NOVEMBER 2014 | icma.org/pm

PM PUBLIC MANAGEMENT

INSIDE

Re-Thinking Economic Development

The stakes are high, the innovations many, the results promising

ADVANCING PROFESSIONAL LOCAL GOVERNMENT MANAGEMENT WORLDWIDE

ICMA 100th ANNIVERSARY 1914 ▪ 2014

PM
PUBLIC MANAGEMENT

contents

November 2014 | Vol. 96 No. 10

SPECIAL INSERT
2014 ICMA ANNUAL REPORT

features

departments

icma.org/pm

This issue of PM is available online and mobile at icma.org/pm October 27, 2014.

BY MARTHA PEREGO

WHAT'S THE OTHER "E" IN ECONOMIC DEVELOPMENT?

Why it's ethics of course!

An entire magazine devoted to economic development! The articles that follow in this issue reinforce how critical a good economic development strategy is to the local government mission. Whether the strategy includes revitalizing a community's main street, attracting jobs, building more robust retail options, or all of the above, it's all about making the community a place where people thrive—where they live, work, and play.

The Question of "What"

The devil is in the details of course. Imbedded in those strategies are ethical values that reflect the unique norms and culture of a community. The leadership challenge is to engage the residents and the business community to make sure that there is some level of agreement on the values so that the right strategy is implemented.

Will success be measured in just the total number of jobs created? Or does the community want to attract employers willing to pay a living wage? In real estate markets where property tax revenues rise as housing values continue to escalate, how much investment in affordable housing is enough?

Are big box stores welcome to fill the retail gap, or are they viewed as an anathema? Is the use of public funds for athletic stadium development appropriate economic development? The list of questions is almost endless.

The high-level questions of which values take precedent are tough to address. Why? Because they most often require us to debate what the ethicist Rushworth Kidder called "right versus right" dilemmas—that is, situations in which the competing principles are both valid and right.

The Question of "How"

A well-crafted strategy driven by values is critical. But at the ground level, the challenge for local government managers and their staff members working on these issues is far more basic. It's the how.

How do we accomplish our goals? How do we make sure that our conduct builds trust with our community? How do we navigate the private sector's interest in confidentiality? How do we ensure that there is transparency?

So what advice is there for local government professionals to ethically and successfully navigate the economic development process? Consider this:

Be transparent and a good communicator. The private sector's values of confidentiality and privacy do not trump the public's right to know. The local government manager needs to keep the governing body informed about potential projects or expressions of interest.

If there is a need to stress confidentiality at that stage, the manager should so inform the governing body. The International Economic Development Council, an association for professionals who are involved in various aspects of development, recommends this in its code of ethics: "Professional economic developers shall openly share information with the governing body according to protocols established by that body. Such protocols shall be disclosed to clients and the public."

PM
PUBLIC MANAGEMENT

Public Management (PM) aims to inspire innovation, inform decision making, connect leading-edge thinking to everyday challenges, and serve ICMA members and local governments worldwide in the pursuit of excellence in local governance.

ICMA EXECUTIVE DIRECTOR
Robert O'Neill, Jr.

DIRECTOR OF PUBLISHING
Ann Mahoney

GUEST EDITORS
Charles (Chuck) Abernathy
Patricia Mitchell

EDITOR
Beth Payne

DESIGN
Thor Design Studio
www.thor-studio.com

Public Management (PM) (USPS: 449-300) is published monthly except February by ICMA (the International City/County Management Association) at 777 North Capitol Street. N.E., Washington, D.C. 20002-4201. Periodicals postage paid at Washington, D.C., and at additional mailing offices. The opinions expressed in the magazine are those of the authors and do not necessarily reflect the views of ICMA.

REPRINTS: Apply to the editor for permission to reprint any part of the magazine.

SUBSCRIPTIONS: U.S. subscription rate, $46 per year; other countries subscription rate, $155 per year: single copies, $10. Printed in the United States.
Contact: 202/289-4262; subscriptions@icma.org.

POSTMASTER: Send address changes to *Public Management*, ICMA, 777 N. Capitol Street, N.E., Suite 500, Washington, D.C. 20002-4201.

ARTICLE PROPOSALS: Visit icma.org/pm to see "Editorial Guidelines" for contributors.

EDITORIAL INFORMATION
202/962-3619
bpayne@icma.org

ADVERTISING SALES
Ben Harmon
The Townsend Group, Inc.
Tel: 301/215-6710 x106
Fax: 301/215-7704
bharmon@townsend-group.com

PRINTING
Westland Printers
Laurel, Maryland

ICMA
icma.org | icma.org/pm

BUT AT THE GROUND LEVEL, THE CHALLENGE FOR LOCAL GOVERNMENT MANAGERS AND THEIR STAFF MEMBERS WORKING ON THESE ISSUES IS FAR MORE BASIC.

Be objective and avoid "capture." The desire to build good working relationships with the development community can backfire. In communities where a lot of development is taking place with only a few dominant players, local government staff can get too close to the developers.

The same can occur in a smaller, tight-knit community. Building an effective working relationship is helpful in the long run, but maintaining an objective, fair, and impartial relationship is way more important. Even the appearance that staff is too close or deferential to the development community can undermine the public's trust.

In government, it's known as "regulatory capture." It's when the regulator gets too cozy with the company he or she is supposed to monitor. So be professional but keep an arm's length, and remember your obligation to serve the public's interests.

Seek no favor. Don't leverage information learned during the initial phases of an economic development process for personal gain. That would be all the information about intent that has yet to be disclosed in the public domain.

On the theory that we learn from each other's tough experiences, I would encourage you to share your strategy for navigating the ethical challenges related to economic development. You can send your story—confidentially if desired—to me at my e-mail address listed below. PM


MARTHA PEREGO
Ethics Director, ICMA
Washington, D.C.
mperego@icma.org

WHAT IS YOUR FAVORITE ECONOMIC DEVELOPMENT-RELATED MANAGEMENT EXPERIENCE?

TIMOTHY (TIM) GAGEN
Town Manager
Breckenridge, Colorado
timg@townofbreckenridge.com

When I arrived in Commerce City, Colorado, in the 1990s as the new manager, the city had a strong industrial base, but it also had a negative image due to heavy industry and the stigma of being adjacent to one of the most polluted federal chemical weapons facility in the country—the Rocky Mountain Arsenal.

The Arsenal Superfund site pollution had gotten into the groundwater table, and negative impacts resulted in a large disparity between jobs and available housing, where less than one-third of the employment base resided in the city and no new housing had been built for years.

During the next six years, a master plan was created that was keyed to a cleanup plan for the Arsenal, partnerships with developers to start building new homes, and efforts by heavy industry to reduce pollution and negative impacts.

Now, 14 years later, most of that vision and plan has been implemented. The Arsenal is a national wildlife refuge, and the city has experienced a resurgence of new housing and commercial development.

MATT MUELLER
City Manager
Little Elm, Texas
mmueller@littleelm.org

I once worked in a community where an economic development failure of the past left the city responsible for several hundred thousands of dollars in debt and the loss of support for using incentives for recruitment.

About a year after I was hired, we were notified of an emerging business that would bring a new industry to the state and a unique draw to the community. When city representatives met with the owner, we explained that although we didn't have financial incentives to offer, our community would provide the best fit for the endeavor and our development process would be a streamlined, personalized experience.

The business ultimately chose us and publicly acknowledged before the council that the relationship they built with city staff was the reason they chose our community over others. The business is now flourishing and contributes greatly to the city.

MARYANN USTICK, ICMA-CM
City Manager
Gallup, New Mexico
manager@ci.gallup.nm.us

In a previous position, I worked for a city that needed commercial redevelopment to complement residential revitalization that was going well.

Residents had partnered with the city to attract residential investment but were frustrated that a 40-acre blighted area remained. They had tried for 20 years to attract a grocery store as an anchor tenant to create jobs.

A developer was willing to bring in a grocery store and construct a new shopping center but wanted the city to assemble the property. This involved relocating numerous long-standing small businesses. A team of city staff worked with the businesses, helping with permits and making their relocations more pleasant.

It took some two years, research on property ownership, and contacts all over the country to work through the issues and challenges.

The lesson learned is that economic development is everyone's job. Focusing the entire staff and using their resources and talents made an economic development dream come true.

ERIK TUNGATE, ICMA-CM
City Manager
Oak Park, Michigan
etungate@ci.oak-park.mi.us

In early 2006, I met with the CEO of a health care IT company based in New Jersey. He was looking for prime locations to expand company operations in the United States. More specifically, he and his team were targeting urban locations that provided the quality of life and amenities that attract creative-minded employees.

After touring properties in New York and Chicago, he agreed to view a high-rise property near Campus Martius Park in the heart of downtown Detroit. Upon reaching one of the upper floors, he was stunned at the amazing views and heavy foot traffic on the street below.

Despite the headlines regarding the city's demise, he was almost immediately sold on the location noting the city's untapped potential. A few years later, he became a leader in a monumental effort to rejuvenate the city's core area, seeing something many corporate leaders before him had missed. PM

1 WAY TO GO!

The Southlake, Texas, 2030 Comprehensive Plan serves as a road map that guides city decisions on its physical development for the next 20 years.

icma.org/southlake_comprehensive_plan

2 IMPROVING LOCAL ECONOMIC DEVELOPMENT

ICMA has completed three successful initiatives to facilitate economic growth in Sri Lanka. Learn how U.S. local government staff contributed their expertise and training skills to help district councils, chambers of commerce, and the business community work together to promote economic development.

icma.org/sri-lanka-LED

icma anniversary

MOMENT IN HISTORY

ICMA was founded as the City Managers' Association when eight of the existing 31 U.S. managers met in Springfield, Ohio, in December 1914. The organization adopted its first constitution at its second annual conference in Dayton, Ohio, in November 1915.

ICMA's "circle-and-square" logo was used by the organization from 1969 until 2007.

While attending the 10th annual conference in Montreal in 1924, the City Managers' Association changed its name to the International City Managers' Association in recognition of the many Canadian membership applications the organization had received.

In 1969, ICMA members voted to extend Corporate (voting) membership eligibility to mayor-appointed and council-appointed administrators with overall management responsibility in all local governments and to directors of councils of governments. Assistants were also given the right to vote and hold office. To reflect these changes, on July 1, the association changed its name to the International City Management Association and rolled out a newly designed "circle-and-square" logo to serve "as an identifying mark on all ICMA publications and communication."

ICMA's final name change to the International City/County Management Association took place in 1991, when members voted to fully recognize the inclusion of county chief appointed officials who became eligible for full membership in 1969.

To learn more about the many milestones in the history of ICMA, its members, and the professionalism of local government management, visit icma.org/anniversary and scroll through the anniversary timeline on the homepage. Also watch this space in *PM*, where we are highlighting an anniversary moment each month.

ICMA 100th ANNIVERSARY 1914 ▪ 2014

INTRODUCTION

RE-THINKING ECONOMIC DEVELOPMENT

The stakes are high, the innovations many, the results promising

BY PATRICIA MITCHELL AND CHARLES (CHUCK) ABERNATHY, ICMA-CM

We are pleased to collaborate on this November issue of *Public Management* (*PM*) magazine. The idea of an entire issue focused solely on economic development came following an article the two of us wrote for the November 2013 issue titled "Confidentiality and Complexity: Unlocking the Subplots of Economic Development."

Following that article's publication, we received positive comments from various audiences, and here is a quick summary of readers' thoughts on the article's relevance:

- Valued the discussion of economic development in a management publication due to it being a critically important activity in a manager's responsibilities.
- Appreciated attention given to the manager's direct influence in economic development activities through the relationship with elected policy-making boards who often control the public investment for projects.
- Understood the nexus of public-private investment and those activities and tools that can lead to enhanced economic development in a local community.

Involving city and county managers in the economic development process is an increasingly important decision for local jurisdictions. If the jurisdiction is a small town or county, the manager might be solely responsible for the economic development activity.

If the jurisdiction is an urban area of some size, the manager often plays an important role in supporting and moving along development projects. Regardless of jurisdictional size, without the knowledge of and the understanding by the manager, a development project can be sorely hampered.

It is for these reasons that we focused an entire edition on economic development. And it is also for these reasons that we have attempted to include articles describing economic development activity in various-sized jurisdictions and projects.

The articles in this issue touch upon a wide range of specific economic development topics that will hopefully prove interesting and insightful. A goal was to demonstrate the changing nature of economic development activity and the increased relevance to the local government management profession.

It is clear to us that additional economic development topics could have been featured in this issue, including incentive policies, existing industry programs, and workforce development. The economic development topic is incredibly diverse. We suspect, however, that the articles in this issue will provide the foundation for considerable future discussion. PM

PATRICIA MITCHELL, CEcD, DPA, a former county manager and economic developer, is assistant secretary, Rural Development Division, North Carolina Department of Commerce, Raleigh (pat.mitchell@nccommerce.com). **CHARLES (CHUCK) ABERNATHY**, Ph.D., ICMA-CM, is county manager and director, department of economic development, McDowell County, North Carolina (charlesa@mcdowellgov.com).

BY ROBERT ATKINSON

ECONOMIC DEVELOPMENT IN A GLOBAL, INNOVATION-BASED ECONOMY

What local governments need to know

TAKEAWAYS

› Today's economic environment is dramatically different. Find out what this means for the practice of economic development.

› There are new drivers—like innovation and speed to market—to local economic development success.

It's always risky to think that things were better in the past, but for city and county officials involved in economic development it might seem like that. The world of economic development has changed dramatically in the past decade or so, and in many ways for the worse.

Not only is there more demand, with more jurisdictions both in America and outside its borders engaged in economic development, but there also is less supply that includes fewer company relocations, less corporate investment, and fewer business startups. As a colleague from North Carolina long ago quipped about his state's economic development strategy, "We shoot anything that flies and claim anything that falls."

Today, there are more "shooters" and fewer "ducks." This article first explains why this is the case, considers the implications for economic development practice, and offers some insights on how cities and counties can respond.

The New Economic Development Environment

After World War II, when Northeast and Midwest states and local governments realized their factories could relocate anywhere in the country, they began to compete fiercely to retain and attract those "smokestacks." By the 1970s, virtually every state had established an economic development agency whose mission was to go out and compete with an arsenal of tools ranging from tax breaks, to free land, to workforce training programs.

During this era, higher income areas, mostly in the Northeast, the Midwest, and California, served as "seedbeds" for the development of new innovations, companies, and industries. But once new product and process innovations matured, they no longer needed to be near corporate headquarters and R&D labs.

They could be produced in lower-cost rural or metro regions, often in the South and West. New products might be developed in Boston or Chicago, but once their technology and production systems matured, that production would be moved to a place like North Carolina where costs were lower.

Changes of the 1970s

By the late 1970s, the process began to change, slowly at first, and then much more rapidly in the past decade as globalization took hold. As technology enabled more globally integrated trade and production systems, standardized production could now locate in low-cost nations, not just in low-cost areas of the United States.

Indeed, low-cost U.S. areas were not all that low cost anymore. Offshore locations, particularly in emerging developing economies, were made all the more attractive by the lack of unions, generous investment incentives provided by governments desperate to attract foreign investment, and a relatively strong U.S. dollar that made offshore production cost less.

At the same time, the challenge to the U.S. economy from developed economies grew. For most of the post-war era, the United States led the world economy and produced a vast array of new companies, many of which grew to become global leaders, bestowing the country with new factories, offices, and job growth.

Competition from other countries like Germany and Japan was either relatively slight or nonexistent. Most other nations were too small to attain the economies of scale firms needed to succeed. Still others were effectively isolated from the global economy, located behind the Iron Curtain or constrained by similar policy barriers.

Others mistakenly put in place a host of antigrowth policies that kept them on the global economic sidelines. Metaphorically, the United States was fielding a "dream team" while others were playing in the minor leagues.

Upheaval Starting in the 1980s

U.S. manufacturing jobs peaked in 1979, and declined gradually through the end of the 1990s. But production jobs hemorrhaged in the 2000s when one-third of U.S. manufacturing jobs were lost.[1] Moreover, rural U.S. manufacturing was hit as hard as urban, and the South as hard as the North.

During the 1970s, rural factory jobs increased three times faster than urban factory job growth as high-cost urban manufacturing migrated to low-cost rural areas.[2] But in the 2000s, rural and urban areas lost factory jobs at the same rate since they were now both part of the higher-cost core region (the United States).

And of the top 10 states in terms of the share of manufacturing job loss in the 2000s, four (Mississippi, North Carolina, South Carolina, and Tennessee) were in the South, a region that lost more than 37 percent of its manufacturing jobs.[3] Low costs no longer provided immunity to disruption.

We also see this decline in manufacturing investment in the dramatic fall in the number of major relocations or new facilities in the United States. These are the major facilities—new factories, corporate and regional headquarters, and more—for which states and cities intensely compete.

From 1995 to 2000, the average number of new or expansion facilities per year was 5,139. At this rate, the typical state could expect to see 102 new or expanded facilities per year. From 2000 to 2005 these fell to 3,896 per year on average, and from 2005 to 2011, they fell even further to an average of just 2,824 per year.[4]

As a result, the average state can now expect to see an average of just 56 new or expanded facilities a year. Also, similarly striking declines have occurred in fixed capital investment as well: Between 2000 and 2009, the domestic capital investment of American multinational firms declined by 48.5 percent as a share of gross national product (GNP), while the overseas capital investment by these same American companies increased by 9.1 percent.[5]

And as the Brookings Institution has found, we have seen a decline in the rate of new company formations over the past 30 years.[6]

The Race for Innovative Advantage

A major reason the "supply of economic development" has fallen is that the U.S. economy faces much more competition now. Indeed, it is this intense race for global innovation advantage that most clearly distinguishes today's global economy from the collection of regional and national economies that competed to attract "smokestacks" a generation ago.[7]

As a February 2012 *Washington Post* article noted, "Europe, as well as Asia and Latin America, is offering ever stronger competition to the United States, even in its strongest sectors, such as Internet technology, aerospace, and pharmaceuticals."[8] And it's not a competition for the faint of heart.

In fact, it makes the World Cup look like a kids' playground game, for the struggle for innovation advantage is being fought with all the tools at nations' disposal. Nations around the world are establishing national innovation strategies, restructuring their tax and regulatory systems to become more competitive, expanding support for science and technology, improving their education systems, spurring investments in broadband and other IT areas, and taking myriad other pro-innovation steps.

So while the competition has ratcheted up for economic development, the competitive advantage of the U.S. economy—and, by extension, the focus of economic development—has also changed.

Emblematic of efforts of the old economy, a 1954 issue of *Fortune* magazine included a full-page ad from Indiana that touted its benefits as a location of corporate investment, including such attractors as "no government debt," a labor force that was "97 percent native" (with the implication that native-born workers were less likely to strike than immigrants), low taxes, and ample supplies of raw materials, calling itself "the clay capital of the world." In other words, the key to success was low costs and proximity to markets and raw materials.

Today, in contrast to states competing by "smokestack chasing," most states now compete by "innovation chasing," trying to grow and attract the highest-value-added economic activity they can: the high-wage, knowledge-intensive manufacturing, research, software, information technology (IT), and services jobs that power today's global, innovation-based economy.

Indiana is a case in point as it no longer touts its abundant clay. *Fortune*

To be sure, in today's tough economic times with high unemployment, job creation is important; however, fundamentally, communities need to be strategic about where they invest and what kinds of jobs they want to support.

ads now tout the state as a place "where innovation, discovery, and success are nurtured," and "that provides a pipeline of bright minds and new thinking."

A Shift in What Matters

Related to this is that cost has become a less important driver for economic development. In the old economy, low-cost regions and communities touted their advantages for attracting cost-based manufacturing and services. Now, even the lowest-cost regions in the United States are high cost compared to nations like China, India, and Vietnam.

U.S. costs overall also are actually significantly lower than many of our competitors. Total hourly manufacturing costs in Germany, for example, are 60 percent higher than U.S. costs in dollar terms. In fact, U.S. manufacturing costs are now less than 20 percent higher than South Korean costs.

Now what matters are not just costs but factors like innovation, productivity, speed to market, and entrepreneurship. Given the importance of knowledge workers—workers with at least some college education—to regional economic growth, quality of life now matters more than ever.

In the past, when cost reduction was king, places might be able to afford not investing in good schools, a good physical environment, and an appealing quality of life. But these are things that mobile knowledge workers value; without them, companies seeking knowledge workers will have a difficult time attracting them.

Implications for Economic Development

So what are the implications of these tectonic changes in the economic development environment? One implication is that economic development officials—now more than ever—will need to get the fundamentals of innovation-based economic development right. These four principles are a place to start.

Businesses that export goods or services out of the region are the ones that matter most. If such a local-serving firm as a barber goes out of business, another one will generally emerge or existing ones will expand because local residents' economic consumption will create the demand.

In contrast, demand for cars and computers or even banking and insurance services by a state's residents doesn't create more supply in that state. That demand can be met just as easily by supply located outside the state's borders that either ships in its products by truck or provides services over the Internet.

If a large exporting establishment—say an automobile assembly plant or a regional insurance processing facility—closes, the workers at that plant lose income, and so do the resident-serving firms where they spent their money, like the barber shops.

It's not just the number of jobs in the export sector, it's the innovation, value added, and wage level of the jobs. To be sure, in today's tough economic times with high unemployment, job creation is important; however, fundamentally, communities need to be strategic about where they invest and what kinds of jobs they want to support.

The days of strategies being based on "shoot anything that flies and claim anything that falls" should be banished to the 20th century. Communities should target their scarce economic development resources on programs and policies that help companies paying above the median wage.

But it's not uncommon for states to provide incentives to firms paying wages below the median wage. Unless the jobs are created in a region with high unemployment, however, such incentives will not raise living standards.

The economic future of communities depends on innovation and entrepreneurship. In a global economy where low value-added, commodity production of goods or services can and does locate in nations with low wages, communities are fighting a losing battle by competing on the low end.

This does not mean that there are industries that should be abandoned. In every industry, regardless of the overall value-added average, there are segments and firms competing on the basis of innovation, value added, and high productivity.

It does mean that a state's or local government's future is dependent on companies that see their future as tied to innovation, value added, and high productivity. In many instances, this will mean supporting new firms. In all cases, it means supporting new ideas and innovations, regardless of the age of the firm from which they come.

States should do everything they can to create the kind of environment that enables these kinds of companies to emerge, grow, and prosper. In particular, states can target their efforts even more to the small number of firms that are high growth. These "high-impact" companies are especially important to state economic development because most small businesses are not growth businesses, and most jobs are created by a relatively small number of high-impact firms.[9]

You can't do it alone: Washington needs to do its job. In the old economy, communities competed for economic development success as a rising tide of national economic success helped lift all boats.

Today, that tide is no longer rising, at least not quickly. This means that unless the federal government also acts and develops an effective national innovation and competitiveness strategy, all the state, regional, county, and city actions in the world will not be enough.

This is true for two reasons. First, tax and investment policies at the federal level dwarf those at the state and local levels. At 35 percent, the federal corporate tax rate is the highest in the world and almost 10 times higher than the average state corporate tax rate. And while states might invest several billion dollars in research and development, the federal government invests significantly more.

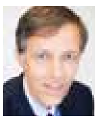
Second, addressing the competitiveness challenge will also require action to reduce unfair and protectionist foreign trade practices. Only the U.S. federal government can champion a more proactive trade policy that fights foreign mercantilist actions, including currency manipulation, closed markets, intellectual property theft, and other unfair practices.

As the Information Technology and Innovation Foundation has detailed in its report "Fifty Ways to Leave Your Competitiveness Woes Behind: A National Traded Sector Competitiveness Strategy," Washington can and should enact an array of policies so that the national economic development "tide" rises.[10]

The problem, of course, is that Washington is trapped in ideological gridlock, with one side rejecting government and the other suspicious of anything that might help business, especially big business. State and local economic developers and other public officials need to explain to their local congressional delegation that you can't do your job—growing good jobs in your region—unless Washington does its job of enacting policies to enable America to start to win again.

And that while issues like health care, abortion, and immigration divide us along partisan lines, if we let federal economic development and competitiveness policy divide us, we will truly fall as a nation.

In summary, today's environment for economic development is not for the faint of heart. But with the right policies at the national, regional, and local levels, the U.S. economy can once again thrive—with robust, good job growth—but it will require everyone doing their part. PM



ROBERT ATKINSON, Ph.D., is president, The Information Technology and Innovation Foundation, Washington, D.C. (ratkinson@itif.org; www.itif.org).

ENDNOTES AND RESOURCES

1 Robert D. Atkinson, Luke A. Stewart, Scott M. Andes, and Stephen J. Ezell, "Worse than the Great Depression: What Experts Are Missing About American Manufacturing Decline," (ITIF, March 2012), http://www2.itif.org/2012-american-manufacturing-decline.pdf.

2 Jason Henderson, "Rebuilding Rural Manufacturing," Federal Reserve Bank of Kansas, no. 2 (2012), Chart 1, " Rural Manufacturing Employment and Earnings," www.kansascityfed.org/publicat/mse/mse_0212.pdf.

3 Atkinson, et. al., "Worse Than the Great Depression: What Experts Are Missing About American Manufacturing Decline," Figure 18.

4 "Editorial Archive," Site Selection, March issues, accessed September 26, 2012, http://www.siteselection.com/pastissu.cfm; Robert D. Atkinson and Daniel K. Correa, The 2007 State New Economy Index (Washington, DC: Information Technology and Innovation Foundation, 2007), http://www.itif.org/files/2007_State_New_Economy_Index.pdf.

5 Bureau of Economic Analysis, Direct Investment and Multinational Companies (U.S. direct investment abroad, majority-owned nonbank foreign affiliates, capital expenditure; U.S. direct investment abroad, majority-owned foreign affiliates, capital expenditure; U.S. direct investment abroad, nonbank U.S. parent companies, capital expenditure; U.S. direct investment abroad, all U.S. parent companies, capital expenditure; accessed February 14, 2012), http://www.bea.gov/iTable/index_MNC.cfm; Bureau of Economic Analysis, National Income and Product Accounts (table 1.7.5, relation of gross domestic product, gross national product, net national product, and personal income; accessed February 14, 2012), http://www.bea.gov/iTable/index_nipa.cfm. Author's analysis.

6 http://www.brookings.edu/research/papers/2014/05/22-decline-business-dynamism-is-for-real-litan-hathaway.

7 Robert D. Atkinson and Stephen Ezell, "Innovation Economics: The Race for Global Advantage" (New Haven, Yale University Press, 2012).

8 Paul Glader, "To Europeans, U.S. is a Puzzling Economic Giant," Washington Post, February 23, 2012, http://www.washingtonpost.com/conversations/to-europeans-america-is-a-puzzling-economic-giant/2012/02/19/gIQAlhRXWR_story.html.

9 One study estimates that such gazelles (termed "high expectations entrepreneurs") are responsible for 80 percent of the jobs created by entrepreneurs. Erkko Autio, 2005, op. cit. See also Zoltan J. Acs, William Parsons, and Spencer Tracy, High-Impact Firms: Gazelles Revisited (Washington, D.C.: U.S. Small Business Administration, June 2008) <www.sba.gov/advo/research/rs328tot.pdf>.

10 http://www.itif.org/publications/fifty-ways-leave-your-competitiveness-woes-behind-national-traded-sector-competitivenes.

BY PATRICIA MITCHELL AND
CHARLES ABERNATHY, ICMA-CM

MAIN STREET PURSUITS

How to make downtown the place to be

TAKEAWAYS

› Find out how supporting Main Street development can build a community's downtown vitality.

› Find out that downtown revitalization is incremental change that takes place one block at a time…leading to a community's future.

In our opinion, a downtown area is one of the most important impressions for a visitor evaluating a tourism experience or a location decision. A main street and surrounding downtown area can convey the character, economic vibrancy, and the "mood" of a community. The development and implementation of programs to enhance the attractiveness and vitality of a community's downtown is the responsibility of elected officials and administrators and should receive considerable attention.

The Main Street Program (Main Street®), established in the early 1980s by the National Trust for Historic Preservation and now a subsidiary of that organization, is economic and community development in its best form. It is a place-based program where a community's assets are analyzed and an economic development program built from those assets. It is more importantly a place-making form of economic development.

The physical environment is created through attention to visual appeal and historic preservation, and with them, a community is created where people want to live in or near. The conception of place-making can create viable economic development with a hometown feel that community members enjoy, and which visitors find appealing as a destination place for shopping and vacations.

The Artwalk in Morganton, North Carolina, transforms a downtown pedestrian alley as a temporary art gallery.

The purpose of this article is to suggest a broader context to downtown development through place-making economic development and specifically through the Main Street Program, a program now found in 46 states. Downtown business districts and downtown development authorities certainly have their place in enhancing commerce or improving the ability of merchants to increase sales.

The Main Street Program broadens the opportunity to create place, to enhance the visual appeal of communities, and to engage in various forms of preservation. We will demonstrate this approach through photos of Main Street® communities, specifically looking at street and sidewalk enhancements (streetscaping), façade treatments, transportation improvements, and historic preservation.

It is our intent that local government managers will be enticed to further explore the potential of a Main Street® or Small Town Main Street Program and

1

2

1. Visual appeal of painted milk tanks leading into the Ashe County, North Carolina, cheese factory. 2. Streetscape and transportation enhancements create a vibrant downtown in Statesville, North Carolina. 3. Burke County, North Carolina, courthouse located on the city square is an icon for Morganton. 4. Wayfinding signage placed in Marion, North Carolina, directs visitors to amenities and services.

begin to think conceptually about placemaking as an important component of an economic development plan.

Main Street® is three things: 1) a proven approach for the revitalization of downtowns, 2) a network of interrelated communities, and 3) a well-respected national program with support services to membership communities. The program advocates an all-inclusive method of downtown revitalization focusing on organization, design, economic restructuring, and promotion.

Transportation Enhancements and Streetscaping

Streetscaping is an important factor in revitalization. Through visual appeal, outdoor benches, widened sidewalks, and walkable community improvements, visitors and residents are encouraged to walk the downtown area enjoying a community's amenities and providing merchants with ready-made customers.

Such transportation enhancements as removing stoplights and creating attractive crossings and bump-outs for the planting of flowers and trees can create a slower pace and calmer feel to the main street area and encourage spending time in the comfortable environment.

Departments of transportation (DOTs) and district health departments are often key partners in revitalization. For example, the North Carolina DOT agreed to the removal of traffic lights in downtown West Jefferson, and the Appalachian District Health Department helped fund such improvements as removing overhead utilities to make the area a more attractive walkable community, thus creating health benefits.

Local Programs

It's good to be able to report that local programs designed to enhance the appearance and vibrancy of downtown areas are plentiful. Examples include establishing events and festivals to bring people and tourists to the downtown area. Marketing, branding, and promotions to encourage business activity are also typical. Resident advisory committees are critical components of each of these initiatives.

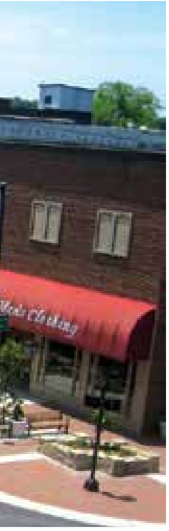
Local governments have established business associations with an economic development office focused solely on promoting the downtown business district. Some places are taking the aggressive and perhaps controversial step of providing incentives for the location of businesses into the downtown area (e.g., rental assistance or utility reduction programs).

Façade renovation programs are often the centerpiece of a downtown renovation program. These programs typically provide matching funds, oftentimes with a community-sponsored program or a Main Street® grant program.

Such improvements as painting, façade replacement, awnings, and window replacement can be eligible for these matching grant funds. Marion, North Carolina, which began implementing a façade program in 2011, has participated in 14 funded projects, where projects received 50 percent of project cost up to $5,000. Here are some details about Marion's program:

- Matching funds are specifically tied to building improvements involving such structural improvements as windows, façade restoration, painting, and awnings.
- Marion agreed to use its own public works crews to provide limited assistance with debris removal, historical research, and paint-scheme suggestions.
- An application process and review committee were established with the review committee making recommendations regarding color schemes, creating historical accuracy, and maintaining consistency.

Broad participation in the process has occurred in Marion with county and city government, the economic development



3

4

SOURCES OF INFORMATION

North Carolina Main Street Program: www.nccommerce.com/rd.

Ledbetter, D. (July 8, 2014). Discussion of West Jefferson Streetscape Project.

A drawing illustrating streetscape concepts from North Carolina State University's 2003 West Jefferson Design Charrette.

association, and the Downtown Business Association involved in funding and decision making.

Historic Preservation: Important Component of Main Street®

The preservation of a community's past is often an emotional commitment for a community. Well-preserved historic buildings are increasingly used as the anchor of local government activities.

As evidence, the Burke County, North Carolina, courthouse in Morganton and an old textile mill are anchors in historic preservation and activity. The courthouse houses a museum for Senator Sam Ervin of Watergate fame, who began his law career in the building.

Place-Making as a Development Strategy

Using a community's assets for developing an economic strategy provides a logical approach to revitalization activity. Taking the asset-based strategy one step further and thinking about place-making provides a concept to create an environment where we want to work and play, as well as attract others to our community. Today's busy society is often looking for an attractive and calming atmosphere in which to spend some leisure time.

The revitalization of small towns also makes economic sense. PlaceEconomics, a Washington-based consulting firm analyzing the economic impact of the North Carolina Main Street Program, determined that from its inception in 1980, $2 billion has been invested by businesses and local communities and 4,700 new businesses created. It is estimated that "each year $1.6 million in sales taxes are generated just from the net new businesses in Main Street® districts."

The North Carolina program operates a Main Street Solutions Fund, which is a legislatively appropriated grant program established in 2009, with $1 million being appropriated for FY2015.

Main Street® is a proven strategy of place-making for economic development and quality-of-life activity. PM

ENDNOTE

1 *Decades of Sucess: The Economic Impact of Main Street in North Carolina.* Executive Summary. Prepared for the North Carolina Department of Commerce and the North Carolina Main Street Communities by PlaceEconomics, Washington D.C., February 2014


PATRICIA MITCHELL, CEcD, DPA, a former county manager and economic developer, is assistant secretary, Rural Development Division, North Carolina Department of Commerce, Raleigh (pat.mitchell@nccommerce.com). **CHARLES (CHUCK) ABERNATHY**, Ph.D., ICMA-CM, is county manager and director, department of economic development, McDowell County, North Carolina (charlesa@mcdowellgov.com).

BY ERNEST PEARSON

GOING MULTIJURISDICTIONAL

Laying the groundwork for shared business parks

TAKEAWAYS

› Find out why multijurisdictional business park projects are popular.

› Find out the positive implications of interlocal cooperation.

An aerial view of International Logistics Park of North Carolina.

It is a basic, universally accepted fact that in order for an area to win new recruitment projects—and in some cases retain expansions of an existing company facility that will be on a site other than its current location—that area must have the necessary facilities to attract the investment. Economic development professionals routinely refer to this as having sufficient "product."

The term generally refers to adequate buildings or shovel-ready sites in an established certified business park. The structures might be new shell buildings, existing buildings, or those that have been renovated.

In some cases, when a particular industry sector is targeted, a special-use building may be needed. For certain segments of the information technology industry, for example, this might be a fully wired information technology center; for the biopharma industry, it might be a wet lab.

As to buildings, the key word is "adequate." Older, obsolete manufacturing buildings with low ceilings or former retail buildings are just not suitable for most modern manufacturing and distribution operations. A fully prepared special-use building is a great attraction for a company able to use that particular facility.

The hard reality is that if a local government or region does not have a reasonable inventory of adequate product, that area is out of the running for new recruitment projects and off-site expansions of existing facilities.

To Build or Not to Build?

So the question becomes whether the local or regional economic development organizations or units of government should undertake the development of one or more business parks or buildings.

If the private sector has developed a significant inventory of product, then it would generally be advisable for the local and regional economic development and government leadership to support these private efforts rather than compete with them.

But if, as is the case in areas that are more rural and less developed, the private sector is not filling this need, the local and regional leadership must step in if any reasonable economic development successes are to be realized.

How to Afford It

Recognizing a need for an adequate inventory of product is just the beginning. Reality hits home when a local government or economic development organization confronts the cost of developing a business park or building on its own.

There are ways to stretch available funds using public-private joint ventures, equity participation arrangements on acquiring land, installment financing, and long-term options of property. Another way to develop an attractive inventory of product involves two or more local units of government joining together to develop property as a multijurisdictional project. Multiple units of government share the costs—and share in the gains.

Multijurisdictional Projects

This article will focus on multijurisdictional business park projects. Certainly, multiple jurisdictions could share in the development of a new building or rehabilitation of an existing building; however, the great majority of multijurisdictional efforts have dealt with business parks. Also, this article will focus on local units of government cooperating in this type of effort.

Some states have statutory and/or constitutional authority that specifically allows for multiple local units of government to cooperate in the development of business parks. South Carolina is an example of this. If a state has such authority or can get such authority enacted, all the better.

One should not, however, disregard the possibility of undertaking this type of effort if such state statutory authority does not exist. It may be possible to combine several parts of existing statutory authority for local units of government even when those statutes do not specifically speak to multijurisdictional business parks.

North Carolina's Experience

What was done in North Carolina is a good example of this combination approach. The need existed in rural, less-developed parts of North Carolina to develop quality, certified, and shovel-ready industrial sites to make these areas more attractive to site selection or expansion projects. But until the mid-1990s, for a variety of reasons, no two local governmental units had sought to do this together.

A review of existing state statutes, however, in context with each other, led to the conclusion that local multijurisdictional efforts were possible. Here are the statutes and a brief description of their relevant terms:

1. N.C.G.S. 158-7.1, Local Development Act, in general terms under subsection (a) and in specific terms under subsection (b), gives a local government the authority to "acquire and develop land for an industrial park . . . ."

2. This was bolstered by other statutory authority, which states that tax proceeds can be used by a county (or city) "(t)o provide for industrial development as authorized by G.S. 158-7.1."

3. This made it clear that any single local unit of government could develop an industrial park property. N.C.G.S. 160A-461 to 464, the Local Cooperation Act, states that "one or more other units of government in this State or any other state . . . may enter into contracts with one another to execute any undertaking." This gives authority to local units of government to partner with one or more other local units of government to undertake any governmental function.

4. For management and oversight purposes, it is often desirable that the cooperating units of government work through a central nonprofit entity that they jointly control. It would significantly complicate development efforts if every decision had to go back through two or more local government governing boards for consideration and approval. Of more concern, few industrial recruitment prospects would tolerate a decision as to selling or leasing property to that prospect having to go through multiple local government boards.

By working through a nonprofit entity, all of these decisions are centralized and simplified. Each local government involved in the multi-jurisdictional project exercises its oversight and control by an apportionment of seats on the nonprofit's board of directors.

Therefore, N.C.G.S. 1601A-20.1 as to municipalities and N.C.G.S. 153A-449 as to counties were relied upon, allowing local governments "to contract with and appropriate money to any . . . corporation, in order to carry out any public purpose that the . . ." local unit of government "is authorized by law to engage in."

Through these previously existing statutory authorities, in addition to some new statutory provisions that specifically allow local governments to enter into multijurisdictional business park arrangements, which are explained here, local units of government that have undertaken these projects have realized a number of benefits:

1. Areas that did not previously have the opportunity to be considered for new recruitment projects or off-site expansion projects are now "in the game" and receiving visits by prospects.

2. Even if a facility locates in one local government's area, but not in that of the other(s) areas, all local units of government realize the benefit of more jobs for their residents. City and county boundaries mean nothing to an increasingly mobile populace in search of better employment.

3. For years, the barrier to multijurisdictional cooperation was the fact that only one local government received new tax revenue when a company moved in.

But, key provisions of multijurisdictional agreements provide for sharing of tax revenue among local governments. The nonprofit that was set up to administer the park transfers a portion of the property tax increases from companies locating in a business park.

Typically, the division of this money is proportional with the funding from individual local governments during the acquisition, development, and marketing of a site. By statute, this sharing of proceeds can extend for up to 99 years.

4. An added benefit in some circumstances in which two or more counties are involved is that if one county—because it is ranked as more economically distressed—has more generous state incentive support available for companies locating within it.

That incentive support can be extended to land within the multijurisdictional business park(s) in other, even more prosperous counties. These higher levels of incentives significantly improve the prospects of recruiting companies.

Since the use of the above general statutory authority on a number of projects, several new statutory provisions have been enacted in North Carolina that specifically allow for multijurisdictional industrial parks projects. They also allow for funds to be appropriated for this purpose; set the duration of such deals as not to exceed 99 years; and, in some circumstances, allow the most favorable state incentive treatment for either of the counties involved to be extended to the multijurisdictional site(s) in any of the counties.

Site plan shows potential future build-out of 1,000-plus acres for the International Logistics Park of North Carolina, an example of a two-county multijurisdictional industrial park project.

To date, this statutory interpretation has been used for this wide range of projects in North Carolina:

• **Four counties cooperating to own and develop large acreage sites in each of the counties.** The counties are Vance, Granville, Franklin, and Warren. They are located just northeast of Raleigh, the state capital, and in proximity to the Research Triangle Park.

There is a large-acreage business park in each county, owned by a nonprofit corporation that the counties jointly control. Branded Triangle North to play off of the Research Triangle Park connection, this network of business parks includes four of the best incentive tier-one sites (most generous state incentive support) in North Carolina.

A senior U.S. Commerce Department official has stated that this is the best example of regional economic development cooperation in the country.

• **A number of projects in which two counties have sites that straddled the boundary between them** and, in one case, where one of the counties was actually in another state. One of the best examples of this approach is a joint undertaking between Brunswick and Columbus counties.

Located near the Wilmington State Ports Facility, this business park—branded as the International Logistics Park—has had a steady stream of prospects needing port connectivity coming through since its inception. It has been on the short list for many of these projects.

• **Several local governments in a sub-regional group collaborating together.** For years, the towns of Huntersville, Davidson, and Cornelius, north of Charlotte, have cooperated on joint economic development efforts through a nonprofit, the Lake Norman Regional Economic Development Corporation.

Recognizing the need to capture and develop property for industrial growth in an area in which residential and commercial development was rapidly using up all of the space, the towns joined together to develop business park sites in their respective communities. The first business park in Huntersville landed a major project almost before the ink was dry on the interlocal agreement.

• **A county and communities in the county cooperating together.** Burke County realized it had a significant shortage of quality business park sites. The county and most of the local governments joined together to develop a series of industrial sites.

Conclusion

The benefits of this shared approach to developing product for recruitment are stated above. If your state has explicit or implied authority to do this, then good. If not, consider seeking this type of statutory authority. PM

ERNIE PEARSON is partner, law firm Nexsen Pruet, PLLC, and Sanford Holshouser Economic Development Consulting, LLC, Raleigh, North Carolina (epearson@nexsenpruet.com).

BY JONATHAN MORGAN AND C. TYLER MULLIGAN

WHEN A UNIVERSITY PARTNERS WITH LOCAL GOVERNMENTS IN INNOVATIVE WAYS

Economic development can be the result

TAKEAWAYS

› Universities can deploy faculty, staff, and students in innovative ways that expand the capacity of local governments to undertake economic development projects.

› Local governments need access to specialized development and financing expertise to revitalize their communities—some of which may reside at a nearby university.

› Universities can provide valuable short-term assistance and with a financially sustainable model can also be long-term partners in local economic development.

It is widely accepted that universities can be important local assets and contribute to local and regional economies in a variety of ways. First and foremost, they educate and train students and produce talent that can benefit the local workforce. They also purchase local goods and services and employ people who spend money locally.

Some of the research and innovation that occur on campus can be commercialized and result in the formation of spin-off businesses that will boost the local economy. Universities, often through their business schools, provide direct support to firms and entrepreneurs in the form of training, technical assistance, student internships, and business incubation. "Town-Gown" initiatives involving investment by universities in neighborhoods directly adjacent to the university also have succeeded in revitalizing some local college towns.

These contributions are good for nearby local governments. But can university involvement in local economic development extend beyond technology transfer, business assistance, and town-gown efforts to include direct support for local governments located farther away from campus?

The University of North Carolina at Chapel Hill (UNC) has discovered that direct university engagement with local governments may be especially helpful during times of acute economic and fiscal crisis, in building connections with chronically distressed communities, and when a community requires specialized expertise in order to move a development or revitalization project forward.

This article examines ways that universities can help local governments achieve their development priorities and be a partner in community revitalization. It uses UNC's recent experiences in working directly with local governments statewide to demonstrate the possibilities.

While not a land-grant institution, UNC has a long history of public service and community engagement, particularly through its School of Government (SOG). In recent years, SOG has ramped up its ability to directly help and partner with local governments in implementing community and economic development projects.

Assistance with ARRA Grant Applications

The Great Recession left cash-strapped cities and counties in dire fiscal straits, and they faced budget shortfalls that could significantly hinder economic development efforts. In February 2009, the American Recovery and Reinvestment Act provided a federal stimulus to economic recovery efforts.

Local officials in the United States scrambled to apply for stimulus funding. It was not always clear what funds were available; application deadlines were tight and funds were being administered through multiple federal agencies. Small, understaffed local governments were sometimes at a disadvantage in applying for and administering stimulus programs.

As part of its commitment to economic development, UNC-Chapel Hill allocated funds and quickly put together a program to help local governments navigate the maze to access federal stimulus dollars. The Carolina Economic Recovery Corps (CERC) dispatched nine graduate students and recent graduates across the state to work with councils of governments (COGs) in helping localities apply for funds.

CERC paid for summer internships for students in such professional fields as planning, public administration, law, and social work. Eight interns were placed with COGs to assist with researching grant opportunities and writing applications. One CERC intern worked with the North Carolina League of Municipalities to compile a statewide inventory of stimulus funding.

Most interns worked in rural regions that were experiencing high levels of unemployment and economic distress. They found that some communities were reluctant to apply for federal grants due to concerns about incurring up-front expenses, securing local matching funds, and not having the capacity to implement the grants.

Despite these challenges, CERC interns managed to help write 22 grant applications; provide technical assistance for some 100 potential applications; provide 3,500 hours of assistance to North Carolina COGs, cities, and counties; and create an inventory of local government funding applications.

Connecting Communities to University Resources

In other outreach efforts, the UNC Community-Campus Partnership (CCP) connected economically distressed communities in North Carolina to the resources, expertise, and ongoing research of university faculty, students, and staff. CCP emerged in 2009 as UNC-Chapel Hill's campus response to the UNC Tomorrow initiative, which encouraged public institutions of higher education to become more directly engaged in tackling some of the state's pressing issues.

The two-year pilot phase of CCP focused on two counties with considerable levels of persistent economic distress—Caswell County and Lenoir County. CCP began by working with community leaders to help identify key local priorities through a series of stakeholder meetings. Once identified, local priorities were matched with ongoing or emerging university work that could be conducted in the two counties. Student interns were assigned to assist the counties with discrete projects.

CCP created a small grant program to provide funding in the range of $500 to $20,000 to support faculty/staff-led research, workshops, consulting, internships, and service-learning projects that addressed community priorities.

Funding was used to seed projects, to leverage other resources, and to build momentum for a long-term partnership between the counties and the university. Funded projects included a study of health care workforce needs, an assessment for development of a downtown corridor, a grant proposal for higher efficiency street lighting, and planning for an African American music trail and artisans' gallery.

In the wake of the Great Recession, university funding for such outreach and engagement efforts was scaled back considerably.

Lesson learned: At the conclusion of the two-year pilot, it was evident that some of the projects lost momentum once the university ceased its direct facilitation of the process. County leaders welcomed the university's support and attention, but they did not have the capacity or the resources to continue the coordinating function.

In order to maintain a long-term partnership between local governments and the university, going forward, a financially sustainable model is required. Such a model is demonstrated in the next section.

Sustaining a Long-Term Commitment

Local governments are in the real estate development and community revitalization business. They acquire property in distressed areas, hold it, and improve the property themselves or convey it to qualified developers who agree to redevelop it. The hope is that commercial districts and neighborhoods will be transformed, breathing new life into depressed areas and raising property tax revenue to sustain services.

Carrying out major development projects such as reuse of historic main street structures, revitalization of blighted areas, and redevelopment of brownfields sites requires specialized expertise in finance and development.

In addition, enormous amounts of investment capital, which can be provided by the private sector, are also required. In response to managers' requests for expert technical assistance with attracting the necessary capital for these activities, the UNC School of Government established the Development Finance Initiative (DFI).

The driving idea behind DFI is that local government managers require access to specialized expertise in public and private finance and development methods, and since managers typically

Continued on page 19

Continued from page 18

do not have that expertise on their staffs, an alternative is to work with a university or other trusted institution to build a team of experts to be shared by local governments as necessary. Once a team of experts is assembled, high demand for their expertise could form the basis of a sustainable fee-based financial model.

This article examines innovative ways that universities can help local governments pursue their development priorities and partner with them to revitalize communities.

In 2010, a generous gift from North Carolina's Local Government Federal Credit Union made it possible to form such a team at the UNC School of Government, and DFI was born. The DFI team drew from School of Government faculty and staff expertise in community economic development and was augmented by hiring or contracting for the services of other private development professionals.

Now, some three years after its founding, DFI's team of development professionals can perform the financial and development analysis for some of the most challenging development projects in the state. Graduate students in a community revitalization course analyze revitalization projects for local governments at no charge, while more complex, long-term projects are undertaken by DFI professionals for a fee.

This unique collaboration between local governments and the university has thus far produced some promising results. DFI reached financial self-sustainability two years ahead of schedule and has worked on numerous local government projects.

The majority of DFI's projects can be broken down into three main categories: 1) predevelopment analysis for difficult development projects, 2) forming or evaluating public-private partnerships for complex development projects, and 3) district analysis for troubled areas.

Pre-development analysis. Occasionally managers will seek to redevelop a run-down city-owned parcel, but development challenges on such sites may prevent developers from expressing interest. For these sites, DFI will perform the first stage of a private developer's analysis—creating a redevelopment concept that is both financially feasible and acceptable to city officials—as a means of proving the viability of the project and attracting private developers. If a developer were to perform this analysis on its own, it would take a significant amount of time and resources, placing the project outside of the typical private developer's risk tolerance.

In one case, DFI worked with a city to prove the feasibility of a parking deck redevelopment concept. The approach appears to have worked—several developers are now submitting proposals to compete for the right to redevelop the parking deck site.

Public-private partnership assistance. In many small towns, developers approach managers and request financial assistance for or participation in a private development project "in order to make the numbers work." Two issues typically arise. First, DFI has found that private developers often don't understand the constraints under which local governments operate, so they ask for too much of the wrong things (e.g., cash). Second, managers don't possess the expertise on staff to evaluate the developer's request or verify the need for assistance, so they have difficulty negotiating a more balanced arrangement.

This situation can breed distrust and prevent collaboration on a project that may be in the interests of both the local government and the private developer. In these situations, DFI serves as a partner of the local government and evaluates the developer's proposal—sometimes demonstrating that a developer's requested subsidy is excessive, and occasionally revealing a solution that has not previously been considered.

Distressed area analysis. Towns across the country work hard to revitalize distressed areas within their communities. Due to financial risks associated with development in these distressed areas, it is sometimes necessary for governments to make public investments in those areas ahead of or simultaneously with private investors.

Private developers, for their part, are unlikely to invest time and resources in distressed areas until they are convinced that they have a committed and engaged local government partner. To demon-

The most significant opportunities to have a lasting impact result when universities and communities make a long-term commitment to work together on local economic development.

strate commitment, local governments have a series of tools that can send signals to the market about their intent to focus on a specific area.

DFI can help a local government by performing market studies and analysis of an identified area and defining a district in which to focus its efforts and resources. DFI will further identify which district designations are best suited for the development challenges in that area.

In one city, for example, DFI showed how three distinct development districts—a redevelopment area, a special assessment district, and a business improvement district—could be used to attract private investment to revitalize several distressed downtown areas.

DFI does not stop with mere analysis. It remains a resource throughout the process of identifying development partners, conveying properties in districts as necessary, negotiating public-private partnerships, and seeing key development projects through to completion.

DFI's work not only meets the needs of local managers, as described above—it also furthers the university's educational mission. The field work serves as a laboratory that informs publications and courses for graduate students and public officials. As long as DFI can maintain its financial sustainability while meeting the needs of local government leaders and the university, it is likely to endure over the long term.

Lessons Learned

The UNC experience in providing direct support for local government economic development efforts has revealed some lessons that may be instructive to others considering this approach.

The first is that in building successful partnerships with universities, local governments and communities should be clear about what they hope to achieve. The university can be an important partner, but local priorities should drive the process. It is important to be flexible in structuring partnerships in order to collectively devise solutions that are aligned with distinctive local needs and preferences.

The second lesson learned is that local governments and communities must be fully engaged in the process and have some "skin in the game" whenever possible. A starting point is to establish good relationships between local government decision makers and university leaders.

It is helpful for local officials to identify discrete projects with tangible outcomes that the partnership can help move forward. Concrete, results-oriented projects are more likely to garner local support and funding.

Projects that help secure the grant funds or creative financing needed to advance local development priorities are good candidates. Local partners are more likely to stay engaged when they anticipate receiving financial benefit from a project.

Third, university students can play a vital role in helping local governments promote economic development. Students are an indispensable part of the UNC approach, given the high value that local partners place on having campus partners be physically present on the ground in the community and their strong preference for face-to-face meetings.

Graduate students from professional degree programs, in particular, are a useful and adaptable resource for community engagement as they tend to have appropriate skills and experience. They also can be engaged in a flexible manner for community-based projects at a reasonable cost and often are willing and able to spend time working in communities.

Finally, while local governments can get helpful and needed short-term assistance from universities, the support is difficult to sustain without a dedicated revenue stream. The most significant opportunities to have a lasting impact result when universities and communities make a long-term commitment to work together on local economic development.

Long-term partnerships like these should strive for financial sustainability and will require a strong administrative function to manage communications and logistics, support project development, and ensure adequate face time between partners. PM


JONATHAN MORGAN, Ph.D., is associate professor of public administration and government (morgan@sog.unc.edu) and **C. TYLER MULLIGAN**, J.D., is associate professor of public law and government, School of Government, University of North Carolina (UNC) at Chapel Hill (mulligan@sog.unc.edu).

EVERY PUBLIC SERVANT IS UNIQUE.

UNDERSTANDING THAT IS HOW TO KEEP THEM HEALTHY.

The challenges of running local governments are unique, to say the least. That's why you need a different kind of health insurance company – Cigna. First, we don't see your employees as numbers on a piece of paper. We see each and every one as the unique people they are. We get to know what makes each one of them tick, and that helps keep them healthier. Because when your workforce is healthy, productivity increases and benefit costs decrease. And that's something everyone can agree on.

EMPLOYEE BENEFITS FOR THE PUBLIC SECTOR
Cigna.com/HealthierGov

GO YOU® Cigna®

Offered by: Connecticut General Life Insurance Company, Cigna Health and Life Insurance Company, and their affiliates.

Products and Services provided by Connecticut General Life Insurance Company or Cigna Health and Life Insurance Company.

BY CHARLIE SPIES

REVITALIZATION THE NEW MARKETS TAX CREDIT WAY

How small communities are being reenergized

TAKEAWAYS

› The federal New Markets Tax Credit program is a lynchpin financing tool that seeds economic development projects.

› The New Markets Tax Credit program may be applied to different kinds of projects as long as they are sited in economically distressed census tracks, create or preserve new jobs, and have a solid business plan.

› New Markets Tax Credits are not grants. Recipient projects are subject to capital market discipline and compliance for (up to) seven years.

In a landscape of reduced local funding and persistent economic challenges, there can be a ray of hope for redevelopment professionals who understand how to access creative financing instruments. From Maine to Hawaii, investment capital is being infused into communities through the little-known New Markets Tax Credit Program (NMTC Program) to revitalize industrial parks, preserve sustainably harvested forests, and attract manufacturing back to rural America.

Public service professionals and local leaders are at the forefront of identifying and supporting public-private partnerships and recognizing how the NMTC Program can provide an incentive to invest in projects that might have otherwise been overlooked. These projects demonstrate the ingenuity that managers, redevelopment authorities, elected officials, and state legislators are expending to seed growth and opportunity in their communities. This task is made even more challenging in the shadow of lost tax revenue as once thriving manufacturers, military bases, and other enterprises shutter their operations.

Perhaps the biggest hurdles are understanding the complexities of the NMTC Program and determining how to get started.

Understanding the Program

Congress designed the NMTC Program in 2000 to stimulate private investment and economic growth in low-income communities that lack access to the capital needed to support and grow businesses, create jobs, and sustain healthy local economies. The program-supported investments in any one project provide a seven-year period of support, during which time the economics of the investment are continuously monitored and subject to capital market rigors and discipline.

The program offers debt and equity investors a major federal income tax credit for projects in eligible areas, including census tracks with a poverty rate of at least 20 percent or with median family income of 80 percent or less of that area's median family income (http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5#).

The Program in Action

The U.S. Treasury Department oversees the tax credit program but does not directly distribute the credits. Instead, it uses a rigorous and competitive application to award NMTC Program allocations to qualified community development entities (CDEs), which determine the projects that are eligible for the credits as well as the amount of tax credit capacity. These eligible projects are known as qualified active low-income community businesses (QALICB).

A typical NMTC Program funding request made to a qualified entity is between $8 and $50 million, though the total project size may be larger. Project investors receive a tax credit in exchange for making equity investments in a low-income business. The credit equals 39 percent of the original investment amount and is claimed over a period of seven years.

According to the New Markets Tax Credit Coalition in Washington, D.C. (http://nmtccoalition.org/), $27 billion in direct investments were made in businesses between 2003 and 2011. These NMTC Program investments created some 350,000 jobs at a cost to the federal government of $19,500 per job. They leveraged $55 billion in total capital investment in businesses located in communities with high rates of poverty and unemployment.

Take a look at rural Barnwell County, South Carolina. Since 2007, poverty rates in this community have exceeded 20 percent, largely due to the closing of textile and apparel plants that had employed 10.5 percent of the local workforce. The situation led South Carolina to rank Barnwell County as "distressed," its most acute development tier.

Community leaders stepped up and have been working hard to turn the economic situation around. Public-private partnerships have led to investing more than $10 million in NMTC Program capacity to finance the development of an industrial park as the centerpiece of Barnwell County's economic development plan.

Its competitive efforts attracted Horsehead Corporation to site a new plant at the park that is converting electric arc furnace (EAF) dust—hazardous waste produced by electric arc steel furnaces—into such usable materials as zinc and zinc oxide. In the transaction, the Horsehead plant is the QALICB.

Horsehead Corporation has created more than 50 new jobs at the plant to date, with an average annual wage of some $37,000. This wage exceeds the state per-capita income level by 15 percent and the county per-capita level by 62 percent.

It is estimated that the project will result in an additional $500,000 to $1.5 million in local tax revenue annually. Bank of America provided equity for the deal, while the Horsehead Corporation self-funded the debt.

Reawakening a Community with Cutting-edge Jobs

It's a similar scene in Bainbridge, Georgia, where the local poverty rate reached past 23 percent after some 800 payroll jobs were lost during the economic downturn of 2008. Today, thanks to efforts by local government management, a local industrial park is retooling and reawakening as a new manufacturing plant is starting to produce cutting-edge products on-site.

DaniMer Scientific located its headquarters in Bainbridge with a focus on the production of biopolymer materials, which are marketed to brand owners and consumers seeking environmentally responsible packaging alternatives to petroleum-based plastics.

The NMTC Program was a critical financing component, providing $20 million in tax credit capacity to finance the project. U.S. Bancorp Community Development Corporation provided the equity, while DaniMer Scientific provided the debt financing for the transaction.

As a result, DaniMer will be able to create up to 36 new skilled manufacturing jobs, all with career-ladder potential. Further, these jobs have excellent benefits, including a 401(k) plan with matching contributions, and pay well above the living wage for the area. Deepening its commitment to the community, DaniMer has committed $500,000 to support scholarships and tuition reimbursement at local colleges for its employees.

Green Energy Infrastructure

Beyond industrial projects, local governments are also turning to the NTMC Program to build renewable energy infrastructure.

Take Greenfield, Massachusetts, a former mill town that now calls Greenfield Community College its primary employer. A rural small town with less than 18,000 residents, Greenfield has made an effort to live up to the "green" in its name by actively pursuing a number of sustainability projects.

The city sought to place a two megawatt solar-panel facility on its capped landfill. At capacity, the solar energy will supply nearly half of the electricity for city buildings, and save the city approximately $175,000 in annual electricity costs. The outcomes will ripple back to the community through reduced property taxes.

But how to finance it? Local leaders in Greenfield worked with a number of private partners to create a funding package that would appeal to renewable energy developers Sun Edison and Greenleaf-TNX to build the solar park.

A $10.8 million allocation of NMTC Program capacity was integral to financing the project, with U.S. Bancorp Community Development Corporation providing the equity, while Berkshire

Bank provided the debt financing for the transaction. Common Capital was the local working partner in the project.

Greenfield also magnified the impact of the financial package. In addition to the project's direct environmental and fiscal benefit to the local government, investors donated $100,000 to Greenfield Community College for worker training in the solar energy sector and also earmarked a percent of electricity sale profits to the college.

"The Greenfield Solar Farm is a low-profile, but highly impactful project," says Common Capital CEO Christopher Sikes. "It is hidden away at the old town dump. It's quiet and doesn't pollute and because the sun did indeed shine, it has produced the electricity for the town. Plus, Greenfield Community College got its worker training in solar energy classes started. Sometimes the most successful projects are invisible in plain sight."

Conservation and Sustainability

Beyond manufacturing, local governments are also using the New Markets Tax Credit Program for sustainable land use. The town of Errol, New Hampshire (population 291), joined the ranks of the burgeoning community-owned forestry movement with the purchase of Thirteen Mile Woods.

This area of 5,269 acres of woodlands borders the Lake Umbagog National Wildlife Refuge and much of the Androscoggin River, making the Thirteen Mile Woods important as both a recreational and watershed area.

A local businessman conceived the idea for the conservation effort. The rural community of nearly 300 year-round residents rallied around the idea, voting in support of the project on a six-to-one margin. The residents of the town conscripted the Trust for Public Land, a major national land conservation organization, to help make this deal possible.

The project sustains traditional uses of the property for forestry and recreational opportunities, creating and preserving logging and ecotourism jobs while protecting wildlife habitats and the watershed. Some of the forest's attractions include hiking, hunting, fishing, snowmobiling, and bird/wildlife watching.

Plans are currently under way to develop new snowmobile and hiking trails. In 2013, the ownership of the forest was officially turned over to the town at the conclusion of the NMTC Program phase.

In 2008, the U.S. Postal Service honored the Thirteen Mile Woods with an international rate postage stamp as part of the Scenic American Landscapes series. In August 2009, Errol added 1,700 acres to the property, bringing the total size of the community forest to nearly 7,000 acres.

This project received $2.39 million in NMTC Program financing. The First Colebrook Bank, a locally based bank, provided the debt and equity. The Trust for Public Land and The Northern Forest Center served as vital partners in bringing this project to fruition. It successfully secured take-out financing in 2012.

Similarly, the NMTC Program supported Lyme Timber Company's purchase of 21,949 acres surrounding the municipality of Grand Lake Stream, Maine (municipal population 109). This transaction not only promotes sustainable forestry in the region, it preserves a way of life for the local residents who support themselves as registered Maine guides, loggers, and truckers, and also by running lodges and sporting camps.

This project provides for the purchase of working forest conservation easements to permanently protect the land from private residential development. It also creates the option for the acquisition of the underlying fee interest in the property by the local Downeast Lakes Land Trust, enabling the area to become a community-owned forest.

The transaction is more than a straight land purchase. Lyme Timber agreed to manage the woodlands as a sustainable natural resource and use innovative, low-impact timber harvesting practices as a result of a previous NMTC Program arrangement.

Lyme Timber also agreed to donate 132 acres of land to the town of Grand Lake Stream in Washington County, Maine (county population 32,800), for the development of light industry and low-income housing, and it will sell 50 acres at a favorable price for future mixed-use development.

The support of Grand Lake Stream residents and local leadership for this project can't be understated. Town leaders hoped residents would donate $10,000 toward the $2 million option payment for the easements, and took the request to a vote at a special town meeting. The residents surprised everyone, voting to increase that donation to $40,000, asserting the future of the community was at stake and there could be no better use of the town's savings.

This project received an allocation of $19.8 million in NMTC Program capacity to finance the project. Bangor Savings Bank provided both debt and equity for this deal, while U.S. Bancorp Community Development Corporation provided equity and Lyme Timber Company provided additional debt for it.

Future Prospects

Understanding the New Markets Tax Credit Program makes the task of re-energizing downtowns and rural communities a brighter prospect. Public service professionals are committed to making a positive difference where they live. Who better to recognize which projects will amplify those things that make their communities special?

Busy managers and elected officials will be well served by collaborating with both private and public sources of expertise who understand the financial landscape. That may be your local government's banker, a local development corporation, or community development finance institution. PM

CHARLIE SPIES is chief executive officer, CEI Capital Management, Portland, Maine (cspies@ceicapitalmgmt.com; http://www.ceimaine.org/CCML).

BY TY LASHER, MICHELLE MEYER,
AND ALISON MCKENNEY BROWN

CID TO THE RESCUE

How innovative financing revitalized a failed housing development

TAKEAWAYS

This article will:

› Show how legislation typically meant for business transformed a failed residential development.

› Explain that state legislation can be used to counter the effects of a down economy.

A struggling housing development project in Bel Aire, Kansas, provides a prime example of how a rapidly changing economic environment requires local governments to find flexible financing solutions. Bel Aire used the Community Improvement Districts Act (CID Act) as an innovative financing tool in order to resolve a housing development issue. Although the CID Act is intended more for economic development that is related to retail and commercial uses, the city used it to successfully revitalize a failed residential subdivision.

The dilemma began in 2007 when an experienced developer planned a 60-acre upscale housing community in Bel Aire, for homes ranging in price from $450,000 to $800,000. The city accepted the petitions for installation of infrastructure and issued a temporary note to cover the cost of installing streets, water lines, sewer lines, and storm drainage.

The developer built 10 upscale model homes on the site and was able to sell several of them relatively quickly. In 2008, the "housing bubble" burst and residential development slowed to a halt as the recession hit Kansas. The developer struggled to keep the project moving, but was eventually forced to claim bankruptcy and walk away.

The few remaining unsold homes and the remaining residential lots reverted to the ownership of an out-of-state bank.

Special Assessments

In 2011, Bel Aire issued a general obligation bond to refund the temporary note that was issued in 2008. In Kansas, special assessments are used where the cost of infrastructure is spread to a benefit district in accordance with state law and paid by the homeowner over a period of 20 years. The bank, however, owned 57 lots and chose not to pay the special assessments or property taxes on any of them. (Note: The authors recognize that special assessments and related legislation are handled differently in various states and that this example may not be relevant to all states and readers.)

The bank understood that Kansas law allows a property to accrue three years of back taxes and special assessments before such property is eligible to be sold at a sheriff's sale. So, while the bank held the lots in limbo for three years incurring no cost, Bel Aire was responsible for repaying the debt service payments on the bond, yet receiving no revenue from the special assessments. The total special assessments on the bank-owned lots amounted to $150,000 per year.

The city was in a no-win situation. Not only were taxpayers having to cover the special assessment payments for at least three years, the city was also losing out on the revenue from the general property taxes for that same time period. In all likelihood, at the end of the three-year period, Bel Aire would end up purchasing the lots at the sheriff's sale and taking possession of the property in order to protect its investment.

Stakeholder Meetings

In 2012, a successful developer contacted the manager's office seeking assistance in acquiring the lots and dealing with the special assessments. Staff held meetings with the bank and the developer, both jointly and separately, to determine what each party needed from the other to allow this developer to move forward with construction.

The bank agreed to sell the lots to the developer for the value of the outstanding real property taxes and special assessments in order to validly transfer the lots.

The developer could not turn the project into a successful development if such a significant portion of cash was tied up in paying the annual special assessments. With the existing special assessment law, there was no flexibility to delay or reduce the payments.

Manager Lasher began with the premise that Bel Aire might be open to covering costs of the special assessments.

Councilmembers were open to the idea, but needed to know how these costs would be recovered. The developer agreed that the pace of development would be increased without the burden of the special assessment payments for the initial two years of the development.

Working with the idea that the special assessments would need to be initially absorbed by Bel Aire as a cost of development, Attorney Brown began to look for a secondary means of spreading these costs to the benefitting lots. It was determined the best tool to make this happen was to overlay a secondary special assessment on the benefitting lots through a community improvement district (CID).

Such an assessment would extend the period of time for paying the original special assessments. They would eventually be paid for by the owner(s) of these lots so that Bel Aire would receive reimbursement for initially covering some of the special assessment payments.

The Kansas Legislature approved the Community Improvement District Act in 2009 under K.S.A 12-6a26 et seq. The CID Act is generally recognized as authorizing local governments to create CIDs for the purpose of imposing and collecting a community improvement district sales tax on retail sales. Other states have enacted similar legislation to help spur economic growth coming out of the Great Recession. As the Bel Aire case study illustrates, local governments may have additional options to use CIDs as an innovative financial tool.

Prior to the property being sold to the developers, the bank petitioned for creation of the CID, and Bel Aire accepted the petition. The CID process was streamlined since it was created at the beginning of the process and the land was still held by a single owner.

The Solution

Clearly, the sale of the lots to the new developers would directly benefit Bel Aire, as the sale would result in the unpaid special assessments being brought up-to-date, as well as the payment of the outstanding back taxes. Bel Aire, however, also needed some reassurance that its two-year investment in this development would eventually be repaid.

As the special assessments had initially been spread in 2011, by state law the actual owners of the lots would automatically be responsible for the payment of those assessments. Bel Aire and the developers decided that the best approach for paying the special assessments for the 2014 and 2015 tax years was for the developer to pay both these assessments and real estate taxes when billed by the county.

The developer would then provide Bel Aire with a receipt showing the special assessments had been paid, verifiable through the county's online tax information system. In turn, Bel Aire would reimburse the amount of the special assessments that had been paid.

Based on the possibility that a subsequent purchaser of a lot would choose not to seek the initial two-year reimbursement or would pre-pay its special assessments, it was important not to assess the CID special assessment upon all lots equally. Assistant Manager Meyer will be responsible for tracking the amount of reimbursement provided to each lot over the two-year period.

This approach meant that only those special assessments actually advanced by the city would be spread through the CID assessment process to the benefiting lots. The innovative use of the CID Act allowed every participant in the process to achieve some level of success.

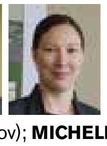
The bank was able to sell all of the lots that it had been holding without putting further investment into the properties, thereby avoiding the negative ramification of having the county foreclose on the property.

The developers who purchased the lots were able to invest more cash into constructing model homes as they were able to avoid incurring the carrying cost of special assessments, which meant that construction began immediately and added a vibrant and exciting new development to the community.

Bel Aire was paid for delinquent special assessments associated with the lots that had been unpaid prior to 2013, as well as the delinquent real estate taxes. Both the city and the community benefitted because a previously failed development was rejuvenated.

The homes currently being constructed will add to the city's tax base, as well as residential valuation in the future. Finally, the burden of the city paying special assessments for the failed development has been eliminated.

While it will take two years longer than what was anticipated in 2008 to receive total payment for the infrastructure improvements provided for the home lots, for Bel Aire it is encouraging to know that eventually the special assessments will be paid by the lot owners. We consider these successful results.


TY LASHER is city manager, Bel Aire Kansas (tlasher@belaireks.gov); **MICHELLE MEYER** is assistant city manager/finance director, Bel Aire (mmeyer@belaireks.gov); and **ALISON MCKENNEY BROWN** is city attorney, Bel Aire (abrown@belaireks.gov).

1

2

3

BY ADAM COLLINS

THE GREAT INDY EVOLUTION

Changing the way Hoosiers do business

TAKEAWAYS

› Lure businesses back through redevelopment and creative reuse of properties.

The Crossroads of America. The Circle City. Hoosier Country. Whatever you might call us, one thing is constant: Indianapolis, Indiana, is evolving. It is a thriving metropolis, seeing investment and growth in emerging industries like digital technology and life sciences and more traditional industries like logistics and manufacturing.

Investment of this nature, however, has not and will not continue to come easily. Indianapolis has worked to overcome a downturn in the economy, shifted with new and emerging technologies, and turned the perception of smokestacks and cornfields to chem labs and tech centers.

For some 15 years now, civic, community, and corporate leaders have invested in ways to rebuild and reshape not only the local economy but the urban core, neighborhoods, and schools. Those of us who work here understand that in order to build a city in which business wants to invest and to which talent flocks, we must take a comprehensive approach to deliver on all aspects of what makes a metropolis thrive.

As the economy shifted from manufacturing, Indianapolis neighborhoods were forced to shift too. Efforts to keep these neighborhoods from crumbling led city leaders to strategically plan and invest in opportunities to lure business and jobs back through redevelopment and creative reuse of properties.

Understanding that investment in economic vitality is a never-ending cycle, city officials rely heavily on partnerships with private and community investors on sustainable redevelopment. Redevelopment projects have been undertaken targeting strategic clusters—from life sciences at a development called 16 Tech to assisting in the expansion of Angie's List headquarters on the near east side, creating Indy's newest cultural district spurred by the redevelopment of the former Market Square Arena site downtown.

Setting the Stage

The Indianapolis region is known for life sciences technology and research as well as the employment opportunities offered by them. It is now the home for Eli Lilly, Roche Diagnostics, and potentially the Indiana Biosciences Research Institute, which is a research institute that promotes collaboration among industry leaders.

Understanding this, the city began planning 16 Tech. A state-of-the-art business park that sits on 170 acres is being designed to meet the specific needs of those in life sciences and information technology—two sectors whose livelihood is based on innovation and collaboration.

PHOTOS ABOVE:

1. Bush Stadium sat unused for a decade until in 2008 it became a storage site for vehicles traded in as part of the federal Cash for Clunkers program.
2. The historic structure of Bush Stadium was preserved during a renovation in 2012 that turned the building into the new Stadium Lofts apartments.
3. Inside one of the Stadium Loft apartments. (The original baseball field was preserved as a common green space for residents.)

The project location was planned within close proximity to three universities and several companies, offering recruiting and partnering advantages for them. This strategy has been approved by the life sciences industry, and it is also a boost to neighborhoods surrounding the development.

As plans were developed for the 16 Tech business park, the neighborhood was involved every step of the way. Additions of major infrastructure improvements to roads and bridges, new sidewalks, and plans for walking and biking paths are planned with the neighborhood in mind.

The 16 Tech business park is located within the original BioCrossroads Corridor, which was developed to jumpstart the city's life sciences industry. As a certified technology park, the project brought in $5 million in seed money, including $1.1 million for streetscape projects. Those neighborhood improvement projects served as a catalyst for the future development of 16 Tech.

Salvaging History through Smart Use

A strategy woven throughout Indianapolis and the nation too is that public investment in quality infrastructure leads to increased investment from the private sector. Case in point is the private redevelopment of Indy's Bush Stadium property, located in the heart of 16 Tech.

The previous home to the Indianapolis Indians minor league baseball team that was turned into an auto racing dirt track, Bush Stadium sat unused for a decade until in 2008 it became a storage site for vehicles traded in as part of the federal *Cash for Clunkers* program. Now the city has partnered with a private developer to turn the historic baseball stadium into state-of-the-art loft apartments, providing quality housing for young professionals and students in health care and life sciences.

The Ripple Effect

Public/private partnerships are key components to the investment and redevelopment of the Indianapolis-based Angie's List headquarters. Located just east of downtown Indianapolis, the company had outgrown its location and was in the process of looking for new locations outside of Indianapolis that would better accommodate its needs.

In an effort to retain these jobs, staff worked closely with Angie's List officials and real estate developers to fund the expansion of its existing headquarters through tax incentives, infrastructure upgrades, and more. The expansion included the takeover of 13 adjacent properties in which the company made upgrades and fashioned a patchwork style campus to meet the needs of the company and its employees.

Angie's List's corporate culture involves making a positive impact. This translates to their employees as well as to the urban environment they call home. Angie's List worked with local neighborhood groups and the city to renovate historic buildings in order to expand their footprint in their near east side community.

Investment Ignites Innovation

Perhaps the most anticipated redevelopment project in Indy is one that has yet to even break ground. In 2001, the famed Market Square Arena (MSA), former home to the Indiana Pacers, was razed as the team moved down the street to what is now Banker's Life Fieldhouse.

After years of failed proposals and speculation as to what type of development could survive on the site, the city backed two proposals. Construction is set to begin on phase one of the redevelopment, which includes a 28-story residential tower and Whole Foods market.

Soon after the city approved the residential tower proposal, Cummins, Inc., announced plans to build a global division headquarters on the MSA lot adjacent to the tower development, bringing with them 400 employees in jobs, including legal, information technology and communications.

These two developments, coupled with the recently opened $62 million Artistry apartments just east of the Market Square site and the planned $20 million IndyGo transit hub to the south, will help attract residents and visitors to downtown's east side which, in recent years, has lacked much after-hours traffic necessary to support new investment by any business.

Plans are currently underway to brand the 14-square-block area into Indy's seventh cultural district, appropriately named Market East. The influx of investment into this area, which includes both public and private dollars, has rejuvenated this side of town, which houses city hall, the historic City Market, and is just two blocks away from Monument Circle, which is located in the center of downtown Indianapolis.

2020 Vision

As Indianapolis undergoes this great evolution, more and more investment is made not only downtown but in neighborhoods and business centers throughout the county. Work is being done with the vision of improving and providing a strong economy, strong neighborhoods, and strong sense of pride that hopefully will continue for generations.

In 2020, Indianapolis will celebrate its bicentennial. City leaders have been laying the groundwork for what is known as Plan 2020, an initiative that will provide investment and enhancement opportunities. The city also plans to strengthen livability through investment in infrastructure, parks, and public safety.

So the next time you're driving through our community, take a stroll on one of the pedestrian paths or wheel down one of Indy's new bike trails and street lanes. It's guaranteed that you will notice the hum of a bulldozer or the bang of a hammer because the city's work is definitely not done. PM

ADAM COLLINS is deputy mayor for economic development, Indianapolis, Indiana (adam.collins@indy.gov).

BY CHRISTOPHER ROBBINS

ALL ECONOMIES ARE LOCAL

A jobs and growth strategy in Massachusetts

Local governments can no longer rely on state or federal aid to fill their budget gaps. If local governments want to enjoy the benefits of a robust economy, each community must become a high-performing, self-reliant economic engine operating on four cylinders: residential, business, public sector, and nonprofit.

Each cylinder represents an indispensable component of the local and regional economy, employing thousands and fueling millions of dollars of activity through wages, the purchase of goods and services, and the payment of taxes.

In Massachusetts, Governor Deval Patrick's Economic Development Policy and Strategic Plan, *Choosing to Compete in the 21st Century*, recommends that each local government have a "CEO" and a team to create and implement an economic development plan for job growth. Communities must learn to take advantage of economic development opportunities and tax revenues.

They must understand how to create the optimum number of local jobs and how their local metrics determine their economic well-being. They must know their industry sectors, especially which ones are thriving or struggling, and the decisionmakers at those enterprises who pay taxes and create jobs. In short, each local government must take responsibility for its own economic fate.

Massachusetts localities are forming economic development corporations or committees to encourage new business establishments, developing supportive customer service policies, and providing predictable regulatory processes that are committed to respecting developers and residents. An incubation center for technology and science start-ups, TechSandbox moved to Hopkinton after selectmen voted to waive building permit fees and explore a special tax arrangement.

Marlborough, Massachusetts, formed an economic development corporation that works with local and private investors to create jobs and revitalize the community. The cities of Cambridge and Somerville implemented Buy Local First programs to support sustainable local economies and vibrant communities.

OFFICIALS COMMITTED TO JOB GROWTH AND ECONOMIC WELL-BEING MUST COME FORWARD IN EACH COMMUNITY AND LEAD IN A WAY THAT WILL HELP ENSURE FISCAL SUSTAINABILITY AND QUALITY OF LIFE.

Three Steps

To understand how various components influence local and regional economies, local governments can design and implement this type of three-step process:

1. Develop an economic profile of your city or county. Include an appropriate set of metrics, and then examine historical performance. Examples of these metrics include payroll data from local employers; the tax base and rates; commercial land available; office and retail vacancies; school budgets and per-pupil expenditures; housing starts and trends; local revenues; cost-of-living measures; number of employers by sector; job statistics; and population trends and demographics.

With this information, a city or county can better understand how the local economy works, including its strengths, weaknesses, and hidden potential.

2. Develop an economic portrait of your community's primary industry and small business sectors. This portrait should include nonprofits. In Worcester, Southborough, and Cambridge, for example, nonprofits are major employers, and they have a significant influence on the performance of a community's economy.

Do not forget to track and support the DBA (doing business as) companies, too. They are potential incubators for larger enterprises, new jobs, and growing your municipality's economy.

Additional industry possibilities may include manufacturing, software, medical devices, finance, education, health care, information technology, tourism (leisure/hospitality), public sector, construction, legal, retail, and professional and business services. The economic portrait will provide a wealth of information and assist local leaders to answer three questions:

1. How do we support local businesses and nonprofits?

2. What industries should we strive to retain or attract?
3. Are we too dependent on any particular industry? If so, how might that dependence be a problem or strength for encouraging job growth?

Only a diverse business base can help local governments survive economic storms and capitalize on opportunities during prosperous times. Certain metrics can be highlighted within industry sectors that include number of local employees, top employers, income data, products and services made or provided locally, economic outlook for each sector, and contact information for business and nonprofit leaders.

Outreach then becomes possible. Southborough's Economic Development Committee schedules meetings monthly with business and nonprofit leaders to learn how the town can help them prosper.

The Massachusetts Institute of Technology (MIT) developed a community economic development toolbox, where profiles can be viewed of economic indicators by county and profiles compared to state and national data. At the website mass.gov/lwd/economic-data, click on Municipal Data under Other Resources. State offices of economic development and local tax rolls are also good sources for identifying local businesses.

3. Create and communicate an action plan to interested parties. Assemble and interpret your local government's financial data and trends. Assess the strengths and weaknesses for retaining and attracting business; integrate economic profile, portrait information, and economic development action plan into the annual municipal budget process.

A review of this information can be useful in determining the best opportunities and planning next steps for job creation and growth. Armed with data, cities and counties can also explore opportunities to create public-private partnerships to reduce the cost of government and improve the delivery of core services.

Officials committed to job growth and economic well-being must come forward in each community and lead in a way that will help ensure fiscal sustainability and quality of life. PM

CHRISTOPHER ROBBINS is a member of the economic development committee, Southborough, Massachusetts, and a member of the board of directors, Corridor Nine Area Chamber of Commerce, Westborough, Massachusetts (chrisr2346@verizon.net). This revised article was originally published in the January 2014 issue of the *Municipal Advocate* magazine published by the Massachusetts Municipal Association, Boston, Massachusetts.

ECONOMIC DEVELOPMENT RESOURCES

Here is a list of economic development-related resources assembled by ICMA's Center for Sustainable Communities (CSC). Links to all of these resources can be found at the CSC blog site: icma.org/sustainablog.

A New Vision for Rebuilding Detroit

In this TED Talk, Toni Griffin, city planner in Detroit, Michigan, challenges the audience to think entrepreneurially about the future of the city. She explains how a partnership with the Kresge Foundation on the Detroit Future City is helping to rebuild the city and expand its economy: http://www.ted.com/talks/toni_griffin_a_new_vision_for_rebuilding_detroit.

Asset-Based Economic Development Briefing Papers

This series of briefing papers from ICMA's Center for Sustainable Communities explores asset-based economic development. The papers focus on how small towns and rural communities can build on their natural and working landscapes, local institutions, existing infrastructure, historic and cultural resources, industry clusters, and human capital: icma.org/AssetBasedDocument305453.

City Lab Blog

Through original reporting, sharp analysis, and visual storytelling, CityLab informs and inspires the people creating the cities of the future. The blog focuses on economic development, but also discusses a number of other issues, including crime, technology, and housing that are related to the economic vitality of a community: http://www.citylab.com.

Emerald Cities

In her book, *Emerald Cities* (Oxford University Press, 2010), Joan Fitzgerald argues that cities are uniquely suited to promote and benefit from green economic development. She highlights leading-edge cities and practices, while identifying those strategies that have already proven to be effective and the kinds of cities in which they work best.

National Brownfields Conference

Since 2003, ICMA's Center for Sustainable Communities and the U.S. Environmental Protection Agency have jointly organized the National Brownfields Conference to bring all affected stakeholders together to seek out solutions, strategies, and redevelopment options for moving these abandoned properties back into productive uses. In September 2015, the event will be held in Chicago: http://www.brownfieldsconference.org.

National Resource Network

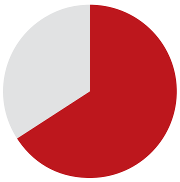
This website offers a well-curated resource library; the country's first-ever compilation of federally funded technical assistance opportunities, events, and blogs tailored toward local leaders tackling the issues of economic development, job creation, and community development: http://nationalresourcenetwork.org

Local Eco-entrepreneurship

Environmental planner Majora Carter talks about three examples of communities that have promoted economic activity and environmentalism through social entrepreneurship by addressing unemployment challenges, promoting local food systems, and cleaning up waste and contamination: http://www.ted.com/talks/majora_carter_3_stories_of_local_ecoactivism.

Knowledge Network

The Knowledge Network, a knowledge-sharing platform, features 86 topic areas, including one on economic development: http://icma.org/en/icma/knowledge_network/topics/kn/Topic/75/Economic_Development.



2/3

OF ALL RESPONDENTS AND 74% OF MILLENNIALS

believe IN SCHOOLS, TRANSPORTATION CHOICES, AND WALKABLE AREAS ARE A *better way to grow* THE ECONOMY THAN RECRUITING COMPANIES.

When asked about the one overriding factor in choosing where to live, respondents overall ranked

QUALITY OF LIFE FEATURES

AS MORE IMPORTANT THAN

LOCAL ECONOMIC HEALTH AND JOB PROSPECTS.

NEARLY 60%

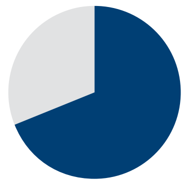
of MILLENNIALS, ACTIVE BOOMERS, *and* GEN XERS

SEE TOO FEW CURRENT *personal economic opportunities.*

43 PERCENT

of RESPONDENTS

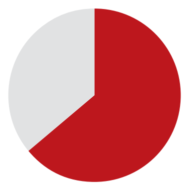
SAY DIVERSITY **IN PEOPLE AND GENERATIONS** IS AN IMPORTANT COMPONENT OF A SUCCESSFUL COMMUNITY.



69%

MILLENNIALS

AND



64%

OF BOOMERS

SAID THE ECONOMY WILL STAY THE SAME OR GET WORSE OVER THE NEXT FIVE YEARS.

DURING THE NEXT FIVE YEARS, HOWEVER,

57% OF MILLENNIALS ARE OPTIMISTIC ABOUT PERSONAL FINANCES,

AND

44% OF ACTIVE BOOMERS EXPECT THEIR LOCAL ECONOMY TO IMPROVE.

Information reported here is reprinted with permission from the American Planning Association's 2014 national poll that surveyed millennials and baby boomers on community preference. The poll showed that both population groups want communities to focus less on recruiting new companies and more on investing in new transportation options, walkable communities, and making an area attractive. For more information, visit https://www.planning.org/policy/polls/investing.

Your Decisions Affect Theirs

Government decisions affect more than 300 million Americans a year. With Esri® Technology, you can connect with your entire constituency. Esri helps you demonstrate accountability, foster collaboration, and make the effective decisions that keep your constituents happy.

Learn more at esri.com/local-government

esri®