 percent of the county as it assumed responsibility for delivering municipal services to the larger area. Also, the driving force behind the initiative was compelling: to cut taxes across the board by cutting duplicative municipal and county staff and service operations.



Following a seven-month competition, led by the Unified Government on behalf of the Kansas site, the Unified Government is awarded the speedway. The 1.5 mile tri-oval, 75,000-seat automobile racetrack began construction on May 25, 1999 and opened on June 1, 2001.

A key goal of the unification effort was to stabilize inner ring neighborhoods and, over time, attract new private investment where private disinvestment had prevailed.

### INTERNATIONAL SPEEDWAY CORPORATION SEEKS SITE IN KANSAS CITY SMSA

As Marinovich was rallying support in 1996 for her merger initiative, International Speedway Corporation (ISC) began its search for a site in the Midwest suitable for a major new speedway.

On January 10, 1997, ISC announced that it had narrowed its list of finalists to two sites – both in metropolitan Kansas City near intersections of Interstate-435 (I-435) and Interstate-70 (I-70). However, the twist was that one site was in Missouri, the other in Kansas. The Missouri site lay in the eastern part of the Kansas City SMSA where the I-435 beltway intersected I-70 adjacent to the Truman Sports Complex. The Kansas site was in the western part of the region where the same beltway intersected I-70 in Kansas. Understandably, a spirited competition ensued between Missouri and Kansas for the prized 1,100-acre tourist attraction.

On the same day that voters approved the creation of the UG, the newly elected government first met with ISC representatives. As part of the due diligence process, the



city government began determining the appropriate location to assemble the necessary 1,100-acre site for the race track and to take advantage of Kansas' unique STAR Bond Tourism District enabling legislation. However, site assembly would not be easy.

Determining the location along I-70/I-435, roughly 160 separate parcels had to be acquired. Most held single family homes, large-lot "country estates" with small-scale agricultural operations, exurban "ranchettes," plus a smattering of low intensity commercial and industrial facilities. As UG-ISC negotiations continued favorably, the UG boldly decided to boost its planned land holdings to 400 acres to reach the maximum of 1500 acres allowable by statute for a tourism district eligible for use of STAR bond financing.



*The Kansas Speedway hosts more than 200 events annually.*

While UG staff initially recommended that the body purchase only 100 acres, its Board of Commissioners decided to go for the limit – even though there was no dedicated source of repayment for the land acquisition. UG commissioners took this daring step, backed only by general revenue funding, believing that its control of the entire tract would:

- Enable it to more fully capitalize on the enormous popularity of automobile racing since the track would be a "one of a kind" destination in greater Kansas City and the upper Midwest,
- Pave the way for it to implement an effective district-wide tourism master plan, and
- Mitigate exposure to higher future land costs.

On August 6, 1997, following a two-month competition led by the city on behalf of the Kansas site, the city of Kansas City, Kansas, was awarded the speedway. Among the reasons why it won out over the Missouri site were:

- The availability of STAR Bond financing for both public infrastructure and major portions of private facilities,
- Its ability to use eminent domain as necessary to consolidate – in a timely manner and at fair market

value – the properties occupying the 1,100-acre footprint of the speedway,

- A high visibility location with ready access to the entire metropolitan area at a strategic regional interchange,
- Ready access to Kansas City International Airport, just 16 miles due north on I-435, and
- Sufficient land to accommodate extensive complementary shopping, entertainment and hospitality uses, and parking.

On January 18, 1998, the UG presided over the successful sale of \$18 million in short-term development bonds to acquire the additional 400-acre property – a move that paved the way for the construction start of the speedway on the 1,100 adjoining acres. Funding the \$283 million racing complex was \$167 million in public funds comprised of STAR Bonds supported by annual sales taxes, utility company contributions and matching funds from the local road improvements budget plus \$116 million in private equity from ISC.

With the Speedway an emerging reality, the UG sprang into action to prepare the tract for development. One key action was to expedite relocation of more than 140 residential and commercial occupants within the footprint of the development. Another action, with an assist from the Kansas Department of Transportation, was to realign east-west US Highway 24 to wrap around the racetrack on the north.

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On May 25, 1999, construction commenced on the Kansas Speedway - a 1.5 mile tri-oval automobile race-track with 75,000 seats and 72 luxury suites. It opened June 1, 2001. Since then, grandstand seating has been expanded to 82,000 – with plans to ultimately increase seating to 150,000. Currently, the track hosts more than 200 events annually including such major events as the IndyCar Road Runner Series, NASCAR Truck Series, NASCAR Sprint Cup Series, NASCAR Nationwide Series, and ARCA RE/MAX Series. The facility is perennially sold-out.



## CRITICAL STATE FISCAL INCENTIVE

In early 1999, the Kansas state legislature passed a law to

*“...promote, stimulate and develop the general and economic welfare of the state of Kansas and its communities and to assist in the development and redevelopment of blighted areas and deteriorating areas which are not yet blighted, but may be so in the future located within cities, environmentally contaminated areas located within and without cities, enterprise zones located within cities and, major tourism areas ... by authorizing cities to acquire certain property and to issue special obligation bonds and full faith and credit tax increment bonds for the financing of predevelopment projects.”*

Ultimately, the form of tax increment financing (TIF) created by the bill came to be known as “STAR (sales tax revenue) bonds.” STAR bonds enabled municipalities to issue state-backed taxable or tax-exempt bonds to support the development of large commercial entertainment or tourism areas. The incremental sales tax created by the new development funds debt service payments. Additionally, unlike many tax increment financing programs, the full state, local, and school district portions of the sales tax levy are dedicated to retiring the STAR bonds. Effectively, all retail sales tax (approximately 7 percent) and hotel tax generated by Village West is channeled to retiring its bonds.

The STAR bonds concept traces its roots to the state's response to a 1992 proposal from California-based Landmark Entertainment to create an entertainment and theme park based on the story of the Wizard of Oz and its nexus in Kansas. While essentially unused after the Landmark development plan faded away, STAR emerged as a key factor in the decision of the ISC to locate its race track in the Kansas portion of the metropolitan region. The only significant change needed to tailor the legislation to the ISC project was to extend the time frame for bond repayment from 20 to 30 years.

However, the deal that the state made in support of the Village West development specifically excluded planned Target and JC Penney stores as bond-financing sources. All sales tax revenue generated by the two stores was to flow to public coffers. And, further mitigating the direct net tax effect on the UG was the fact that the land on which Village West rests was primarily farmland or sparsely populated residential. There was minimal commercial development, hence no significant retail sales tax base.

In 2006, the original STAR Bond legislation that powered the formation of Village West was amended to make it applicable only to projects of “statewide significance” that met specified employment and investment performance targets. While the modified law had no effect on Village West since it was approved and underway with its bonds sold, its success as a tourism magnet would fulfill the intent of the revised legislation.



*Cabela's was one of the first major tenants to commit to the Village West development, helping the vision come to life.*

## STRONG DEVELOPMENT TEAM

In addition to the leadership provided by Mayor Marinovich, the committed teamwork of Wyandotte County Administrator Dennis Hays and Assistant County Administrator Doug Bach, and the critical support of the governor and state legislature, a strong team of professional advisors helped Village West come to be.

To meet a STAR Bond legislative requirement that a local government employ a “master developer” to ensure the creation of a competitive district, the UG engaged Kansas City-based Zimmer Real Estate Services, L.C. to act as its master developer. In that capacity, Zimmer authored and implemented a master plan for the 1,500-acre expanse. It guided marketing, oversaw the activities of collaborating developers, and ensured that specific parcels at Village West were developed as planned.

Other advisors playing key roles were: Springsted Financial Advisors; two law firms, Stinson Morrison Hecker and Gilmore & Bell; Grant Thornton, accountants and business advisors; Oppenheimer Investment Bankers, who were key in identifying and attracting anchor users; Integra Realty Resources for private equity funding and structured transactions; and Alvarez and Marsal Public Sector and Real Estate Advisory groups.

## DESTINATION RETAIL AND ENTERTAINMENT DISTRICT TAKES SHAPE

With its 1,100-acre anchor, the Kansas Speedway, in place, the UG focused its development team on exploiting the opportunity presented by the remaining 400 acres, focusing on destination retail, hospitality, and entertainment prospects in accordance with the objectives of the STAR Bond legislation.

In addition to the presence of the NASCAR track, the area's strategic position within the bi-state region and its outstanding highway access and visibility were key features contributing to eventual success. The site fronted both I-435 and I-70 with access to the local road network by means of two, new full four-way interchanges. The site was bounded by a state highway and two primary arterial roads.

Buoyed by a regional and national economy which supported the growth aspirations of expansion-minded national retailers, the UG debuted in February 2001 its plans for a 1.7 million-square-foot destination entertainment, hospitality, and retail shopping complex. Within six months, that plan came to life as three anchor users committed to the development. These users are discussed along with the other major components of the Village West Tourism District.

### **Cabela's World's Foremost Outfitters**

In fall 2001, the UG executed a development agreement with Cabela's Inc. (NYSE: CAB), the world's largest direct marketer of hunting, fishing, camping, and related outdoor merchandise with 29 retail outlets in the United States and Canada. A year later, the Sidney, Nebraska-based firm opened a 190,000-square-foot destination facility that is part wildlife museum, part wildlife education center, and part store. The facility at Village West features the largest collection of trophy mule deer mounts in the world, a large fresh water aquarium, an African diorama, a fresh water stream with live trout, and a winter mountain vista populated with wild life. The store continues to post excellent sales.

### **Nebraska Furniture Mart**

The UG also inked Nebraska Furniture Mart to an agreement for development of a 712,000-square-foot retail outlet and companion 300,000-square-foot distribution center on 80 acres at Village West. When it opened in Summer 2003, the retail building ranked as the largest home furnishing store in North America, selling furniture, flooring, appliances, and electronics. Based in Omaha, Neb., the company is today a subsidiary of Berkshire Hathaway Corporation.

### **Great Wolf Lodge**

Great Wolf Lodge is a 272-room rustic-themed, family-oriented hotel centered on a 40,000-square-foot, three-story indoor water park built adjacent to Cabela's. The year-round attraction also offers an Aveda® Spa, a 188-seat casual restaurant, a huge arcade, meeting space, and a fitness center. It was developed by Great Wolf Resorts, Inc.® (NASDAQ: WOLF), a Madison, Wisc.-based company that is the largest operator of indoor waterpark resorts in North America.

### **Community America Ballpark**

In Spring 2003, the UG opened Community America Ballpark, a 4,500-seat baseball stadium that is home to the Kansas City T-Bones, an independent minor league team and one of six squads that form the Northern League. The T-Bones perennially lead the league in attendance and present families with a pocketbook-friendly alternative to attending a major league contest at Royals Stadium.



*Community America Ballpark, home to the Frontier League's Kansas City T-Bones Minor League baseball team, opened in spring 2003. The park seats 4,500 and serves as an economic alternative to Major League Baseball's Kansas City Royals.*

### **Chateau Avalon**

As Community America Ballpark was opening, the UG was executing a development agreement to bring Chateau Avalon, a romantically themed 62-room boutique hotel, to Village West. One of six super-luxury hotels operated by Seattle, Wash.-based Coastal Hotel Group, Chateau Avalon targets affluent couples celebrating a wedding or anniversary. It offers such whimsically themed rooms as the "Mysteries of Egypt," "Jungle Safari," "Hayloft," and "Enchanted Forest." The hotel opened in 2004.

### **Legends at Village West Shopping Center**

In Spring 2004, three years after the opening of the Kansas Speedway and securing commitments from Cabela's, Great Wolf, and Nebraska Furniture Mart, the UG signed a development agreement with RED Development, a national commercial developer based in Kansas City, to launch a 750,000-square-foot regional lifestyle shopping and entertainment center at Village West.

Opening in late Fall 2005 after more than \$500 million in investment, the development, The Legends at Village West, subsequently grew to more than 120 store-

fronts and restaurants encompassing 1.2 million square feet. The upscale enclave is anchored by TJ Maxx, Dave and Buster's, and The Legends 14 Theatre. Notably, the theater is located in the middle of the life-style center but is owned by the UG and leased to a private operator.

The Legends also offers 15 restaurants in a range of concepts and sizes, including T-Rex, a 20,000-square-foot dining destination where dinosaurs come to life in an extravagant theatrical setting.

## VILLAGE WEST PROJECT TIMELINE

### JANUARY 10, 1997

International Speedway Corporation (ISC) announces two finalist sites in metro Kansas City, one in Missouri and one in Kansas, for a race track it plans to develop. A competition for the race track ensues.

### APRIL 1, 1997

Kansas City, Kansas, and Wyandotte County vote to consolidate governments.

### APRIL 1, 1997

The new Unified Government meets with ISC.

### JANUARY – AUGUST 1997

The UG gains control of 160 separate parcels to assemble the necessary 1,100-acre site.

### JANUARY 1997 – JANUARY 1998

To capture the spin-off economic benefits of the race track, the UG assembles another 400 acres to reach the maximum 1,500-acre development size stipulated by Kansas state STAR Bond legislation.

### AUGUST 6, 1997

ISC selects the Kansas site.

### JANUARY 18, 1998

The UG sells \$18 million in bonds to fund the 400-acre purchase – a move that paves the way for the start of the raceway.

### MAY 25, 1999

Construction begins on the Kansas Speedway.

### 1999 KANSAS LEGISLATIVE SESSION

The Kansas state legislature passes tax increment financing that comes to be known as STAR (sales tax revenue) Bonds.

### 1999

The UG names Zimmer Real Estate Services, L.C. master developer.

### FEBRUARY 2001

The UG unveils plans for a 1.7-million-square-foot destination entertainment, hospitality, and retail complex. Within six months, three anchor tenants – Cabela's Inc., The Great Wolf Lodge, and Nebraska Furniture Mart – commit.

### JUNE 1, 2001

The Kansas Speedway opens.

### SPRING 2003

Community America Ballpark opens.

### SPRING 2004

RED Development is selected to develop a 750,000-square-foot life-style entertainment /retail center at Village West.

### 2004

Chateau Avalon, a boutique hotel, opens.

### FALL 2005

The Legends at Village West opens with more than 120 storefronts and 1.2 million square feet.

### 2006 KANSAS LEGISLATIVE SESSION

STAR Bond legislation is amended to make it solely applicable to projects of "statewide significance" that meet employment and investment performance targets.

### 2008

Construction begins on Schlitterbahn Vacation Village Water Park, a \$750-million entertainment/retail complex adjacent to Village West.

### JUNE 2009

Phase I of Schlitterbahn Vacation Village Water Park opens.

### DECEMBER 2009

The 40 remaining undeveloped acres at Village West now under contract are scheduled to close.

### 2010-2012

Projected retirement of STAR Bonds – seven to eight years ahead of schedule.

### 2019

Original projected completion date of Village West.



In thematic support of its name, the shopping center honors more than 80 famous Kansans by portraying them on medallions, posters, murals, and in sculpture throughout the development. Shoppers can learn more about each honoree and about the history and heritage of Kansas by taking a walking audio tour.

### CATALYST FOR ADDITIONAL DEVELOPMENT

It comes as no surprise that Village West has become a catalyst for subsequent development. In fact, a project now under construction, Schlitterbahn Vacation Village Waterpark, actually rivals it in development value weighing in at \$750 million when all phases are completed. Phase I of the trendsetting entertainment destination and shopping and lodging complex opened this summer.

Village West was conceived by the UG to capitalize on both a highly accessible location and truly unique anchor – a NASCAR race track. It also was able to take full advantage of state legislation that was intended to provide financial support for creation of a landmark tourism-focused district with a critical mass of major shopping and entertainment marquees and hospitality flags.

A pending venture of the Kansas Speedway and The Cordish Company will introduce a Hard Rock Hotel & Casino to a tract bordering the raceway. The initial development phase carries a projected completion of approximately \$370 million and, in addition to a casino and hotel, will include retail and entertainment elements. Notably, no public incentives have been requested to fund this project. And, three other major proposals for the Village West district are in the wings.

### NEVADA AND ILLINOIS INVESTIGATING CONCEPT

The Village West public/private partnership concept is proving exportable. Its success in Kansas City has spurred efforts to clone both the enabling fiscal incentive (STAR Bonds) and the development concept in the Reno and Las Vegas areas of Nevada and in the Illinois suburbs of St. Louis.

### CONCLUSION: REASONS FOR SUCCESS AND LESSONS LEARNED

Village West was conceived by the UG to capitalize on both a highly accessible location and truly unique anchor – a NASCAR race track. It also was able to take full advantage of state legislation that was intended to provide financial support for creation of a landmark tourism-focused district with a critical mass of major shopping and entertainment marquees and hospitality flags. Aside from the remarkable physical transformation of the previously underdeveloped site, the other concrete outcome was the creation of a mighty tax-gen-

erating engine powered by a diversified tax base in a community in desperate need of stronger fiscal underpinnings. Further, the district wields state-wide economic clout.

If current trends persist, the UG will realize the full fiscal benefits of the district far sooner than anticipated. At the current rate of accrual, the STAR bonds will be retired in 12 to 13 years from issuance, rather than the 20 years originally projected. When the bonds are retired in about 2012, the full stream of retail sales taxes generated by Village West will flow to state, local government, and school districts.

For those hoping to emulate the success of Village West, here are some key factors to keep in mind.



*In 2001, the Great Wolf Lodge, along with Cabela's and Nebraska Furniture Mart, made commitments to open facilities at the Village West development.*

- Acquire or otherwise control sufficient land to enable a critical mass of activity and uses to become a better market “mousetrap.” This is not to suggest that 1,500 or even 400 acres is required, only that the site be appropriate to the requirements and potential of the specific market, community, and physical locale. Ten acres could spark a transformative venture in a strategic downtown location. It is also clear that in many cases judicious application of the power of eminent domain may be necessary to ensure the requisite site assembly. That, in turn, should accrue to the economic benefit of the original property owners through realization of a portion of the incremental gain in property value created by the land assembly.



- Have a bold vision backed up by a realistic, practical, and achievable master plan. When that master plan can best be actualized in pieces, engage a master developer capable of attracting different specialized developers and users and mold these into a unified whole. The cost of this service can readily be compensated by the additional increment of value created from a smoothly functioning and more competitive overall project or district.
- A strong unified government capable of seeing beyond the lowest common denominator can be critical in overcoming petty concerns and conflicts to successfully create and implement a challenging vision. No better example of cohesive, visionary leadership could be advanced than the Unified Government of Wyandotte County and Kansas City, Kansas, in making the NASCAR race track and Village West a reality.
- A dynamic public leader can make all the difference. Throughout the multi-year process beginning with government reorganization and culminating in Village West, Mayor Marinovich saw the “big picture” and was willing to champion entrepreneurship and take calculated risks in her public role.
- No significant project, no matter how thoughtfully and masterfully conceived, is likely to be perfect. In the case of Village West, many say a restriction should have been imposed limiting properties adjoining the racetrack and Village West from access to STAR bond financing. All things considered, they are probably right in asserting that the incentive is not needed to attract peripheral development. As it stands now, some developments springing up around the master property are being qualified for STAR bond financing. 🌐

A strong unified government capable of seeing beyond the lowest common denominator can be critical in overcoming petty concerns and conflicts to successfully create and implement a challenging vision. No better example of cohesive, visionary leadership could be advanced than the Unified Government of Wyandotte County and Kansas City, Kansas, in making the NASCAR race track and Village West a reality.

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# city of boulder, colorado's,

## FLEXIBLE REBATE INCENTIVE PROGRAM

By Liz Hanson

Tokyo. San Francisco. Chicago. Berkeley. Boulder. Boulder is one of those cities that now goes by one name. Boulder has come to be known for certain things. The distinctive “flatirons” mountain backdrop. The outdoor pedestrian Pearl Street Mall. The University of Colorado. High tech and natural foods companies. Progressive planning and open space policies. And being a bit, well, different. One thing Boulder hasn’t been known for is its economic development. Boulder doesn’t call it economic development – instead: “economic vitality.” So when the city of Boulder won a 2008 IEDC Award for Excellence (in the category of “Sustainable and Green Development”), even Harvard called, inviting an application for its Innovations in American Government Award. What is Boulder doing that is so different again?

### BOULDER AND ECONOMIC VITALITY

**b**oulder’s Economic Vitality Program is a relatively new part of city government. Economic development was not an identified function of the city until 2003, when \$2.9 million in urban renewal bond reserve funds were set aside for a five-year “Economic Vitality” program. The program was continued through 2009 and funding is now being planned for 2010 and ongoing years.

For many years, there was a local and regional perception that Boulder had an attitude toward business that was either “ambivalent” or “anti-business.” The city’s efforts of the past six years, including the funding of a proactive and growing Economic Vitality Program, show that Boulder actively supports the retention and expansion of



Mountain views from the conference room of the award-winning OZ Architecture’s new offices at Boulder’s Twenty Ninth Street retail district.

existing local businesses and maintains a positive business climate.

Primary employers such as manufacturing and research/development companies, as well as the University of Colorado, federal laboratories, retail businesses, arts and culture, and tourism all play strong roles in the Boulder economy. A goal of Boulder’s Economic Vitality Program is to leverage all of these components of our community to build a sustainable economic base to support the quality of life the Boulder community desires. To learn more about Boulder’s Economic Vitality program,

Liz Hanson is economic vitality coordinator for the city of Boulder, Colorado. (HansonL@boulderco-orado.gov)

### ECONOMIC DEVELOPMENT THROUGH SUSTAINABILITY

This article describes the origin, economic impact, and effectiveness of the city of Boulder, Colorado’s, flexible rebate incentive program, first adopted in October 2006. In order to qualify, companies verify compliance with community and environmental sustainability guidelines. Including these guidelines was key to City Council support and adoption of Boulder’s first business incentive program. For 2008 and 2009, the guidelines were revised and expanded. This is the only business incentive plan in the country that is specifically tied to compliance with community sustainability guidelines and policies.

*please visit our web site at [www.bouldercolorado.gov](http://www.bouldercolorado.gov) and click "Business" at the top of the city's home page.*

In 2006, Boulder was the only municipality in the region that did not offer some sort of business incentive program. The Boulder City Council discussed how over the last five years Boulder had experienced a decline in overall economic activity and an increased outflow of local businesses moving to other cities. This trend contributed to the loss in city revenues from sales and use taxes as well as construction fees and taxes. In this context, Economic Vitality staff recommended the adoption of four business incentives: 1) a flexible tax and fee rebate program, 2) employee training assistance, 3) a loan pool, and 4) a Boulder employee discount to city parks and recreation facilities. These incentives were funded by the Economic Vitality budget and implemented as a pilot program in 2007 to evaluate their impacts and measure community acceptance.

Also in 2006, Boulder created a new business liaison position. This full-time staff member oversees the Economic Vitality work program and provides general assistance to existing and prospective Boulder businesses, administers business outreach and incentive programs, oversees sponsorships, and assists businesses with planning and development issues.

### **SUSTAINABILITY-BASED BUSINESS INCENTIVES**

Boulder's 2007 Pilot Business Incentive Program, later refined for 2008 and 2009, was adopted to provide business incentives to help primary employers invest in Boulder by upgrading their facilities and equipment. Aimed primarily at encouraging the growth and retention of homegrown companies in Boulder, it is flexible enough to allow for recruitment of businesses deemed a "perfect fit" for the community.

The largest part of the incentive program, the flexible rebate program, is designed to not only keep businesses in Boulder, but to focus on retaining and attracting businesses with sustainable practices. In order to qualify for

consideration under the flexible rebate program, companies must verify compliance with Boulder's community and environmental sustainability guidelines. The inclusion of these guidelines was key to City Council support and adoption of the incentive program. Development of community and environmental guidelines was done in the context of the city of Boulder's current community sustainability policy and extensive green development programs. (See sidebars.)

### **OVERVIEW OF CITY OF BOULDER, COLORADO'S, COMMUNITY SUSTAINABILITY POLICY**

From the Boulder Valley Comprehensive Plan and the Social Sustainability Strategic Plan: The adopted Community Sustainability Policy for Boulder, Colorado, is that the city and county recognize:

- The critical interrelationships among economic, social and environmental health;
- The way we produce, trade and consume impacts our ability to sustain natural resources;
- Social and cultural equity and diversity creates valuable human capital that contributes to the economy and environmental sustainability;
- Planned physical development has an impact on social conditions and should be considered in community planning; and
- The quality of environmental, economic and social health is built upon the full engagement and involvement of the community.

The city and county seek to maintain and enhance the livability, health and vitality of the Boulder Valley and the natural systems of which it is a part, now and in the long-term future.

The city and county seek to preserve choices for future generations and to anticipate and adapt to changing community needs and external influences.

### **OVERVIEW OF CITY OF BOULDER OFFICE OF ENVIRONMENTAL AFFAIRS GREEN DEVELOPMENT PROGRAMS**

The city of Boulder's Office of Environmental Affairs (OEA) provides leadership to achieve Boulder's goals of environmental sustainability and quality. Its mission is to prevent pollution, reduce resource consumption and promote environmentally sustainable practices. OEA develops city policy, offers educational programs and partners with citizens, businesses, and other organizations to protect Boulder's environment.

Programs coordinated by OEA include efforts to increase recycling, promote energy efficiency and renewable energy, and green building. These programs are designed to not only promote environmental sustainability, but also work to create an economically vital and progressive working environment by educating Boulder businesses and residents about both the environmental and economic benefits of sustainability. Boulder's programs include:

- Single Stream Recycling
- Curbside Composting
- Partners for a Clean Environment
- Residential Energy Action Program
- ClimateSmart at Work
- 10 for Change Challenge
- Solar Grant Fund
- Solar Sales and Use Tax Rebate
- Income Qualified Weatherization
- Green Points (building permit program)





In 2006, one of the world's hottest ad agencies, Crispin Porter + Bogusky, opened a new office in Boulder. The office has grown to 525 employees in three years. CP+B's client list includes Burger King, American Express OPEN, Domino's, Microsoft, Old Navy, and Volkswagen.

For Boulder, community sustainability is a philosophy and framework to help the city make decisions by looking at the long-term implications for the community. The sustainability process integrates economic vitality, social equity and responsibility, and environmental quality goals, and prioritizes work and resources based on these goals and the values of the community. Known locally as Boulder's "three-legged stool," community sustainability is a practical and actively used policy framework, rather than a theoretical concept.

### BOULDER'S FLEXIBLE REBATE PROGRAM

Under Boulder's flexible rebate program, the city manager along with Economic Vitality staff has the authority to negotiate an incentive package to meet a company's specific needs. In 2007, \$500,000 was invested in tax/fee rebates to seven primary employers ranging from \$24,807 to \$100,000. In a constrained budget environment in 2008, a total of \$322,135 in tax/fee rebates was approved for eight primary employers. The 2009 program is underway with a \$350,000 budget.

This program is reserved for primary employers (defined as a business or organization which generates at least 50 percent of its revenues from outside of Boulder County). The focus on primary employers is based on the fact that these companies sell their products and services on a regional, national, and international basis and bring new money into the local economy. Also, they typically pay higher average salaries, enabling their employees to support the local retail and service economy.

To ensure that rebate recipients are contributing to a sustainable community, City Council adopted sustainability guidelines for the 2007 pilot program. For 2008, the Boulder City Council expanded the guidelines to include *community and environmental sustainability* guidelines, in addition to the existing *social sustainability* guide-

lines. The guideline options were further expanded for the 2009 program.

Sustainability incentive guidelines were developed that can provide significant social, environmental, and economic benefits to Boulder businesses. City staff focused on areas that were considered to have potential for *additional encouragement or incentives* to the business community. Because each company is different and has differing abilities to meet certain guidelines, the expanded 2009 program provides more flexibility to allow companies to choose the guidelines that fit best.

Applicants for the Flexible Rebate Program complete an online application to verify compliance with social, environmental, and community sustainability guidelines by choosing a minimum number of "points" and documenting compliance in the areas listed below. To review the application, including eligibility requirements and sustainability guidelines, please visit the city of Boulder web site at [www.bouldercolorado.gov](http://www.bouldercolorado.gov), click "Business" at the top of the home page, and then "Business Incentive Programs" on the left.

#### Social Sustainability:

- Average wage requirement
- Health insurance
- Diversity support
- Non-profit support
- Dependent care
- Housing assistance

#### Environmental Sustainability:

- Energy: Energy assessment, "10 for Change Challenge" (a local program to support energy use reduction by 10 percent over a year), energy savings training, and renewable energy (credits or installation)
- Waste Reduction: Recycling program, zero waste program, and environmental purchasing policy

This program is reserved for primary employers (defined as a business or organization which generates at least 50 percent of its revenues from outside of Boulder County). The focus on primary employers is based on the fact that these companies sell their products and services on a regional, national, and international basis and bring new money into the local economy. Also, they typically pay higher average salaries, enabling their employees to support the local retail and service economy.



- **Energy Certifications:** Local certification program or LEED (Leadership in Energy and Environmental Design) ratings
- **Transportation:** Employee commute trip reduction program, bus pass / transit program, and financial incentives for transit costs or subsidies

### Community Sustainability:

- **Business practices** that further the city's policies related to sustainability
- **Buying in Boulder:** Purchasing a minimum of 25 percent of its total goods and services (based on value) from businesses located in the city of Boulder.

Under this program, employers are not eligible for a rebate until they have made their investment and paid the applicable taxes or fees to the city. To maximize flexibility and impact, the program covers a wide range of fees and taxes charged by the city including:

- permit and development review fees
- construction use taxes
- use taxes paid on durable goods such as equipment, furnishings, and computers.

If awarded, companies must sign a rebate agreement with the city agreeing to maintain a business presence in Boulder for a minimum of three years from receipt of the incentive as well as agreeing to comply with the community sustainability guidelines identified in the company's

If awarded, companies must sign a rebate agreement with the city agreeing to maintain a business presence in Boulder for a minimum of three years from receipt of the incentive as well as agreeing to comply with the community sustainability guidelines identified in the company's application for a period of three years.

application for a period of three years. Companies may request that the city manager approve rebates of taxes and fees paid in the current year and estimated taxes and fees for the following two years. However, rebate funds are paid to a company only at the time that receipts are submitted. Receipts may be submitted in "batches," e.g. on a quarterly basis.

### THE COMPANIES

In 2007, seven Boulder primary employers were awarded rebates totaling \$500,000. All seven companies signed rebate agreements and six of the seven have completed submittal of receipts for the total amount of their rebate approval. In 2008, the second year of Boulder's flexible rebate program, \$322,135 in tax/fee rebates were awarded. It is interesting to note that the 2008 recipi-

ents are generally smaller companies than the 2007 applicants (in terms of number of employees and overall revenues). Ten applications were received and two were withdrawn. The 2009 program is in process with six applications and three approvals. The 2008 and 2009 recipients are in the process of signing rebate agreements and submitting receipts for issuance of rebate funds.

The list of rebate recipients has reflected the variety of Boulder's primary employers in size and industry, with clusters in high technology, natural and organic foods, "active living," and clean technology / renewal energy companies. Many are "homegrown" companies that had their start in Boulder and are now thriving and growing, expanding in new Boulder locations. In the first three years of the flexible rebate program, companies approved for rebates include:



A new \$1.15 million clean room at Advanced Thin Films, a precision optics company that moved to Boulder in 2008. The company offsets all of its electricity consumption with purchased wind energy credits.



Eco-Products, a distributor of compostable products, expanded and relocated to Boulder facility which features one of the largest solar power installations in Boulder County.

- **Larger employers:** IBM, Ball Aerospace, advertising agency Crispin Porter + Bogusky, financial software company Wall Street on Demand
- **Energy companies:** Namasté Solar and Siemens (opened the first U.S. wind power research facility in Boulder in 2008)
- **Technology and software companies:** Rally Software, Solekai Systems, HP LeftHand Networks, VisionLink, Advanced Thin Films (optics)
- **Natural food companies:** Chocolive and Seth Ellis Chocolatier
- **Compostable distribution company:** Eco-Products
- **Publishing company:** Mountain Sports Media

- **Architectural firm:** Oz Architecture
- **Active living gear company:** Sea to Summit
- **Nonprofit organization (national radio broadcasts):** eTown

See Table 1 for a list of all flexible rebate companies and the rebates approved.

A report by the Boulder Economic Council on the 2007 pilot flexible rebate program concluded that while the incentives may not have been the sole factor in the companies' decisions to remain in Boulder or to expand/renovate their facilities, the incentives were a significant part of those decisions. In several cases, it could be considered as the "tipping point." This program helped these companies determine that Boulder wanted them as community members, valued their contributions in sustainability, and made it worthwhile to invest here. Following are some quotes from these companies.

- "We're thrilled to be approved for participation in this program and pleased to be staying in Boulder as it is the 'Silicon Valley' of storage, which aligns nicely with our business." – John Hillyard, chief financial officer, LeftHand Networks (now HP LeftHand)
- "Boulder has widespread name recognition among 'foodies,' and it was our desire from the start to have a Boulder address. Having the city's support and interest as we've created a world-class chocolate production facility has helped us work smarter and faster, with fewer false starts. This is a wonderfully supportive community for our business, and we're pleased to call Boulder our home." – Rick Levine, manager and a founder, Seth Ellis Chocolatier
- "We're a Boulder company at heart and we're grateful that the city of Boulder was able to offer these incentives to keep our headquarters here. Community involvement and sustainability are both incredibly important aspects of our culture. Our employees have led us to divert about 800 gallons of composting and contributed 800 volunteer hours in the first half of 2008. We're proud that the city's incentives rewarded us for being a good corporate citizen." – Tim Miller, CEO, Rally Software
- "It was very important to us to keep our main office in Boulder. If it weren't for the city's flexible rebate program, it would have been difficult for us to accomplish this. We plan to utilize the rebate funds to pursue LEED Gold certification for our building and set a positive example for the Boulder community. We're so happy to be staying in Boulder – there's no place we'd rather be!" – Blake Jones, CEO and president, Namasté Solar
- "Since Eco-Products grew up in Boulder, it is important for us to remain here. The Economic Vitality Plan allows us to remain a part of this vibrant community." – Steve Savage, CEO, Eco-Products.
- "The 2008 business incentive program rebate is allowing us to make our office a better place for our employees to work, and our employees are the reason

**TABLE 1**  
**CITY OF BOULDER'S FLEXIBLE REBATE PROGRAM**  
**LIST OF COMPANIES AND REBATES APPROVED**  
**2007 – 2009**

#### 2007

LeftHand Networks	Software/Tech	\$80,698
Crispin Porter + Bogusky	Advertising	\$100,000
Mountain Sports Media	Publishing	\$44,917
IBM	Computer Services	\$100,000
Ball Aerospace	Aerospace Tech	\$100,000
Solekai Systems	Digital Engineering	\$24,807.06
OZ Architecture	Architecture	\$49,577.94
<b>TOTAL APPROVED</b>		<b>\$500,000</b>

#### 2008

Advanced Thin Films	Optics	\$50,000
Siemens Power Generation	Wind Energy Research	\$50,000
Seth Ellis Chocolatier	Food Manufacturer	\$39,514
Wall Street On Demand	Software	\$50,000
Rally Software	Software	\$50,000
Namasté Solar	Solar Energy	\$29,086
Eco-Products	Compostable Distribution	\$29,000
Chocolove	Food Manufacturer	\$24,535
<b>TOTAL APPROVED</b>		<b>\$322,135</b>

#### 2009

Sea to Summit	Wholesale Distribution	\$10,820
VisionLink	Software	\$10,230
eTown	Nonprofit Radio Broadcast	\$50,000
IBM	Computer Services	Pending
Boulder Beer	Manufacturer	Pending
ProStor Systems	Data Storage	Pending
<b>TOTAL APPROVED AS OF 8/1/09</b>		<b>\$71,050</b>



Namasté Solar's staff at the company's newly remodeled building in North Boulder (LEED Gold certification pending).



*A worker prepares raspberry chocolate ganache at Seth Ellis Chocolatier of Boulder, a small organic chocolate manufacturer.*

we are in Boulder in the first place.” – Jessica Pappas, director of administration, Wall Street On Demand

- “This is a great example of the city’s effort to help attract and retain businesses within the city limits. With this rebate, the city of Boulder clearly acknowledges that the nonprofit and arts community play a significant role in the economic health and vibrancy of the city. For a small nonprofit like eTown, this is a big and expensive undertaking, and this rebate is especially appreciated.” – Nick Forster, president and CEO, eTown

## RETURN ON INVESTMENT: CONTRIBUTION TO ECONOMIC DEVELOPMENT

### 2007 Program

The city of Boulder contracted with the Boulder Economic Council (an arm of the Boulder Chamber) to calculate the return on investment for the \$500,000 in city tax and fee rebates awarded to seven primary employers in 2007 and the \$322,135 invested in eight companies in 2008. The report, presented to the Boulder City Council on April 22, 2008, found that the city will recoup a net \$6.1 million over a three-year period. In other words, for every one dollar invested in rebate incentives, the city will recoup an aggregate \$14.41 on a current-cash-flow basis.

The sustainability benefits were also assessed:

- All of the recipients have some level of philanthropic involvement with the community. These efforts range from fund-raising drives and direct help to non-prof-

its in getting the work done to significant donations. An overview of the specific philanthropic involvement was documented in the Boulder Economic Council report.

- All of the companies had a directive toward lessening their impact on the environment. Several rebate awards went directly towards “green” construction projects, including IBM’s \$89 million “green” data center and a LEED silver certified tenant finish for OZ Architecture.

### 2008 Program

The Boulder Economic Council’s analysis of the return on investment for the 2008 program finds a \$6.31 return for every one dollar invested in rebate incentives. There are several reasons why this rate of return is lower than the 2007 program:

- On average, the companies are smaller (in number of employees and total revenue) than the 2007 rebate recipients. The largest company, Wall Street on Demand, has the highest total return of \$23.10.
- A company like Siemens Wind Power has a lower total return (\$0.70) due to its small size and low capital investment. However, attracting Siemens’ first U.S. wind power research facility to Boulder will likely result in a spin-off effect of drawing additional companies with “green” jobs and research.
- The 2008 rebate program invested directly in several companies whose main mission focuses on sustainability efforts. Siemens, Namasté Solar, and Eco-Products fall in this category.

## LESSONS LEARNED

### Evolving Program

Since the 2007 pilot, the Flexible Rebate Program has been modified and refined each year based on city staff experience administering the program and on feedback from companies that have used it. Company comments and input have been critical to the development of each year’s eligibility requirements and sustainability guidelines. Past and current rebate applicants have been a yardstick as to whether compliance with draft guidelines was achievable or too onerous.

Since the 2007 pilot, the Flexible Rebate Program has been modified and refined each year based on city staff experience administering the program and on feedback from companies that have used it. Company comments and input have been critical to the development of each year’s eligibility requirements and sustainability guidelines. Past and current rebate applicants have been a yardstick as to whether compliance with draft guidelines was achievable or too onerous.



During development of the 2009 guidelines, smaller companies said that the proposed expanded list of guidelines would have given them more flexibility and options. Also, the city modified the definition of “primary employer” in 2008 – threshold changed from 75 percent to 50 percent of revenues from outside Boulder County – after working with two small businesses that were just below the 75 percent threshold but were growing primary employers making significant investment in their facilities. Staff research showed that if communities used any revenue threshold in their primary employer definitions, it was usually 50 percent.

### What Works

In a community that can be wary of economic development efforts, there are several factors that help make this program successful:

- **It is a rebate program.** No funds are distributed to businesses unless taxes and/or fees are paid and receipts submitted.
- **It is a broad business retention tool.** Sometimes, the existence of the program brings businesses to the attention of Economic Vitality staff. The program may learn of a company considering consolidation, expansion, or relocation that would not have otherwise contacted the city.
- **It is a tipping point.** The dollar amount of a rebate approval may not be the deciding factor. To a business deciding whether to leave or stay or expand in Boulder, a financial incentive can be an important consideration and an indication that the city values its presence and investment. City rebates have also helped leverage state of Colorado incentives.

The Flexible Rebate Program helps the city’s businesses meet community goals and be more sustainable in their business practices. As businesses throughout the community get more information about the rebate program, it increases the awareness of the city’s programs to help both businesses and residents develop sustainable practices. Even if businesses review the rebate program and do not apply, they learn about these city services.

- **Businesses demonstrate sustainability.** Discussed further below, the sustainability guidelines ensure that the city is investing in businesses that share the sustainability goals of the city. In fact, in many applications, Boulder businesses “brag” about the extent of their sustainability efforts and programs.
- **It is a reasonable city investment.** With annual budgets ranging from \$350,000 to \$500,000, Boulder may budget less for incentives than other communities. However, this budget is a “comfort level” in the context of the overall city budget and priorities.

### Economic Development Through Sustainability

The Flexible Rebate Program helps the city’s businesses meet community goals and be more sustainable in their business practices. As businesses throughout the community get more information about the rebate program, it increases the awareness of the city’s programs to help both businesses and residents develop sustainable practices. Even if businesses review the rebate program and do not apply, they learn about these city services.

Having criteria based on the community’s sustainability values demonstrates to the residents and employees in the community that the value of sustainable practices



*Two Ball Aerospace workers in the newly constructed 50-foot-tall high bay clean room, used to assemble taller satellites and aerospace equipment.*

and products is recognized and the city is working to incorporate these elements in programs, policies, and decision-making. Inclusion of these sustainability guidelines is critical to City Council and public acceptance of the incentive program, particularly in a community where many residents have concerns that city funds could be better spent than providing rebates to companies.

This program can be used as an example for and is easily transferable to other communities looking to create or develop incentive programs tied to social and

environmental sustainability goals. Sustainability guidelines can be customized according to each community's priorities and local programs. Boulder Economic Vitality

This program can be used as an example for and is easily transferable to other communities looking to create or develop incentive programs tied to social and environmental sustainability goals. Sustainability guidelines can be customized according to each community's priorities and local programs.

staff regularly receives inquiries from other communities that want to learn more about the program, as they develop or revise their own incentive options. 🌐



THE ECONOMIC DEVELOPMENT  
RESEARCH PARTNERS (EDRP) PROGRAM

**DESIGNATED FOR INNOVATIVE LEADERS  
IN THE ECONOMIC DEVELOPMENT COMMUNITY**

**THE ECONOMIC DEVELOPMENT RESEARCH PARTNERS (EDRP) PROGRAM**  
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ECONOMIC DEVELOPMENT  
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# partnerships

## AND COLLABORATION

By E. Linwood Wright and Jeremy Stratton, CEcD

**E**conomic conditions, although still relatively healthy in Danville, Virginia, in the latter years of the 1990's, were beginning to appear extremely fragile. This economy was based in large measure on tobacco and textile manufacturing. The future for both of these industries was bleak.

The closing of a large Tultex manufacturing facility that employed over 6,000 people in nearby Martinsville, Virginia, in 1999 provided impetus for community leaders to get together in Danville and plan key strategies to serve as the blueprint for Danville's economic transformation. Community leaders foresaw that this kind of closure was going to happen shortly to the Danville region's largest employer, Dan River Inc., and we wanted to start being prepared for a seismic shift in the economy.

Concurrent with the Tultex closing was the announcement of funds becoming available to localities through the settlement of a class action suit against cigarette manufacturers that led to the development of the Virginia Tobacco Commission. The Tobacco Commission has a variety of funding programs, but the most important are the grant programs for infrastructure building programs, which have been used for constructing the Institute for Advanced Learning and Research, water and sewer lines, and broadband across Highway 58. Additionally, the Tobacco Commission has a deal closing TROF (Tobacco Revitalization Opportunity Fund) cash grant fund, which augments incentive packages and has helped Danville land several key industries over the past six years. The cash grant is given at the front end of the project and is based on job creation and capital investment within a 36-month window.



Downtown Danville, Virginia

This article focuses on Danville, Virginia's, economy, the strategies developed for the community to compete in the global economy, and the successes that Danville has enjoyed in the ensuing eight years. Other communities facing dramatic shifts in their economy can draw from Danville's experiences to help with their current situations.

The Danville region has learned especially that perseverance and working cooperatively as a region toward a shared vision are key in developing a regional economy. In addition, it is of paramount importance to prepare the region's work force through the development of a world class educational infrastructure to attract employers and employees alike. A city and county partnership has been vital in pooling resources and infrastructure to build ready to go business parks with graded sites and shell buildings. The importance of having ready to go "product" (buildings and sites)

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### THE STORY OF DANVILLE, VIRGINIA'S, ECONOMIC TRANSFORMATION

*The city of Danville, Virginia, experienced the almost total loss of its economic base of tobacco and textile manufacturing in the first few years of the 21st century. A strategy to promote regional cooperation, aggressive recruitment of both foreign and domestic employers, rapid response to economic development opportunities through infrastructure deployment, and utilization of non-traditional funding sources for incentives became the guiding principle for economic transformation in the region. Very strong public/private alliances have been created to drive the vision for transformation to reality.*



Danville, Virginia, is a medium sized city of approximately 45,000 people situated in the extreme southern part of central Virginia on the North Carolina state line.

It is approximately 45 minutes north of Greensboro and 60 minutes north of Durham and the Research Triangle Park in North Carolina.

Even though

Danville is a Virginia

community and

tied to Richmond politically, the city's proximity to Greensboro and Durham has played and will play a larger role in the economic transformation of the region in the future.



A couple of startling statistics to note about the metropolitan area is the high number of residents without a high school diploma (32.2 percent) and the low percentage with a college degree (11.3 percent). Per capita income in the Danville Metropolitan Area is \$25,951, which is well below the

Commonwealth of Virginia's average of

\$37,503. All of these statistics are telling of a former mill region where one employer (in this case Dan River Inc.) dominated the economy, set the wage standard, and engendered the low valuation for educational attainment and attending school that the region faces to this day.

to attract capital investment and new jobs to a region cannot be overstated.

## LOCATION AND STATISTICS

Danville, Virginia, is a medium sized city of approximately 45,000 people situated in the extreme southern part of central Virginia on the North Carolina state line. It is approximately 45 minutes north of Greensboro and 60 minutes north of Durham and the Research Triangle Park in North Carolina. Even though Danville is a Virginia community and tied to Richmond politically, the city's proximity to Greensboro and Durham has played and will play a larger role in the economic transformation of the region in the future.

Pittsylvania County, which surrounds the city of Danville, is the largest county in land size in Virginia at 982.89 square miles. Pittsylvania County is comprised largely of rural farms, small towns, and the southern edge of Smith Mountain Lake resort and residential development. Virginia is unique among all the states in that independent cities such as Danville and adjoining counties are jurisdictionally totally separated. This local government structure was established by Thomas Jefferson when Virginia was constituted as a state to avoid a second layer of local government.

As defined by the U.S. Census, the Danville Metropolitan Statistical area consists of both the city of Danville and Pittsylvania County. The Danville MSA has approximately 107,000 people, which reflects a 3 percent population decrease from 1997.

## HISTORY

Historically, Danville's economy was based on the growth, sale, and processing of flue cured tobacco and textile manufacturing. Dan River Incorporated, a textile manufacturer, was founded in Danville in 1882, and at its peak in the 1960's, employed approximately 12,000 people in its mills located in the city.

The second cornerstone of Danville's economy was tobacco. Just a few miles south of the city, the technique to cure tobacco using indirect heat was invented in the early nineteenth century, and the colorful method of selling cured tobacco leaf by auction had its origins in Danville over a century ago.

These two industrial behemoths combined to build a city of relatively great wealth, and even today, millionaire's row along Main Street is a showplace of Victorian residential architecture where the textile and tobacco barons made their homes. While wealth was not evenly distributed and poverty was a real problem for some people, employment was widely available.

By the end of the twentieth century, tobacco and textile manufacturing were mere shadows of their former stature. The growing and processing of tobacco was

being impacted by lower cost production elsewhere in the world, particularly Brazil and southern Africa, and a domestic market demise resulting from health concerns related to smoking. Textile manufacturing was moving to Asia at an accelerating pace.

The comfortable complacency of the once prosperous city of Danville was being decimated by the impact of both agricultural and industrial globalization. Tobacco and textiles were not just going; they were gone, and they took their jobs with them.

## POLITICAL

Danville and the region surrounding the city had a history of usually strong cooperation between the public and private sectors, but like most localities, there were periods of stormy relationships. Annexation by a city of surrounding county land is usually adversarial and such action is litigated through the state court system.

Danville had annexed approximately 28 square miles from Pittsylvania County in 1988. The litigation involved in this action was lengthy and expensive.

Such annexation fights in Virginia really stem from the issue of who gets the tax base. The scars were deep, and regional cooperation between the city and the county was non-existent. Economic development was dampened to a significant extent by the litigation. The hard feelings and distrust that existed among elected officials and local government staff members extended to the private sector with business leaders “taking sides” between the city and the county.

## PUTTING THE PIECES TOGETHER FOR REGIONAL COOPERATION

As stated in the beginning of the article, community leaders witnessed the beginning of economic tsunamis that would eventually engulf Danville’s two primary industries of tobacco and textile. A variety of forces began to surface that would drive the local jurisdictions toward a more cooperative attitude to make economic transformation a plausible target for the region. Our perspective today is still too close to the events that transpired to begin to objectively ascribe credit in any ranked fashion to the various forces that were brought to bear on Danville’s economic vitality. Suffice it to say that these forces combined to create a climate that has produced job growth, a palpable change in self-esteem, and a clear vision showing how the community could deal with both twenty-first century globalization and the level of technology and skill needed in today’s work environment.

### Activity Since 2000

- Six companies headquartered outside the United States have located facilities in the community and one foreign company expanded
- 5,876 new jobs have been announced
- \$901 million in capital investment has been made
- Five private sector and two public sector projects have been sited in joint city/county industrial parks

Within the confines of this article, it is impossible to explore all the pieces of the economic development machine that had to work smoothly to produce the results that were obtained, but the primary components are described below.

1. It was essential to have private sector leadership commitment to create a vision for success and to provide the necessary political cover for the public sector to pursue that vision. In Danville’s case, the private sector was a group of eight business leaders called the Future of the Piedmont Foundation (FOTP), established in 2000, who were tenacious in maintaining focus on the concept of building a new, technology based economy.

The comfortable complacency of the once prosperous city of Danville was being decimated by the impact of both agricultural and industrial globalization. Tobacco and textiles were not just going; they were gone, and they took their jobs with them.

Membership of the Foundation was self-appointed, and persons asked to serve were chosen by the three persons who initiated the activity. The FOTP was incorporated as a Virginia, not for profit corporation, and it was granted 501(C)(3) status by the Internal Revenue Service. The publisher of the local newspaper, the CEO of the leading radio station, the largest contractor in the area, a highly successful local entrepreneur, the CEO of the leading regional bank, the president of the leading local architecture and engineering firm, the CEO of the regional hospital, and a corporate executive and former mayor were the founding members of the Future of the Piedmont Foundation.

The FOTP’s first consideration was the requirement that the city and county stop fighting and begin cooperating to build a world class community that would be attractive to potential employers. These leaders realized that Danville must change or perish, and they acted on that realization.

2. The cost of developing a carefully constructed, well reasoned strategic plan for the community had to be borne by some entity. Danville had recently established a Community Foundation, and that funding source provided the seed money to the Future of the Piedmont Foundation for the creation of a strategic plan that would become a navigation aid to move the community along its pathway to a reinvigorated economy.

The Community Foundation is a traditional community foundation that was formed to provide an opportunity for a variety of entities to pool their funds

in an organizational structure that was created through Internal Revenue Service action to provide tax incentives and to benefit the community in a variety of ways. At the time of the founding of the FOTP, the Community Foundation awarded \$50,000 to the FOTP to develop a strategic plan for development in the region.

Additionally, the public provided valuable input on its vision for a prosperous Danville economy. This input gave elected officials comfort that the public wanted to try new ideas, and they need not worry about trying to sell some unorthodox ideas to their constituents to remain in office.

3. At the outset, the FOTP convened a task force of 28 persons, 14 from the city and 14 from the county, to work in conjunction with Dr. David Dodson of MDC, Inc. as the facilitator to craft a plan to present to both the city and the county that would document a strategy for economy recovery. All eight members of the founding FOTP board served as advisors to the task force.

The process of developing this plan took approximately eight weeks, once the facilitator was selected and hired. The process included a traditional SWOT analysis as well as formal sessions to develop a community vision for the plan.

4. The strategic plan that was formally adopted by the Future of the Piedmont Foundation included four major initial goals. They were:

### Goal One

The first goal was to establish regional cooperation to offset the natural litigious nature between an independent city and its surrounding county. We have made tremendous strides in this area with the merger of the separate Danville City and Pittsylvania County Chambers of Commerce. This effort was led primarily by the publisher of the newspaper who served on the Board of the FOTP.

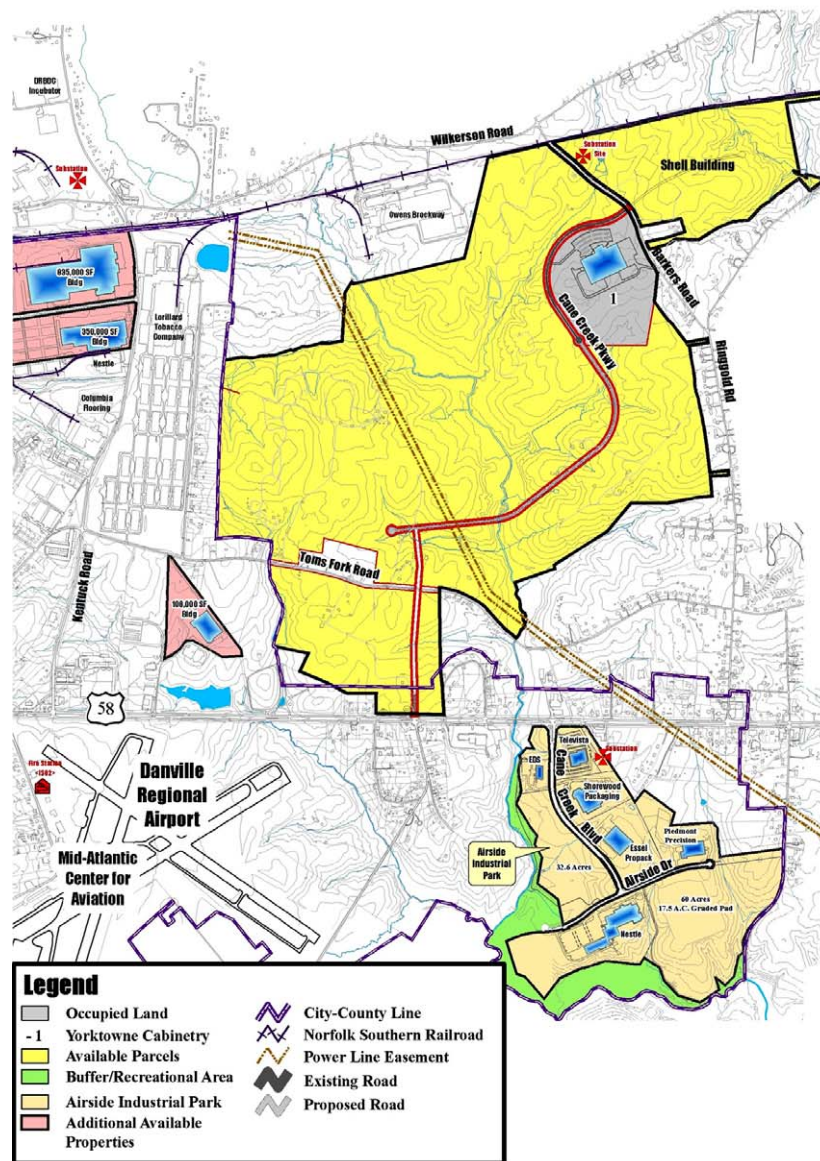
Danville and Pittsylvania County have also collaborated on the planning and development of three business parks – Cyber Park, Cane Creek Business Centre, and a 4,000-acre mega park currently under development. A Regional Industrial Facility Authority Board, which is comprised of three City Council members and three county supervisors, was established as the landowner of the three business parks and meets monthly to conduct business pertaining to the sale and extension of infrastructure to the properties.

This regional cooperation is now being hailed as a model for the Commonwealth of Virginia, and it has been cited extensively by Virginia Governor Kaine for its success. This effort was spearheaded by members of the FOTP board making presentations to both the City Council and the Board of Supervisors of Pittsylvania County. The FOTP board members and the city manager became convinced that local governments should pursue jointly owned industrial parks, and the manager made an essential contribution to this phase of the process.

### Goal Two

The second goal was to ensure that all residents and businesses in the region would have access to world class broadband infrastructure. In the late 1990's, Southside Virginia lacked any broadband infrastructure access, which was becoming a serious problem for existing business needs as well as a detriment to recruiting new businesses. Investor owned utilities were not willing to invest in the Southside's broadband infrastructure since the area did not boast a dense enough population base for the utilities to realize a return on their investment.

Regional leaders worked together with Virginia's Tobacco Commission to develop a plan to fund the extension of broadband infrastructure along the Highway 58 Corridor. The Tobacco Commission has dedicated over \$100 million to the deployment of the



**CANE CREEK CENTRE**

**Danville** Discover the Possibilities  
**Pittsylvania County**

Map of Cane Creek Centre.



network. The plan was realized and the floodgates opened for southern Virginia communities, including Danville, to have broadband access.

The city of Danville took the plan a step further by creating a new division called nDanville in its Utility Department specifically for broadband. The Utility Department expanded the broadband infrastructure to businesses, schools, and industrial parks by tying into the Highway 58 backbone.

A state-of-the-art broadband network is now in place in Danville with very high capacity, redundancy, and speeds comparable to or faster than any metropolitan area of the country. Particularly attractive to businesses is the relatively low cost of access to the broadband network. This activity in Danville and across southern Virginia preceded by several years the current emphasis on rural broadband development in the federal stimulus effort.

### **Goal Three**

With access to over 50 Meg of bandwidth, the third goal of the plan was to create the Institute for Advanced Learning and Research (IALR), a world class facility with state-of-the-art communications infrastructure that businesses and the community can use for educational purposes, research collaboration, and meeting space. Located in Cyber Park, jointly owned by the city and the county, IALR has been a highly visible symbol of city/county cooperation. The Institute has become the model for other technology led initiatives, such as the Gateway Technology Center in Rocky Mount, North Carolina, where communities want to transform their economies.

IALR is now a fully constituted entity of the Commonwealth of Virginia and its operating funds are appropriated through the state budget with a significant amount of research dollars provided by the Virginia Tobacco Commission. Danville and Pittsylvania County worked together with Future of the Piedmont to site the IALR on a prominent hill in Cyber Park overlooking the Highway 29 by-pass.

The \$20 million facility was funded with \$15 million in bonds amortized equally by Pittsylvania County and the city of Danville, using funds provided by The Tobacco Indemnification Settlement fund. The local private sector provided the balance of funds, \$5 million, for furnishings and IT hardware.

Through educational collaborations with Virginia Tech, the University of Virginia, Old Dominion University, and Averett University, the Institute can offer distance learning courses, programs, and degrees for local students without their having to leave Danville. This availability enables adult students to obtain bachelor and advanced degrees while working full time and keep the recently graduated bright high school students in the area while they are earning their degrees.

IALR has now been the site for study and research for students who have been awarded both Masters and PhD degrees from Virginia Tech University. Graduate students working at IALR have expressed their pleasure at the kinds of research they can do in this facility, and their presence has brought a dimension of youthful energy to the community that is having a positive impact on the entire region.

Research is conducted in four different disciplines at the Institute – plant biology, plastics/polymers, motor-sports, and robotics. Each research initiative was chosen to complement specific assets available in Danville.



*The Institute for Advanced Learning and Research (IALR).*

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Danville's previous history of tobacco lent itself perfectly to alternative crops and plant biology. Goodyear, Essel Propack, and Intertape provide a strong backbone of plastic and polymer companies in the area.

Danville's proximity to the Virginia International Raceway and the NASCAR track in Martinsville made it a natural for motorsports research. Unmanned vehicle research provided an opportunity to integrate fully the mechanical engineering expertise of the IALR faculty with available space for test tracks used for both vehicle evaluation and development.

Faculty and students from Virginia Tech work and teach full time at the Institute while pursuing their individual areas of research and advanced degrees.

Most recently, IALR has been awarded a grant of \$8 million to construct a research facility for sustainable energy. Research in this facility will be focused on developing fuels from bio-based materials, and as with all the research done at IALR, it will be systems oriented.

The mission of IALR is to provide opportunities for economic development through the application of innovative technologies. Rather than working on basic knowledge research, IALR is intended to bring practical knowledge to bear on opportunities for regional economic transformation.

#### **Goal Four**

The fourth goal of the plan was to upgrade the computer literacy of the regional population by instilling the necessary skills in public and private school teachers to take full advantage of computers in the classroom. The region's schools were behind the bell curve in using technology as a teaching tool, and students were not adequately learning how to use computers.



*Swedwood is located in Danville's Cane Creek Centre.*

A formal program was initiated to train public and private school teachers to utilize computers in the classroom. Over 100 teachers in the region have been trained at Virginia Tech in methods to incorporate computers into classroom instruction and each teacher has been given a free personal computer. The Future of the Piedmont Foundation has borne much of the cost of this effort through private and anonymous donations.

At the same time that the FOTP was developing and implementing its strategic plan for economic revitalization, the city of Danville and its Office of Economic Development were busy developing four key strategies to bring new jobs and investment to the area. Since 2000, the city of Danville has announced 5,876 new jobs and over \$900 million in private capital investment. Over 3,000 of these jobs are currently filled, and these jobs cover an extremely wide range of skill levels and corresponding wages and salaries, from a low of \$10 per

hour to a high of well in excess of \$100,000 per year. The four strategies are as follows:

#### **1. Development of Product to Market**

The city of Danville has a history of constructing shell buildings and purchasing property to develop into business parks. Danville's shell buildings have been an excellent "mouse trap" for generating prospect traffic from state and national consultants and real estate firms. The typical shell building was constructed with 100,000 square feet and 30-foot ceiling clearance heights. Market studies have indicated that these characteristics were the most popular for companies that look at smaller sized city markets.

Danville has built a total of six shell buildings, one at 40,000 square feet, one at 70,000 square feet, and four at 100,000 square feet. All four of the 100,000-square-foot buildings are occupied.

Danville also collaborated with Pittsylvania County to build Cyber Park, Cane Creek Centre, and the new 4,000-acre mega park still under development. Cyber Park with its access to IALR is marketed to high tech manufacturing and office functions. Cane Creek Centre is a 900-acre park located in the county that is being marketed to larger manufacturers, such as Ikea's Swedwood, one of the park's tenants. Water, sewer, natural gas, electricity, roads, walking trails, and broadband are provided throughout both parks. The land has been purchased for the mega park, and the city and county are currently in the midst of having the park certified, using engineering and geotech studies.

In 2006, Swedwood announced the location of its first North American manufacturing facility in Danville's Cane Creek Centre. This plant will produce Expedit

**The main factor in choosing Danville over the competitive site in North Carolina was the fact that all the environmental, geo-technical, and wetland studies at the site in Cane Creek Centre had already been completed.**

bookshelves, Lack coffee and side tables, and Besta Modular entertainment centers for Ikea stores in the U.S. This \$280 million project will create 740 jobs over a seven-year period. The company proposes building up to four 1,000,000-square-foot highly automated facilities during the ensuing seven-year period.

The main factor in choosing Danville over the competitive site in North Carolina was the fact that all the environmental, geo-technical, and wetland studies at the site in Cane Creek Centre had already been completed. Swedwood officials were in a hurry to get started on the first building and needed to move dirt quickly. Local assurances that the site was ready to go paved the way for Swedwood to choose Danville.

## 2. Recruiting Foreign Companies – Reverse Globalization

Danville's mid-Atlantic location, excellent transportation infrastructure, and low cost manufacturing environment provided good incentives to start attracting investment. Although Danville is not served by an interstate highway, it does have both north/south and east/west highways that are dual lane, controlled access, and relatively lightly travelled that connect with major interstate highways that run both north and south and east and west. Local traffic congestion is essentially non-existent. Rail service through the city is provided by Norfolk and Southern Railway and freight handling service is very good. These factors, along with the fall in the U.S. dollar versus foreign currencies, have made Danville a strong candidate for new companies to locate in the region.

Since 2000, Danville has realized foreign investment from seven companies headquartered in seven different countries, six being new locations and one being an expansion. Personal relationships developed through the Swedwood project led to the February 2008 announcement of the Polish company, Com.40 (now known as EBI), locating in a 900,000-square-foot former tobacco facility and creating 813 jobs over seven years. EBI will produce mattresses and sofas for Ikea stores in the U.S. Table 1 provides a list of foreign companies that have invested in Danville since 2000.



EBI in the former Universal Leaf Tobacco facility.

## 3. Work Extensively with Existing Industries

Danville understands that not only is it important to woo and court a company to locate in the area, but it is just as important to ensure that they are successful and thriving for many years once they are up and running in the community. Equal importance is placed on helping companies expand.

Essel Propack has announced three different expansions in the past four years. Nestle's and Shorewood Packaging have had multiple expansions as well. In each case, the city of Danville has facilitated the means for the company to choose the community for its expansion.

TABLE 1

Company	Product	Country
Telvista (new)	In-bound customer contact center	Mexico
Essel Propack (new)	Laminated and plastic tubes	India
Arista Tubes (new)	Extruded and plastic tubes	United Kingdom
Swedwood (new)	Bookshelves, coffee tables, and entertainment centers	Sweden
Nestles (expansion)	Toll House Cookies and pasta sauce	Switzerland
Com.40 (new)	Mattresses and sofas	Poland
Canadian Bank Notes (new)	Highly secure licenses and documents	Canada

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In June 2008, Governor Kaine and the city of Danville announced that an agreement had been reached among Virginia, Danville, and the region's largest employer, Goodyear Tire and Rubber Company, on a \$200 million modernization and reinvestment in key machinery and equipment and facility to expand production capabilities. The announcement corroborates the partnership among Goodyear, Danville, and the Commonwealth of Virginia to retain the company in the area with its approximately 2,000 employees. The Danville Goodyear plant manufactures medium radial truck tires (tires for 18-wheelers) and aircraft tires.

Economic Development, Danville Community College, and Chamber officials have worked together extensively on workforce issues to ensure that there is a continual pool and pipeline of qualified workers available for existing companies. Danville Community College has created a world class manufacturing technician training program, whereby participants take ten weeks of classes and have hands-on experience so that the student becomes certified, documenting that he/she can operate factory equipment. Participants are screened and drug tested throughout the program.

Local industries have warmly embraced the program and given their stamp of approval that the class graduates are ready to begin work immediately in a manufacturing setting. Industry representatives visit the classes to check on the students and see their quality of work. All the graduates of the first class were hired immediate-



ly upon completion of the course, and the placement rate for graduates has continued to be higher than 80 percent.

#### 4. Danville as a Regional Retail Hub

Danville serves as the region's center for commerce and economic activity over a 30-mile radius, which includes parts of Pittsylvania, Franklin, Henry, and Halifax Counties in Virginia, and Caswell County in North Carolina. During the past four years, the city of Danville has embarked on an ambitious regional hub strategy to take advantage of the community's status as a commerce center and to bolster sales tax revenue.



Equal importance is placed on helping companies like Nestlé's to expand.

These efforts culminated with the announcement in 2006 of Coleman Marketplace, a \$60 million, 550,000-square-foot, power shopping center with major tenants including Target, Dick's Sporting Goods, Ross Dress for Less, Old Navy, Petco and Home Depot. Other retailers are expected to join the Marketplace in the near future. Since 2004, general sales tax revenues in Danville have increased 19.3 percent despite the population base remaining stagnant.

#### SUMMARY

Danville and its neighboring county have enjoyed significant transformation of an economy that was devastated by globalization. Communities with similar industrial, manufacturing backgrounds and population bases can benefit from Danville's experiences. Some lessons learned can probably be transported to such communities.

Public/private sector cooperation is an essential ingredient for success. A coordinated effort between the business community and local government not only results in a climate that is business friendly, it provides unique opportunities for joint efforts in financing and general services to both new and existing employers.

Grant funding is necessary, and sources such as the Virginia Tobacco Commission have been the most flexible and useful. The Virginia Tobacco Commission was formed using funds from the settlement of the national litigation dealing with cigarette manufacturers and state



Tenants at Coleman Marketplace.

attorneys general. The Commonwealth of Virginia dedicated a large portion of the money it received from the settlement toward economic development in the regions of the state that historically had major growth and processing of tobacco.

Between 2001 and 2008, our region has been awarded approximately \$56 million for economic development activities. Much of that money has been invested in infrastructure.

Political support from local, state, and federal delegations is required, and developing trust and open lines of communication with all elected representatives demands total commitment. Everyone must tell the same story and be firmly committed to that story.


Economic developers must maintain a high level of integrity when dealing with both the private and public sectors. They are brokers between the public and private sectors, and success is judged by their credibility. All obligations to companies that locate in the region must be met. While confidentiality must be maintained, it has to be balanced with transparency when working with public officials to help them become comfortable with economic development projects.

Avoid the risk of trying to do too many things at the same time. The importance of maintaining focus on the stated goals cannot be overemphasized.

Build a team that encompasses visionary and implementation excellence, political aptitude, and sharp analytical skills. All of these attributes working together are necessary to yield success.

The community must invest in fully developed business parks by extending infrastructure, including roads, water, sewer, natural gas, electricity, and broadband access. Additionally, the environmental, geo-technical, and wetland studies should be completed. Greenfield sites should be ready for construction, making graded pads a basic necessity. Speculative buildings decrease the construction timeline by at least three months.

Take advantage of both related business entities and vendor relationships of employers who have located in the community. Such relationships can prove to be very valuable in recruitment efforts.

Get key players to accept that the old model of a non-diversified economy no longer works and that a new, highly diversified, entrepreneurially driven model must be created to realize the transformative vision. 

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# HIRING?

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# NEWS FROM IEDC

## 2009 ANNUAL CONFERENCE

**October 4-7, Reno, Nevada**

In the face of the global economic crisis, serious times call for a serious conference. The IEDC Annual Conference, October 4-7 in Reno, NV, will be an unprecedented experience with highly relevant sessions and top speakers tackling the tough issues economic developers are facing now.



As a living laboratory, the Greater Reno-Tahoe region provides an amazing range of examples of how a community can combat numerous obstacles. The region has dealt with blighted areas, drops in tourism, and loss of industry. Through it all the region has diversified and survived. Learn and experience this comeback city first hand through sessions and tours. Visit [www.iedconline.org](http://www.iedconline.org) and register today.

## ECONOMIC DEVELOPMENT RESEARCH PARTNERS PRESENT NEW GUIDE TO GLOBALIZATION

IEDC welcomes you to download the newest resource in our series from the Economic Development Research Partners — *The Roadmap to Globalization*. This report is a follow-up to our popular *Primer on Globalization*, a guide to the major forces shaping the economic development needs of US communities.

The Roadmap is the result of a year-long look into how the dynamics of globalization are playing out for communities and economic development organizations. Drawing on a wide base of in-depth case research, the Roadmap provides strategic recommendations applicable to communities of various sizes and economic bases.

Download the report today from IEDC's online resource center.

## FINAL PRESENTATION TO CITY COUNCIL ON PORT ARTHUR, TEXAS, DOWNTOWN REVITALIZATION

Jeff Finkle, president and CEO, and Swati Ghosh, senior economic development associate, traveled to Port Arthur in June to make a final presentation of recommendations for downtown revitalization to the City Council and Board of Directors of the Port Arthur Economic Development Corporation. The presentation included detailed information on establishing a new public-private partnership to handle downtown revitalization, including specific tasks for the city and EDC and corresponding timelines.

A Final Report elaborating on all the recommendations and best practice case study research was also presented to City Manager Stephen Fitzgibbons and EDC Director Floyd Batiste. For additional information about technical assistance services from IEDC, please contact Shari Garmise at [sgarmise@iedconline.org](mailto:sgarmise@iedconline.org).

## WORKSHOP HELD ON ACCESSING FUNDING AND RESOURCES FOR GULF COAST ECONOMIC RECOVERY

Funded by an Economic Development Administration grant, IEDC recently held *Building Resilient Economies: A free workshop on accessing funding and resources for Gulf Coast Economic Recovery* in New Orleans, LA. Approximately 170 economic development practitioners from Louisiana and Mississippi came to hear the 25 speakers provide critical information on how communities can access funds for long-term economic recovery and use them effectively. This one-day workshop featured interactive forums for workshop attendees to get their specific questions answered from federal and state agency representatives.

This grant is also funding IEDC to develop an action plan for marketing a technology corridor in the Greater New Orleans region.

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The principal message is that rather than climate action being costly and harmful to the economy, it creates wide ranging savings and benefits by: spending less on energy through increased conservation and efficiency; generating significant new employment and entrepreneurial opportunities; expanding renewable energy production and distribution; and offering a wide range of new products, production processes, goods and services, and new technology.

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## CONFERENCES

### 2009 Annual Conference

October 4-7, 2009  
Reno, NV

### 2010 Leadership Summit

January 31-February 2, 2010  
Houston, TX

### 2010 Federal Forum

April 18-20, 2010  
Alexandria, VA

### 2010 Spring Conference

June 6-8, 2010  
Oklahoma City, OK

### 2010 Annual Conference

September 26-29, 2010  
Columbus, OH

## TRAINING COURSES

### Neighborhood Development Strategies

October 1-2, 2009  
Reno, NV

### Business Retention & Expansion

October 15-16, 2009  
Lansing, MI

### Technology-Led Economic Development

October 19-20, 2009  
Los Angeles, CA

### Economic Development Credit Analysis

November 4-6, 2009  
Anchorage, AK

### Technology-Led Economic Development

November 16-17, 2009  
Baltimore, MD

### Business Retention & Expansion

December 3-4, 2009  
Atlanta, GA

## Real Estate Development & Reuse

December 10-11, 2009  
Lansing, MI

## CERTIFIED ECONOMIC DEVELOPER EXAMS

### October 3-4, 2009

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### January 30-31, 2010

Houston, TX  
[Appl. Deadline:  
November 30, 2009]

### April 17-18, 2010

Alexandria, VA  
[Appl. Deadline:  
February 15, 2010]

## 2009 WEB SEMINAR SERIES

### September 22

Revitalization Strategies for  
Underperforming and Vacant  
Retail

### October 21

Building Education Alliances to  
Overcome Workforce Challenges

### November 3

Winning Deals in Tough Times:  
Marketing Tools That Attract Site  
Consultants

### November 17

Business Retention and  
Expansion Surveys in an  
Economic Downturn

### December 2

Using Tax Incentives to  
Finance Projects

# 2009 TECHNOLOGY-LED ECONOMIC DEVELOPMENT CONFERENCE

IEDC would like give special thanks to the sponsors of the 2009 Technology-Led Economic Development Conference, held this year in conjunction with the IASP World Conference on Science and Technology Parks, 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 as partners in helping economic developers to build stronger, more vibrant communities:

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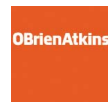
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# utah –

## MILITARY OPERATIONS AND ECONOMIC DEVELOPMENT

By Rick Mayfield



Conceptualization of Falcon Hill.

Photo Credit: Sunset Ridge Development Partners.

### INTRODUCTION

Utah has a long military tradition. Residents continually pay tribute to soldiers who put their lives on the line to preserve cherished freedoms. Neighbors line the streets near the homes of fallen soldiers with American flags. The governor attends funerals of soldiers killed in action. Community celebrations are held to honor those serving and those who have served their country. There is a tremendous reverence in Utah for those who have or are wearing a military uniform of the United States Armed Services.

Preserving our freedoms is the primary reason Utahans honor the military, but there is a secondary reason – economics. For at least as far back as World War II, Utah has welcomed the United States military into the state. Military installations and operations mean jobs, professional and skilled jobs, jobs usually paying salaries higher than the

Utah average. During the 1940's and 1950's, military jobs, mostly civilian jobs, at military installations helped transform some northern Utah counties from agriculture to industrial. As defense jobs increased in the area, family owned farms were operated on a part-time basis as farmers, their wives, and older children obtained jobs at military installations.

The great “desert” state of Utah once boasted of having a naval supply depot located 750 miles from the nearest ocean. Prior to any formal Base Realignment and Closure Commission (BRAC) process, that naval installation was closed by the Navy in the late 1960's. The depot, comprising approximately seven million square feet of warehouse buildings, was transferred to private investors who transformed the Navy Base into a storage and manufacturing facility now known as the Freeport Center. It took many years for the private enterprise to come into its own, but now boasts a high occupancy rate and accounts for approximately 6,000 jobs in the area.

Rick Mayfield is the executive director of the Military Installation Development Authority and is the chief operating officer of the Utah Defense Alliance, Inc. (rjmayfield@msn.com.)

### STRENGTHENING MILITARY JOBS IN THE STATE

Utah has a long tradition for supporting the USA's Armed Forces, and through economic development efforts, has sought for ways to assist in strengthening and sustaining these military operations. Utah Defense Alliance, Inc. (UDA) was formed to prevent efforts of future military closures. Through the insights of this organization and the support of Utah's Legislature, the Military Installation Development Authority (MIDA) was formed to focus on building and strengthening Utah military installations. Not only does this authority act as a liaison between the military and the state, but it also coordinates development projects while working closely and cooperatively with local governments. MIDA's mission is to help build the future, not just for Utah, but for the country.



## WAKEUP CALL FOR STATE ECONOMIC DEVELOPERS

The 1993 BRAC was a wakeup call for state economic developers. After a valiant effort to avoid an installation closure in the state, the closure ax fell. What many thought could never happen, happened. The Army's \$125 million, "state of the art" truck repair facility at Tooele Army Depot was closed before it was officially opened and completed. A brand new facility did not BRAC-proof the depot.

Attention was then turned to protecting other military assets and jobs in the state from possible BRAC '95 closure. Hill/DDO '95, a grassroots nonprofit group, was formed to save Hill Air Force Base (Hill AFB), Defense Depot, Ogden (DDO), and the Utah Test and Training Range (UTTR). The group raised funds from private companies, local government, and the state legislature. Professional help was retained, experts were used to identify strengths and weaknesses, and an action plan was put into place. Regardless of the magnificent effort of the group, Defense Depot, Ogden, was closed by the 1995 BRAC Commission. It was not a huge loss for the state, but it was a loss. There was some consolation and relief as Hill AFB, one of the great jewels of the state employment base, was not severely affected by BRAC '95. However, BRAC 2005 was looming in the future.

## HILL AIR FORCE BASE

Hill AFB is one of only three remaining Air Logistics Centers (maintenance depots) in the United States Air Force. The other two are Tinker AFB, near Oklahoma City, and Robbins AFB, in Georgia. Two others were closed by the 1995 BRAC.

Going into 2005 BRAC, there was speculation that cuts would be so deep that one of the three remaining Air Force depots would be closed. The three states and communities surrounding the depots worked to save the depots. Working together, they all supported the theme that all three were extremely important to Air Force's flying missions. The closure of one depot would mean a transfer of missions and jobs to other bases, but the three states and their congressional delegations were sincere in their promotion of saving all three for the sake and safety of the Air Force.

Hill AFB has been the heart of the economy in northern Utah for decades. Located 25-30 miles north of the Utah State Capitol in Salt Lake City, it covers approximately ten square miles of untaxed federal land in Davis and Weber counties. The Base's operation is the largest defense installation in the state and annually contributes over \$1 billion directly into the state economy.



Photo Credit: UDAMIDA

*Falcon Hill Signing Ceremony (l to r) Jerry Stevenson (UDA President), Stuart Adams (MIDA Chairman), Senator Orrin Hatch, Karen Jenson (Sunset Ridge) & Rick Mayfield (UDA/MIDA).*

Hill AFB has been the heart of the economy in northern Utah for decades. Located 25-30 miles north of the Utah State Capitol in Salt Lake City, it covers approximately ten square miles of untaxed federal land in Davis and Weber counties. The Base's operation is the largest defense installation in the state and annually contributes over \$1 billion directly into the state economy. It has been estimated that the economic impact is about \$3.5 billion. For many years, Hill AFB has been one of the largest employers in the state with 20,000-24,000 employees.

The Ogden Air Logistics Center (Hill AFB) per its website has, "... many operational and support missions." They include "... worldwide engineering and logistics management for the F-16 Fighting Falcon, A-10 Thunderbolt II, Minuteman III intercontinental ballistic missiles and depot maintenance for the F-16, A-10 and C-130 Hercules aircraft." The depot anticipates support, maintenance, and repairs of the F-35 Joint Strike Fighter and unmanned aerial vehicle systems.

## GEARING UP FOR BRAC 2005

In gearing up for BRAC 2005, the Utah Defense Alliance, Inc. (UDA – formerly Hill/DDO '95), commissioned a study by the Bureau of Economic and Business Research at the University of Utah to measure the economic impacts of closing Hill AFB. Some of the findings were:

- A loss of 47,400 jobs (federal and indirect jobs created by the federal expenditures). It would take 68,000 jobs to replace these federal jobs, because federal jobs pay almost twice the wage as average jobs in the state.
- A decline of \$2.35 billion in earnings and \$2.29 billion in personal income.
- The state economy would shrink by \$3.58 billion.

- An annual loss of \$192.4 million in state tax revenue.
- There would be 31,000 fewer people living in the state.

Needless to say, the results of the economic study jolted state and local officials. Hill AFB needed to remain open, and jobs and federal spending in the state needed to be retained. Action was needed, not just for BRAC 2005 but for the future. During the mid-1990's the legislature appropriated \$15 million to purchase development easements around the Base to prevent development encroachment and protect the installation's flying missions. The precedence was established. The legislature was willing to spend money to help keep Hill AFB open, operating, and viable for present and future missions and workloads.

### GROWTH OPPORTUNITIES

As state and local officials were preparing a case for the 2005 BRAC for keeping Utah military installations open, the UDA hired Logistic Specialties, Inc. (LSI) to review Hill AFB growth opportunities. For several years, there had been speculation floating around Base communities that new jobs could be brought to the Base if there was money to purchase equipment required for a specialized workload. Air Force budgeting did not provide for the equipment purchases.

Through the LSI study, it was found that there were 1,425 jobs which could be brought to Hill AFB if \$14 million of required equipment could be purchased. The LSI analysis also found that some workloads assigned to Hill AFB, as a result of BRAC '95, never made it to the installation because of insufficient funds or lack of follow up. Federal guidelines prohibited Air Force personnel from seeking funds from outside normal federal funding procedures.

UDA assumed the role of soliciting funds from the state legislature. Working with installation leaders, a priority list was compiled of needed equipment, equipment costs, and resultant jobs. UDA requested a state appropriation of \$15 million with the promise of 1,425 new skill jobs being created at the Base. Competition for state dollars is always difficult, but at the end of the session \$5 million was appropriated, targeting 688 new jobs.

Giving equipment to the Air Force was not an easy task. UDA found the equipment had to be "gifted" to the Air Force and the Secretary of the Air Force had to accept the gift before the equipment could be accepted at the Base. To make this happen, equipment specifications were developed by Base program directors, prices were obtained from vendors, and purchase commitments were made pending approval of gifting authorization

from the Secretary. The process took a few months, but finally equipment was delivered and jobs were created. Everyone – the Air Force, the legislature, and local leaders – was happy with the success of the project.

### ENHANCED USE LEASE OPPORTUNITIES

The next major effort in strengthening military jobs in the state was an Enhanced Use Lease (EUL) project known as "Westside Development." This project, which is along Interstate 15 on the west side of Hill AFB, was envisioned by the Base planners as a way to replace approximately 1.2 million square feet of World War II vintage warehouse buildings that had been converted into office space. They are old, out-of-date, inefficient, and need to be replaced. The federal budgeting process would never provide sufficient funds to upgrade the Base's infrastructure which included these old, inefficient buildings. So the Base planners did their homework, identified a critical building replacement need, reviewed the Base footprint, and identified 550 acres of underutilized land along the freeway that could be used for this project.



*Typical building to be replaced in Falcon Hill Project.*

Photo Credit: Hill Air Force Base

The next major effort in strengthening military jobs in the state was an Enhanced Use Lease (EUL) project known as "Westside Development." This project, which is along Interstate 15 on the west side of Hill AFB, was envisioned by the Base planners as a way to replace approximately 1.2 million square feet of World War II vintage warehouse buildings that had been converted into office space. They are old, out-of-date, inefficient, and need to be replaced.



Photo Credit: NMAT Web Design, LLC.

*Example of the type of computerized numerical control equipment purchased with the \$5 million UDA appropriation.*

The initial EUL effort took a couple of years. Base officials were in front of the Air Force enhanced use lease curve. They took a chance on the project prior to adoption of the formal Air Force EUL procedures. As the formal process was put into place, the original effort was set aside, but the goal remained the same – to improve the Base infrastructure through a huge enhanced use lease project.

A Request for Qualifications (RFQ) was prepared and advertised, an “Industry Day” was held in March of 2007, and then the Air Force real estate team waited for private developer proposals. Several were received and reviewed before a selection was made. In the end, a development partnership of Woodbury Corporation from Salt Lake City; Hunt Corporation, El Paso, Texas; and Flint Ridge Development from Irvine, California, acting as Sunset Ridge Development Partners, was selected as the developers.

As the original Westside Development proposal was pushed aside and the Air Force EUL procedures were being put into place, UDA officials and a few state and local leaders looked for ways to make the project work. The proposed Westside Development was a magnificent way to improve and enhance this industrial complex that was so critical to the economy of northern Utah. Some officials thought the best way to make the project work was to set up a mechanism for the state to become the project developer. The idea was pursued with Air Force leaders who were receptive to the idea. However, in the end a new Utah authority was created to facilitate EUL projects on any military land in the state; though the initial focus was on the EUL project at Hill AFB.

## UTAH'S MILITARY INSTALLATION DEVELOPMENT AUTHORITY

Several important issues played a key role in establishing Utah's Military Installation Development Authority (MIDA).

- 1) The Air Force plan was to replace 1.2 million square feet of office space, but the appraisal value of the 550 acres was only \$17 million.
- 2) To achieve the goal of upgrading the installation infrastructure, the developer needed to be creative in providing a reasonable return on investment (ROI).
- 3) The developer needed incentive money from state and local government to provide infrastructure, make the project pencil out and achieve Base and local expectations.
- 4) The EUL project is located in six local jurisdictions, four cities and two counties. Each city has its own general plan, land use regulations, municipal services, infrastructure, and tax levies. It was possible that a single building could be sited in more than one jurisdiction. To achieve the goal, all the jurisdictions needed to cooperate by jointly reviewing plans, issuing building permits, and providing utilities and services – almost an impossible task.
- 5) The Air Force desired one point of contact, preferably a state agency, with which to deal.

The original MIDA legislation was passed by the state legislature during its 2007 regular session. It passed without a negative vote in either the Utah Senate or the Utah House of Representatives, was signed by the governor, and took effect immediately. It granted broad municipal type powers to a seven-member board – five being appointed by the governor (three of which had to be mayors from cities adjoining a military installation), one appointed by the president of the Senate and one by the Speaker of the House.

In the 2008 Utah Legislature, the statute was tweaked, and again, without a negative vote in either house. In 2009, the legislature made some extensive changes to clarify the original language and added municipal taxing and bonding ability. MIDA acts quite similar to a municipal government, but the legislation includes language to prevent it from becoming a city.

MIDA is a tremendous tool which may be used to partner with DoD in improving and enhancing military operations in the state. Some of the key points regarding MIDA include:

- 1) MIDA can be a developer of military lands or partner with developers in improving military operations in the state.


MIDA is a tremendous tool which may be used to partner with DoD in improving and enhancing military operations in the state.



- 2) In many respects, MIDA acts similar to a redevelopment agency with bonding authority and tax increment financing ability. It can use 75 percent of the property tax increment for 25 years for such things as infrastructure development which includes helping build military buildings.
- 3) MIDA has police powers similar to a municipal government, but will contract with adjoining cities to provide protective services within a project.
- 4) MIDA is the land use authority for a project area. All plan approvals, building permits, and inspections are done through the MIDA Board.
- 5) MIDA collects all municipal type taxes from a project area and uses them to provide municipal type services. Any excess taxes collected are returned to the adjoining local governments.

The MIDA board was appointed in the spring of 2007 and began immediately working with the Air Force's Hill AFB EUL staff and Sunset Ridge Development Partners to bring the Westside Development to fruition. The project area was outlined and adopted by MIDA. Concepts were developed and the development was renamed "Falcon Hill National Aerospace Research Park" (Falcon Hill). The Air Force and developers signed a master lease agreement and master development agreement. A three-party agreement between the Air Force, the developers, and MIDA was signed in February 2009. The MIDA board has adopted the Falcon Hill Development Standards and Guidelines. Early in the process, the MIDA staff sponsored regular (usually weekly) coordination meetings with representatives of the Hill AFB EUL team and the developers.

The Utah State Legislature appropriated \$10 million for the project in 2008 and added another million dollars in 2009. Over the next several years, it is anticipated that the legislature will provide an additional \$14 million. As private buildings are constructed and added to the tax rolls, tax increments will be used to infuse an

LEGEND / STATISTICAL SUMMARY	
LAND USE CATEGORIES	GROSS ACRES
PROPOSED LAND USE	
CB (COMMERCIAL BUSINESS)	274.5
CF (COMMERCIAL FLEX)	102.9
CR (COMMERCIAL RETAIL/SERVICE)	29.42
OS (OPEN SPACE)	16
HAFB (HILL AIR FORCE BASE)	6.2
LAND USE SUBTOTAL	429.02
ROADS PROPOSED LAND USE	89.9*
LAND USE CATEGORIES TOTAL AREA	518.92
PROJECT BOUNDARY AREA	497.9
 PROJECT BOUNDARY	
* ROAD ACRES INCLUDES AREA FOR PARK STRIPS, ENHANCED PAVING, AND SIDEWALKS	

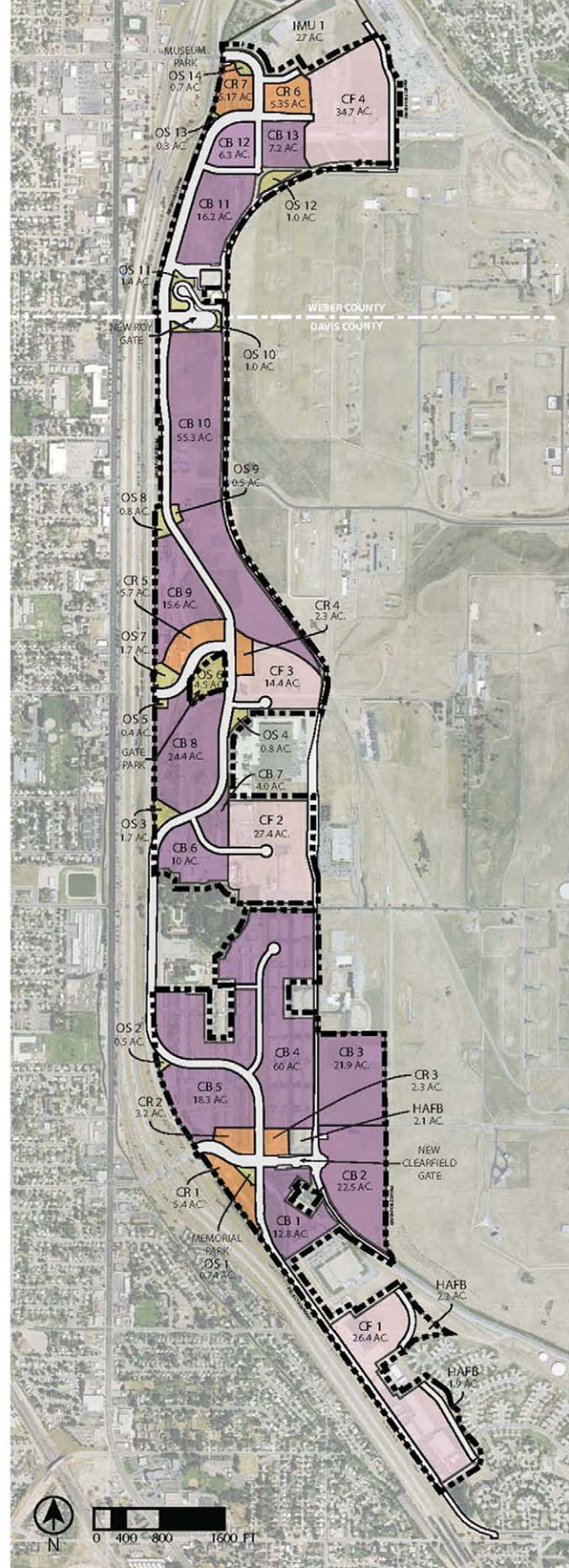


Photo Credit: Sunset Ridge Development Partners.

6P-01  
 STANDARD  
 DRAWING NO.

FALCON HILL STANDARD DRAWINGS  
**MASTER LAND USE PLAN**



ARCHITECTURAL  
**nexus**


Falcon Hill Master Land Use Plan (aka Westside Development)

additional \$25 million into the project to provide and upgrade infrastructure.

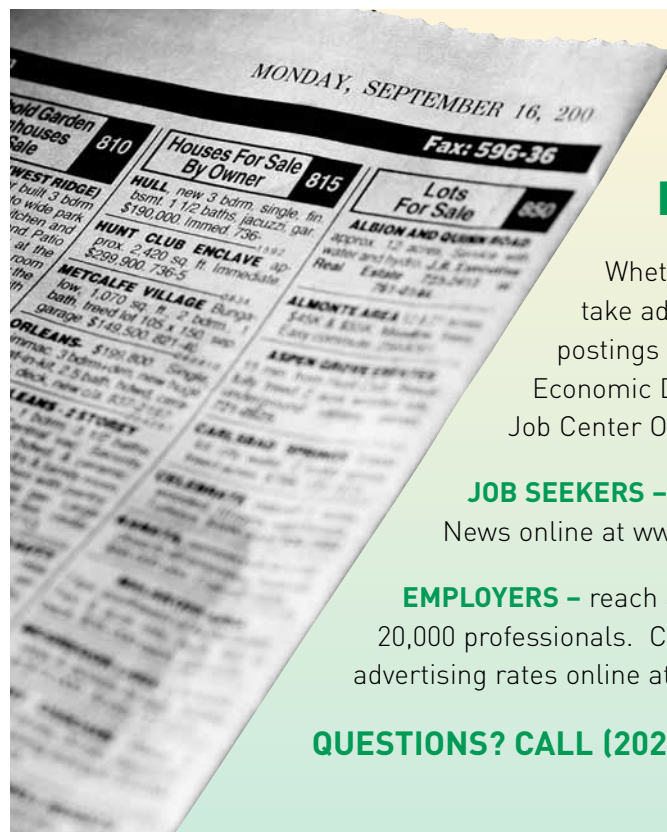
It is anticipated that construction at Falcon Hill will begin by late summer 2009. The Base's entry road is being redesigned and the gate will be moved to the east in preparation of moving the fence east allowing for public access to the research park. The first buildings are being designed, and building permits should be issued early in the fall of 2009. Even during economic hard times, this fantastic project is a bright spot in northern Utah.

## CONCLUSION

Although MIDA is only two years old, it has built a reputation of local cooperation and getting the job done. Several years ago, Congress provided the Air Force with a 26-acre site in Park City, Utah, to develop a resort hotel to be used as a military Morale, Welfare, and Recreation (MWR) facility. Park City officials had designated the Air Force site to remain as open space and suggested the hotel be moved to another site. After working on several sites which did not seem to work for one reason or another, the Air Force turned to the Utah Legislature, and the legislature turned to MIDA to assist with problem mediation. The MIDA statute was expanded to include not just military land but up to 100-acres of adjoining private land to make the project work. Tax increment can now be taken from the additional 100-acres. This amendment of the MIDA law will take effect in October 2009.

The MIDA law provides the state with a tremendous tool to help in military economic development. Unfortunately, DoD construction projects often wait years for military construction money. Utah is stepping forward with its MIDA legislation to partner with the federal government to bring about DoD objectives at a faster pace. It is a win-win program. The military benefits by upgrading infrastructure, and Utah benefits by strengthening existing installations and possibly bringing in new missions and workloads. MIDA has its eye on several additional projects which could include partnerships with the Army and Air Force on energy projects. The future looks bright. 

It is anticipated that construction at Falcon Hill will begin by late summer 2009. The Base's entry road is being redesigned and the gate will be moved to the east in preparation of moving the fence east allowing for public access to the research park. The first buildings are being designed, and building permits should be issued early in the fall of 2009. Even during economic hard times, this fantastic project is a bright spot in northern Utah.



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# social network analysis

By Neil Reid and Bruce W. Smith

## INTRODUCTION

Economic development in U.S. metropolitan areas is often fragmented along both jurisdictional and institutional lines. It is not unusual for a metropolitan area to have a number of agencies that have economic development as part of their mission. It is also not unusual to find overlap in the services provided and geographical areas serviced by these various agencies.

Fragmented economic development systems possess a number of inherent dangers. Duplication of efforts, unwillingness to share ideas and information, hesitation to collaborate on development opportunities, and jurisdictional and institutional territoriality are just a few of the potential pitfalls of fragmentation. Since the majority of economic development agencies are publicly funded, another problem caused by fragmentation is tax-payer dollars not being utilized in their most efficient and effective fashion.

The challenges associated with fragmentation are exacerbated by the need for economic development agents to be seen as effective in the eyes of those who elect them, appoint them, or hire them. Self preservation may be prioritized above regional growth.

The negative effects of fragmentation can be ameliorated to some extent if those who work for a metropolitan area's economic development agencies do communicate with each other on a regular basis, do share ideas with each other, and do collaborate on projects and initiatives. This leads to the question of how to measure the extent of collaboration that does occur within a fragmented economic development environment. In this article, we use the Toledo MSA to demonstrate that Social Network Analysis (SNA) is a potentially useful tool for measuring the nature and extent of col-



Toledo, Ohio, has over 30 agencies that claim economic development as part of their mission.

laboration among economic development practitioners within a metropolitan area.

Given the current economic circumstances and the fiscal challenges facing many municipalities, understanding networks of collaboration is particularly relevant. Cross-institutional and cross-jurisdictional collaboration, when done strategically, can reduce duplication of efforts, be the catalyst for new and innovative economic development initiatives, and provide taxpayers with better value for their tax dollar.

We briefly describe networks and why they are important to the process of economic development and then we describe the method of Social Network Analysis (SNA) and some of the key characteristics of networks that SNA measures. We illustrate the use of SNA by analyzing the example of the economic development collaboration network in Toledo. Finally, we discuss the implications of the SNA results and how these might be used in guiding policy making.

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Bruce W. Smith is emeritus professor of geography and a research fellow in the Center for Regional Development at Bowling Green State University, Bowling Green, OH (bsmith4@bgsu.edu).

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## ITS USE IN LOCAL ECONOMIC DEVELOPMENT

*Social Network Analysis (SNA) is a tool that can be used to better understand the nature and structure of economic development networks. Using the example of the Toledo, Ohio MSA, this article uses SNA to examine collaboration networks within the economic development practitioner community. The SNA identified a core of 31 persons from 11 organizations who are most central to the local collaboration network. Also, the findings indicate an emerging, yet important, role is being played by the local university in local economic development efforts. At the same time, there is room for improvement in inter-county collaboration within the MSA.*





*The University of Toledo has become a major player in northwest Ohio's economic development efforts during the last decade.*

## WHAT ARE NETWORKS AND WHY ARE THEY IMPORTANT?

Networks are composed of people and/or organizations that are connected with each other through the exchange of information, ideas, business transactions, and knowledge. Within the context of economic development, networks are typically composed of people who have responsibility for advancing the economic development of a particular geographic region (e.g. neighborhood, city, or a metropolitan statistical area).

Recent work in local economic development has stressed the need for network building at the local, regional, national, and global levels (see for example Malecki 2002). Glückler (2007, 631) characterized networks, which facilitate economic growth, as the “architecture through which productive resources, social values and economic interests circulate.”

Networks are important because they are the framework through which people interact with each other and, as a result of these interactions, economic development occurs. Most economic development projects require that people collaborate to seal the deal and turn possibility into reality. For example, when the city of Toledo, Ohio, learned in the summer of 1997 that it had successfully retained its Jeep assembly plant, it was the culmination of months of collaboration among members of the 39-member “Project Jeep” team as well as dozens of other community stakeholders (Gatrell and Reid 2002). While headline-making successes such as Toledo's effort to keep a major employer are important, it is the day-to-day interactions among economic development practitioners that create the relationships and build the trust that are critical to developing a culture of collaborative economic development.

Mature, well-developed, and efficiently functioning networks are also indicative of what is termed “institutional thickness”. Institutional thickness refers to the set of local conditions that are an asset to local economies in

an era of increased global competition. Within the context of local economic development, institutional thickness has four key components (Coulson and Ferrario 2007, 593). These are:

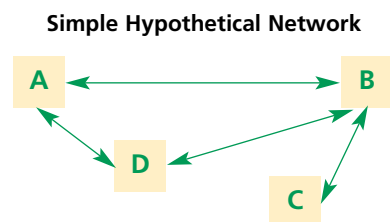
1. The existence of a variety of economic development agencies, such as chambers of commerce, universities, business service organizations, and local and regional governments.
2. High levels of interaction among local economic development agencies, including information exchange and collaboration.
3. A common vision and shared priorities for the development of the region.
4. Structures of power and/or patterns of coalition which ‘minimize sectionalism’.

Because networks and their associated interactions are often invisible in the sense that they do not exist on a formal organizational chart, identifying and analyzing interactions, such as collaboration, is often challenging. At the same time, if high levels of interaction and collaboration within a network context are important ingredients of a region's economic development efforts, it becomes critical that we have a method to measure the nature and structure of collaboration within a region's network of economic development practitioners. SNA provides such a method.

## SOCIAL NETWORK ANALYSIS

Social Network Analysis is a tool that can be used to analyze the structure of inter-personal relationships within a group of individuals. These relationships, taken collectively, constitute a network. SNA treats individuals as nodes and the relationship between individuals as linkages. The simple network illustrated in Figure 1 comprises four individuals (A, B, C, and D). The arrows connecting the individuals are linkages and represent some type of inter-personal interaction. While individual C does not interact with A and D, he/she is part of the network through his/her relationship with B.

**FIGURE 1**



Various network metrics have been developed which enable one to compare the structures of different networks. In the remainder of this section, we describe the key network characteristics that are relevant to networks of economic development practitioners.

## Centrality

Centrality measures a person's position in the network. A person with high centrality is well connected to other people in the network and therefore has better access to information, resources, and influence than people with lower centrality. There are different dimensions of the concept of centrality in a network. For example, DeSantis (2006, 33-34) refers to "Bridgers". These people "have real power, the source of which is a "personal reach" that stretches across every imaginable boundary and into every corner of a given community." SNA researchers have developed mathematical measures of centrality, such as degrees, betweenness, and closeness.

Based on the purpose of this work and the characteristics of the network, we selected "degrees" as the most appropriate metric for measuring centrality. Degrees is the number of ties that a person has to other people in the network. Since the number of connections will be influenced by the size of the network, degrees is standardized by network size so it ranges from 0 (no connections) to 1 (connected to everyone in the network). More specifically, we use degrees-in centrality because it measures the number of times a person is mentioned by others in the network and therefore eliminates the bias of self-reporting. In Figure 1, node B has the highest degrees-in centrality and node C has the lowest.

## Density

An important network characteristic is density. Density can be measured by calculating the actual number of connections within a network as a percentage of the maximum number of potential connections (de Nooy et al 2005). In our hypothetical network (Figure 1), if everyone was connected to everyone else the total number of connections would be 6 and the density would be 100 percent. As A and D are not connected to C, the actual number of connections is 4. This network, therefore, has a density of 66.6 percent (4 of 6 possible connections).

High density networks are desirable. The higher the density the more rapidly information will circulate between network members. Again, referring back to our hypothetical network (Figure 1), for information to pass from A to C it must pass through individual B. On the other hand, if A and B had a direct connection the information could pass directly, and presumably more quickly, between these individuals.

A high density network is also more durable. If individuals were to leave the network (e.g. due to retirement or relocation), then a high density network should be able to survive their removal and continue to function in an efficient and effective manner. All networks have their limits, however, and the more people that leave the more susceptible a network is to breakdown.

## Spatiality

Spatiality refers to the geography of a network. The geography of an individual's collaboration network is important. If economic developers within a region are committed to a regional approach to economic development, this should manifest itself in cross-jurisdictional

collaboration. Moreover, in the US, state policies can strongly impact local economic development. As one example, the cost of incentives frequently is partially borne by the state. Thus one would expect to observe collaboration among local economic development officials and state officials.

## COLLABORATION IN ECONOMIC DEVELOPMENT FROM AN SNA PERSPECTIVE

In this section, we describe the results of our illustrative SNA of the economic development network in the Toledo Metropolitan Area (hereafter referred to as Toledo) (Figure 2). First, some context on the economic development system in Toledo will be provided, followed by a description of the methods of data collection. Finally, the insights into collaboration among economic development practitioners that can be gleaned from the SNA will be discussed.

### Toledo MSA Economic Development

Economic development efforts in the Toledo MSA are fragmented. The responsibility for economic development is vested in a large number of organizations. Information compiled by the University of Toledo's Urban Affairs Center identified over 30 entities (public and private) that claimed to perform some type of economic development function in the city of Toledo or Lucas County alone.

A consultant, hired to help Toledo streamline its economic development efforts, noted the gaps, overlaps, and confusion caused by such a plethora of economic development entities: "Toledo has an extensive number of agencies and other entities that list economic development as part of their mission and work program. However, the consensus of our extensive economic development interviews confirms our own analysis that there is no organizational strategy to assign and allocate

FIGURE 2. Toledo, Ohio MSA



each economic development function into a lead agency with roles of all participating agencies defined and agreed to. The result is inefficiency and under-performance” (Hammer, Siler, George Associates 2004, ii).

Despite the consultant’s findings, Toledo’s economic development landscape remains fragmented, five years after the study. While there are a large number of economic development entities in the Toledo area, there are a small number of organizations that serve all or large segments of the MSA. For example, the Regional Growth Partnership serves the entire metro area and beyond. The Toledo-Lucas County Port Authority operates throughout Lucas County, as does the Toledo Regional Chamber of Commerce. Similarly, some counties have economic development agencies which serve the entire county.

### Data Collection

The first step in data collection was to compile a list of individuals engaged in economic development activities, including chambers of commerce, economic development agencies, and universities as well as elected officials (e.g. county commissioners) who were either directly or indirectly involved in economic development. The list included 81 individuals, each of whom received a survey.

The 81 people were listed on the survey. Each individual was asked to indicate which of the other 80 people they had collaborated with on an economic development project within the last 12 months. They could also add names of other people (not on the list) with whom they had also collaborated. A total of 59 people responded to the survey, providing a response rate of 70 percent. The 59 respondents added the names of 115 additional people with whom



*The University of Toledo's commitment to economic development is reflected in its newly dedicated Scott Park Campus for Energy and Innovation.*

they had collaborated on economic development projects. Thus, a total of 174 different nodes (people) resulted from the survey.

In effect, this becomes a snowball type of sample because one can then send the questionnaire to those persons listed by respondents who were not on the initial roster. The results reported in this article are based on the responses received from the original list of respondents. Snowball sampling has limitations because it is not a random sample (Frank 2005). Also one could argue that the network structure identified may be inher-

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### GLOSSARY OF KEY TERMS

**Social Network Analysis** – Social Network Analysis provides a quantitative and graphical description of the relationships or interactions among a defined group of people or organizations.

**Node** – A person or organization within a network.

**Linkage** – A linkage or interaction between nodes in a network. A linkage could be information flows, business transaction, or kinship ties.

**Network** – Networks are composed of people and/or organizations that are linked with each other through the exchange of information, ideas, business transactions, and knowledge.

**Centrality** – A measure of a node’s position in a network.

**Density** – A measure generated by calculating the actual number of connections within a network as a percentage of the maximum number of potential connections.

**E/I Ratio** – A measure of the internal or external orientation of a group’s interactions.

ent in the sample itself. However, it provides a practical method of data collection when an extensive sampling frame is not available.

Once collected, the data were analyzed using software called InFlow 3.1 (Orgnet.com). There is a wide variety of SNA software. We utilized InFlow because the creator lived a few hours drive from us in Cleveland, Ohio, and we were, therefore, able to receive face-to-face training from him and to consult with him when questions arose concerning either SNA in general or the software in particular. He is also a nationally recognized expert in social network analysis.

### SNA Results

One insight provided by the SNA is identification of the people and agencies that are most central to the region’s economic development network. Using degrees-in centrality scores for individuals, one can identify various groupings of the most central people in the network.



In this Toledo example, we arbitrarily selected two groups. First, there were 31 individuals who were identified as members of Toledo's economic development core. Core membership was restricted to individuals who had centrality scores more than one standard deviation above the mean centrality score. Second, a super core of individuals was identified. These are individuals whose centrality scores were more than two standard deviations above the mean centrality score.

To maintain the anonymity of individuals, we are not permitted to list specific names. However, we are able to list membership of the core and super core by organization of the individual (Table 1).

An examination of the network's core indicates not only the leading collaborative organizations, but also those organizations that are more peripheral in regional collaboration for economic development. For example, the core of Toledo's economic development network comprises 31 individuals, representing 11 agencies. The relatively large number of agencies represented in the core is indicative of a high level of institutional thickness (Coulson and Ferrario 2007).

However, absent from the core are any representatives from two of the MSA's four counties, Fulton and Ottawa counties, which is potentially a cause for concern from the perspective of regional collaboration. This result suggests a cross-county approach to economic development is only occurring on a limited basis.

Moreover, only one representative of the private sector (First Energy Corporation) and one representative of the state of Ohio (Ohio Department of Development) are included in the core. This suggests limited engagement by the private sector and the state in regional economic development efforts.

It is noteworthy that the University of Toledo, with six individuals, has the largest representation in the core, indicating that the university is a major collaborator in the region's economic development efforts. This is a positive finding as there is considerable evidence that a strong university partner should be a cornerstone of any region's economic development initiatives (Smilor et al 2007).

This result could, in part, be attributable to the fact that the university is a much larger organization than any of the other local organizations. Nonetheless, in recent years, one goal of the University of Toledo has

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**TABLE 1**  
**Toledo's Economic Development Collaborators:**  
**Core and Super Core**

Organization	Function	Number of Individuals	
		Core	Super Core
University of Toledo	Education	6	0
City of Toledo	City government	4	1
Toledo-Lucas County Port Authority	Management and coordination of city and county transportation assets	4	1
Regional Growth Partnership	Regional economic development	4	3
Toledo Regional Chamber of Commerce	Business networking and advocacy	4	2
Lucas County Commissioners	County government	3	0
Lucas County Improvement Corporation	County economic development	2	2
First Energy Corporation	Energy provider	1	1
Local Initiatives Support Corporation	Community development	1	0
Ohio Department of Development	State economic development	1	1
Wood County Economic Development Commission	County economic development	1	0
TOTAL		31	11

been to become a more active partner in the region's economic development efforts.

Much of the credit for the university's high standing among the local economic development community can be attributed to Professor Daniel Johnson who was president of the university between 2001 and 2006. Under his leadership, the University of Toledo successfully undertook a number of initiatives that elevated the university's commitment to and role as a partner in local economic development.

President Johnson's commitment to the university being a major player in local economic development has been embraced and continued by his successor, President Lloyd Jacobs. Strong leadership at the presidential level coincided with encouragement from the state of Ohio for universities to forgo their historical insularity and contribute to the local economic development efforts.

Examination of the super core network (defined as individuals with a centrality score of at least two standard deviations above the mean) is also enlightening (Table 1). The super core comprises 11 individuals, representing seven agencies – City of Toledo,

Very often when ad hoc regional organizations to promote economic development are formed, the membership is drawn heavily from the perceived leadership in the region. While the inclusion of such individuals makes sense, one should not overlook those persons lower in the organizational hierarchy who are key players in the collaboration network. One value of the SNA is that it objectively identifies such persons.

Toledo-Lucas County Port Authority, Regional Growth Partnership, Toledo Regional Chamber of Commerce, Lucas County Improvement Corporation, First Energy Corporation, and Ohio Department of Development. These organizations have long been involved in economic development efforts in the region and they have comparatively large service areas. Absent from the super core, interestingly, is the University of Toledo. Despite being the most highly represented in the core network, it is completely missing from the super core network.

The absence of university personnel from the super core can be explained by the fact that the university is a relatively new player in the northwest Ohio economic development game. It will take time for university economic development practitioners to demonstrate the value that the university can bring to the region's economic development efforts and to build relationships and develop trust with non-university development personnel.

Also absent from the super core are Lucas County Commissioners, the Local Initiatives Support Corporation, and Wood County Economic Development Commission.

An examination of the people in the centrality core, who cannot be named due to issues of confidentiality, indicates those persons who play a key role in the collaboration network of the region. It is notable that over 50 percent of those persons do not occupy positions of authority, such as director or CEO of their agency.

Very often when ad hoc regional organizations to promote economic development are formed, the membership is drawn heavily from the perceived leadership in the region. While the inclusion of such individuals makes sense, one should not overlook those persons lower in the organizational hierarchy who are key players in the collaboration network. One value of the SNA is that it objectively identifies such persons.

Whereas degrees-in centrality measures the position of persons within the network, the cohesiveness of the economic development collaboration network is indicated by its density. Table 2 shows that the density of the super core network is very high (63 percent), and the core network density is somewhat lower at 44 percent.

**TABLE 2. Network Density**

Network	Nodes	Links	Density
Whole Network	174	1225	4%
Core	31	812	44%
Super Core	11	110	63%

In contrast, the density of the whole network is substantially lower (4 percent).

This differential in densities has various implications. As one example, information will move more quickly through the super core and core networks than through the whole network. Also the overall network

is less cohesive. In general, these densities suggest that the Toledo economic development network is somewhat fragmented, with a relatively small number of individuals engaged in collaborative projects. The majority are somewhat marginalized from the collaborative process.

One source of fragmentation in the network is its spatiality. As noted in the discussion of the centrality core, no one from Fulton or Ottawa Counties is in the core. Additional insights into the geography of the network were obtained by the use of E/I ratios to examine cross-jurisdictional collaboration. The E/I ratio measures the extent to which a group of individuals are internally or externally oriented in their interactions.

E/I ratios range from -1 to 1. A group that is completely internally focused (i.e. all their interactions are with other members of their group) would have an E/I ratio of -1. In contrast, a group whose interactions are completely externally focused (i.e. all their interactions are with members of other groups) would have an E/I ratio of 1. An E/I ratio of 0 would indicate a group whose interactions are evenly divided between its own members and members external to the group.

The groups can be defined by whatever variable makes sense in the research project. For example, one could examine interactions internal and external to an organization. In this article, we use counties to define the groups.

Table 3 shows E/I ratios for the four counties that comprise the Toledo MSA. Two of the four counties (Fulton and Lucas) have high negative E/I ratios. This indicates a strong internal orientation and suggests that the majority of collaborative projects undertaken by economic development practitioners in Lucas and Fulton

**TABLE 3. Inter-county Collaboration within the Toledo MSA**

County	E/I Ratio
Fulton	-0.80
Lucas	-0.86
Ottawa	0.00
Wood	-0.15

County respectively are not occurring with colleagues who are located in other counties of the MSA. The other two counties (Wood and Ottawa) have E/I ratios that indicate a more balanced collaboration pattern. In both of these counties, economic development practitioners are more engaged in inter-county collaborative projects than their colleagues in either Fulton or Lucas County. Overall, the fact that three of the four E/I ratios are negative indicates that there is not a strong commitment to inter-county collaboration within the Toledo MSA.

Another aspect of spatiality is the extent of collaboration between northwest Ohio economic development people and economic development people working for the Ohio Department of Development, which is the state economic development organization. Less than three percent of the interactions are between northwest Ohio economic development officials and Ohio Department of Development personnel, with most of those interactions being with the local representative of the Ohio Department of Development.

## DISCUSSION AND POLICY IMPLICATIONS

The purpose of this article is to demonstrate the utility of SNA in analyzing collaboration within an economic development network. Measures of centrality, density, and spatiality are diagnostic tools for assessing the characteristics of a network and identifying strengths and weakness.

In the example of the Toledo economic development network, one strength is a core of organizations with high levels of degrees-in centrality. The number of organizations in the core is indicative of a high level of institutional thickness, as is the large number of linkages resulting from the information exchange and collaboration among the core group. Moreover, the density of this core network generated by those linkages provides for the rapid diffusion of information among its members. The fact that the University of Toledo is so heavily engaged as a collaborative partner in economic development in the Toledo region is positive, given the studies that have emphasized the contributions of universities to regional economic development.

Weaknesses in the Toledo example can be identified. The most evident weakness is the lack of cross-jurisdictional or regional interactions. For example, in the core, only two out of the 11 organizations are located outside Lucas County. Also the E/I ratios indicate low levels of inter-county collaboration within the MSA. Another potential problem is the minimal involvement of private sector businesses and state development officials in the core.

In general, SNA provides a lens through which to view a local economic development network. In the Toledo example, we focused on intra-metropolitan collaboration, but one could focus on other aspects of economic development networks which may be important in a particular locale, such as private-public partnerships or soft versus hard networks.

SNA results can also impact policy in a region. As mentioned previously, one can use the results when creating the membership of cross-jurisdictional organizations. If one finds gaps in the local network, then it may be necessary to do network weaving. Network weaving is the process of strategically connecting people with common interests or goals and who can assist each other.

A weaver assumes a leadership role, encouraging linkages among people so that information begins to flow across the structural hole. This makes the economic development network more effective and cohesive in order to achieve specified policy objectives, be it regional collaboration or some other goal.

In the case of northwest Ohio, a network weaver might be assigned the task of encouraging and facilitating more inter-county collaborations. Krebs and Holley (2006) provide an extensive discussion of the theory and practice of network weaving used at the Appalachian Center for Economic Networks, a regional economic development organization in Athens, Ohio. The authors are using SNA results from another survey to do network weaving in a greenhouse cluster in northwest Ohio (Reid et al 2007).

Social Network Analysis is a tool that can be applied in any geographic region that wants to better understand the nature and structure of its network of economic development practitioners. It is particularly valuable because it brings objectivity to the process of identifying

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It provides insights into networks which can not be obtained simply by interviewing those with positional power. However, SNA does not indicate the nature of social relations among persons in the network. If such information is needed, the SNA must be supplemented with interviews.

In general, Social Network Analysis is most useful when used as a diagnostic tool. The results of an SNA can indicate corrective actions (network weaving) that can be taken to address weaknesses highlighted by the analysis. 🌐



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