Economic Development America

COMPETING GLOBALLY ★ GROWING REGIONAL ECONOMIES ★ CREATING JOBS

SPRING 2004

IN THIS ISSUE

Regionalism: Maximizing Effective Partnerships for Economic Development

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ECONOMIC DEVELOPMENT INFORMATION COALITION

A Message from David A. Sampson

Assistant Secretary of Commerce for Economic Development

Welcome to the Economic Development Administration's second issue of *Economic Development America*. This issue is published at a time of encouraging news for our nation's economy. On April 2, the Labor Department announced 308,000 new jobs were created – 759,000 new jobs in the last seven months – demonstrating that our economy, as President Bush said, is "strong and growing stronger." Regional economic growth is a key factor in pushing these job creation numbers higher, and in this issue, we focus on innovative regional economic development.

The bottom line for regional development today is about building prosperity – a high and rising standard of living. Productivity and productivity growth are the fundamental drivers of prosperity and innovation is the key driver of productivity. The economic development focus at all levels of government – local, state and federal – must support innovation to ensure the millions of people that live in communities around our nation have the skills to be productive and build prosperity.

The embrace of regional competitiveness strategies is changing the face of economic development around the country and maximizing scarce financial and leadership resources. In North Carolina, EDA is working with the Kerr-Tar Council of Governments to coordinate regional economic development activities in a five-county area that has been devastated by structural changes in textile manufacturing. The business and local government leaders in this region are doing something fundamentally unique. They have hired an independent site selection firm to identify a location within the five-county area to construct a business park. Each county will abide by the decision of the site selection firm. Additionally, each county will contribute construction funds. Once the business park is built, citizens from the five-county region and beyond will recognize new employment opportunities, and the five counties have agreed to share tax revenues from the business park. This is just one example of regional cooperation at its finest, and a strategy that economically benefits all stakeholding parties.

David A. Sampson

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Economic Development America is a quarterly production of the Economic Development Information Coalition (EDIC).

To provide information about economic development practices and programs, the Economic Development Administration (EDA) has created the Economic Development Information Coalition (EDIC). EDIC comprises the International Economic Development Council (IEDC), the National Association of Regional Councils (NARC), and the National Association of Development Organizations (NADO). They have joined EDA to disseminate information to economic development practitioners serving distressed communities through a monthly e-mail newsletter; quarterly telecasts; 20 community forums held throughout the country; and a quarterly magazine. For more information, visit the EDIC home page: from EDA's Web site, **www.doc.gov/eda**, click on News and Events, then follow the EDIC link .

Story ideas are invited and should be addressed to editor **Louise Anderson, telephone (828) 350-8855, email landerson@iedconline.org**. The next two editions of *Economic Development America* will focus on the following topics:

- July 2004: New Directions and Opportunities in Rural Economic Development
- October 2004: Economic Development Strategies in a Worldwide Economy

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Expanding Boundaries –

Opportunities for Innovative Regional Economic Development Strategies

By Lora Lee Martin

Director of the Monterey Bay Education, Science and Technology Center at the University of California, Santa Cruz (UC MBEST Center)

Just as industries across America must constantly reinvent their products and services to be competitive, so must those of us working in the economic development community.

Traditional economic development activities have long focused on attraction, expansion and retention in discrete communities with clear geopolitical boundaries. Frequently, cities or counties will determine they need a new economic development strategy and will secure the consulting services of professionals to help them identify the opportunities and develop a roadmap. Less frequently does the leadership of these communities partner with surrounding jurisdictions or institutions to develop comprehensive strategies and approaches that can truly leverage a regional advantage and secure a competitive position in the national or international marketplace.

Equally infrequently do we see these reports and strategic plans bring new approaches (products and services) to the table – often because the funding or the processes that secured the consulting services already defined the approaches that are acceptable or desired. As we appreciate innovation in the marketplace for providing competitive advantage, so too should we consider innovation in the economic development sector a critical factor for comparative advantage. One such innovation is the rethinking of regional contexts.

When budgets are tight, there are measurable advantages to sharing or leveraging assets, expenses, and programs with neighboring communities, organizations, and institutions.

The Benefits of a Regional Approach

There are a variety of practical and strategic reasons to consider a regional approach as central to an economic development strategy. When budgets are tight, there are measurable advantages to sharing or leveraging assets, expenses, and programs with neighboring communities, organizations, and institutions. Redefining your region can enlist new partners or opportunities that increase your competitive advantage. With the evolution of economies, your current approach may be outdated, so redefining the region can help diversify your economic strategy. Reducing competition with nearby neighbors may also help increase competitiveness on a national or international scale.

Developing strategies based on a redefined region during this time of emerging knowledge-based economies can help align the critical mass of resources and talent needed for success. Economic developers may be able to reduce or eliminate deficiencies or challenges that they faced as a narrowly geographically-defined area. Sometimes, just the redefining of a region draws attention that can contribute to success. Truly addressing some of the jurisdictional and other hurdles to partnership can create a sense of confidence in the marketplace that a region is a place to do business.

Many businesses need resources not available in their immediate vicinity in order to be successful. For instance, in the case of developing successful entrepreneurial resources, the links to talent, capital and market are infrequently contained in discrete communities, but rather link across larger regions or multi-region networks.

Truly addressing some of the jurisdictional and other hurdles to partnership can create a sense of confidence in the marketplace that a region is a place to do business.

How To Get Started

Clear vision – what are your economic development goals?

With fast-changing national and worldwide economic dynamics, reconfirming or rethinking your economic goals may be important. Is your goal the number of jobs created, or is it standard of living? Is it sector-specific or is it lifestyle-supporting? Is it to capture manufacturing companies or to catalyze innovation? Now is the time to look carefully at what the underlying goals are.

Rethinking the context – how is your region defined?

Many creative approaches take a fresh look at what constitutes a region of comparative opportunity. As you rethink your region, it is important to identify both the compelling reasons why an area should be considered a region and challenges that a restated region might face. One of the most challenging issues will be to define manageable and appropriate regional parameters. Is your region defined by a geographic location, by an economic sector or system, by a commuter shed, by an easily-managed political jurisdiction, or by other less tangible parameters, such as entrepreneurship ecosystems or market opportunity?

Identifying unique assets – what sets your region apart?

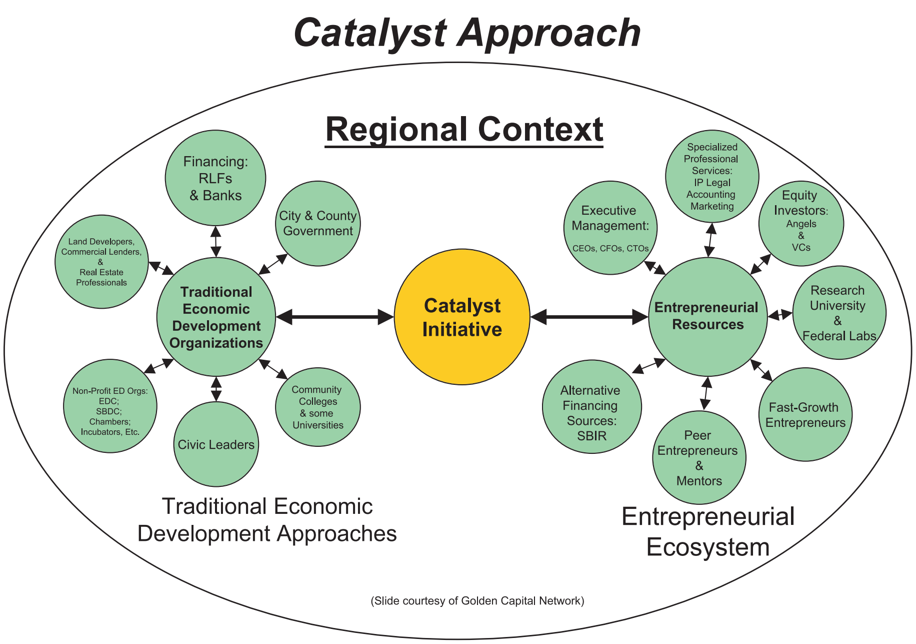
Do you have a unique mix of education and research institutions? Close proximity to transportation corridors? A uniquely trained labor force? An unparalleled quality of life? Do you have willing political jurisdictions that can marshal funds and support? What defines your region and helps make your vision attainable? If there are gaps in the assets needed, what would it take to bring or establish them in your region? How do you leverage these assets or engage them?

Knowing your challenges – how do you avoid failure?

Are there inherent barriers to collaboration, such as historical perspectives or jurisdictional mandates that interfere with a new approach? If so, which partners can cut across these barriers and come to the discussion? University, nonprofit and business leaders are all potential partners that can help look at a region in a new light.

Being open to new approaches – how do you spark the creativity?

Broaden your thinking about economic development in your community. Enlist input from cross-regional constituents, such as the regional association of governments, regional transportation agencies, funding institutions, educational institutions, Economic Development Administration representatives, and others that may serve beyond your jurisdiction's boundaries. Ask for their input and ideas as you rethink your options and approaches. Be open to considering new partnerships, geographic linkages, and new programmatic approaches. Think outside the jurisdictional box.



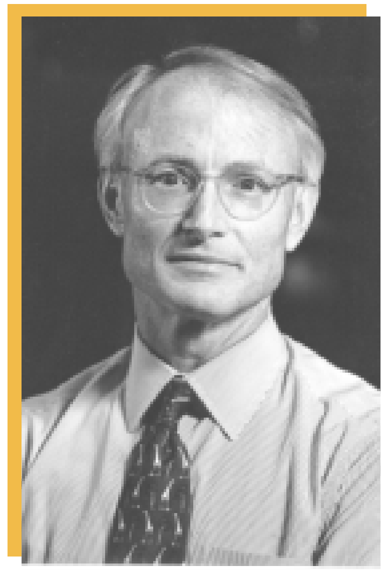
The catalyst approach leverages the strengths of traditional economic development and entrepreneurial ecosystem networks across multiple regions.

This issue of *Economic Development America* provides numerous examples of innovative partnerships and approaches that are emerging across America. The Economic Development Administration hopes that the examples detailed in this issue will inspire regional partners from around the country to take a creative look at what opportunities or challenges might be better addressed together. As we are seeing with the establishment and expansion of large-scale regional approaches such as the European Union, broadened regional alliances are likely to set the course of national and international economies for the coming decades. ★★★

Lora Lee Martin is director of the University of California, Santa Cruz campus' UC MBEST Center, a regional economic development initiative in central California that crosses three counties, engages over 20 institutions of higher education and research, targets land development sites in two locations around Monterey Bay, and focuses on fostering an entrepreneurial ecosystem though linked transregional nodes to further innovation and technology commercialization opportunities. For more information about the UC MBEST Center, visit www.ucmbest.org.

Michael Porter on Essential Elements

for Regional Competitiveness and the Role of the Inner City



Professor Michael Porter, Harvard Business School

By Anne Habiby

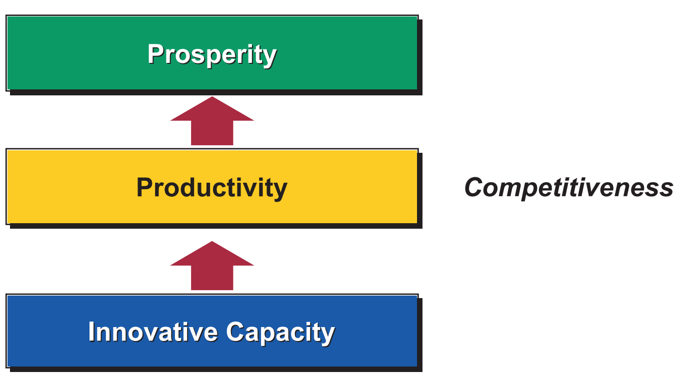
Vice President, Initiative for a Competitive Inner City

On September 15, 2003, Professor Michael Porter of the Harvard Business School delivered a speech to 400 Milwaukee leaders on issues of regional and inner city competitiveness. The occasion was the roll-out of a city-wide strategy entitled "A Call to Action: Initiative for a Competitive Milwaukee." For the past two years, many of the assembled leaders had worked with the Initiative for a Competitive Inner City (ICIC), founded by Professor Porter, to develop a market-based action plan to generate greater inner city and regional prosperity. The following is a partial transcript of that speech. For more information about ICIC and to get a copy of the Milwaukee report, visit www.ICIC.org.

What I'd like to do today is talk about regional competitiveness. What makes a region economically prosperous? What did we learn from studying and working with regions across the country and around the world? Second, how does all this relate to economically distressed inner cities?

The answers to these questions we now know beyond a shadow of a doubt. What makes a region or an inner city or a nation prosperous is if it's a productive location in which to do business. Productivity determines prosperity. If you're productive, you can pay yourself a high wage. If you're not productive you have to scrape by on a low wage. If you're productive you can earn good returns on capital invested.

Productivity drives prosperity which leads to a higher standard of living



- Productivity does not depend on **what** industries a region competes in, but on **how** it competes
- The prosperity of a region depends on the productivity of **all** its industries
- Innovation is **fundamental** to competitiveness in advanced economies

What makes a region productive? What we've understood as we've looked across many regions is that four basic ingredients have to be put in place. One is, you've got to have high quality inputs, like labor. You've got to be moving up the skill of your labor. Inputs like physical infrastructure, road system, highway system, ports, airports. Your intellectual or scientific infrastructure has to be improving. To get more productive, you've got to have more and more high quality inputs – that's one of the key ingredients that we see over and over again.

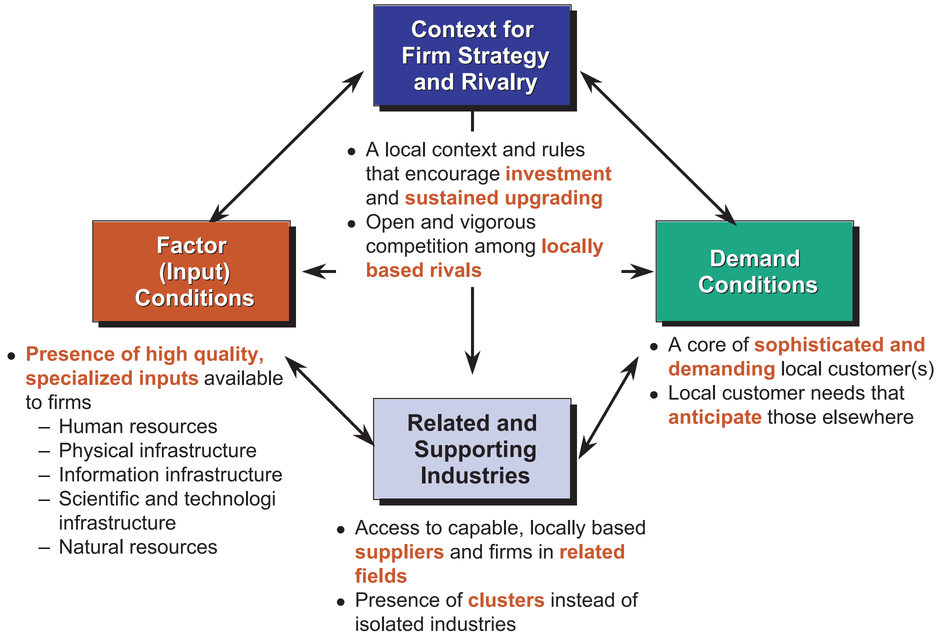
Second, you've got to have an environment or a business climate that is encouraging investment in not only physical assets but also technology and people. This has to do with the way in which you structure your tax and other systems. It has to do with a regulatory environment that encourages investment, that encourages innovation, rather than holds it back.

A third ingredient is that you want to take advantage of your sophisticated local needs wherever possible. One of the things that allows a region to be competitive in a particular field is if it has demanding customers. So you want to take advantage of those fields where your customers are advanced because that will build your success in other industries. You also want to have regulations which make customer needs demanding. That means high safety standards, good environmental standards. If you can produce very safe products, if you can produce products that are environmentally friendly or produce them in environmentally friendly ways, you're going to win in the modern global economy. So it's the customer base and the way you regulate the customer side that matters.

Finally, in order to have a competitive economy, you need clusters. As we look at successful economies, we see this striking tendency for industries and firms in a given field to cluster together in a location. A very interesting example of a cluster that we're all familiar with is California wine. Ninety-five percent of all the wine in America is produced in California. You might think it's because of the weather. Well, it turns out that you can grow high-quality wine that wins awards in almost every state in America.

The reason California wins is they have a cluster. It's not just an isolated winery, it's a whole complex of institutions and firms and suppliers that co-locate to make it a very, very productive location in which to do business. Clusters allow firms to operate more efficiently. Yes, you could outsource your components from another country, but wouldn't it be more efficient if you had a good component supplier down the street? Think of how much less inventory you would need.

The quality of the local business environment influences productivity



Think about the advantage of having education institutions in your field right in your community, training the next generation of workers, the next generation of students in your technology. In California, every part of the University of California has a wine-making degree program, so California wineries can hire already trained people for free.

In California, when you go to an advertising agency to get them to help work with you on the new product launch, you don't have to teach them your business, they teach you your business.

That's the value of being part of a cluster. What we've found is that if you're trying to explain why wages vary from one region to another, very little of that difference in prosperity across regions is due to which particular clusters you have. We find that the overwhelming factor that determines why some regions are more prosperous than others from a wage point of view is actually how sophisticated they are in whatever clusters they have. If you can be really sophisticated in making shoes, like the Italians, you can be rich. But if you're not so sophisticated at making shoes, like they are in Pakistan or India, you can support a 50¢ an hour wage. It's not a what you do that determines your prosperity in this gigantic global economy of ours, it's how you do it.

Now we've talked about some of the issues that determine competitiveness in regional economies. What's the role of the inner city? There's a tendency to think about the inner city as an equity issue, a fairness issue. That is, because there's high unemployment and poverty in the inner city, we must do something about this from an equity point of view. And I would agree wholeheartedly with that perspective.

But what we must understand is that it's not just an equity issue – it's also an economic issue. And it's not just an economic issue for the people living in the inner city, it's an economic issue for all of us. I can tell you quite categorically: unless Milwaukee is able to create a vital inner city economy, it will not have a vital regional economy because the inner city is one of the few places where you have the resources available to support significant economic growth.

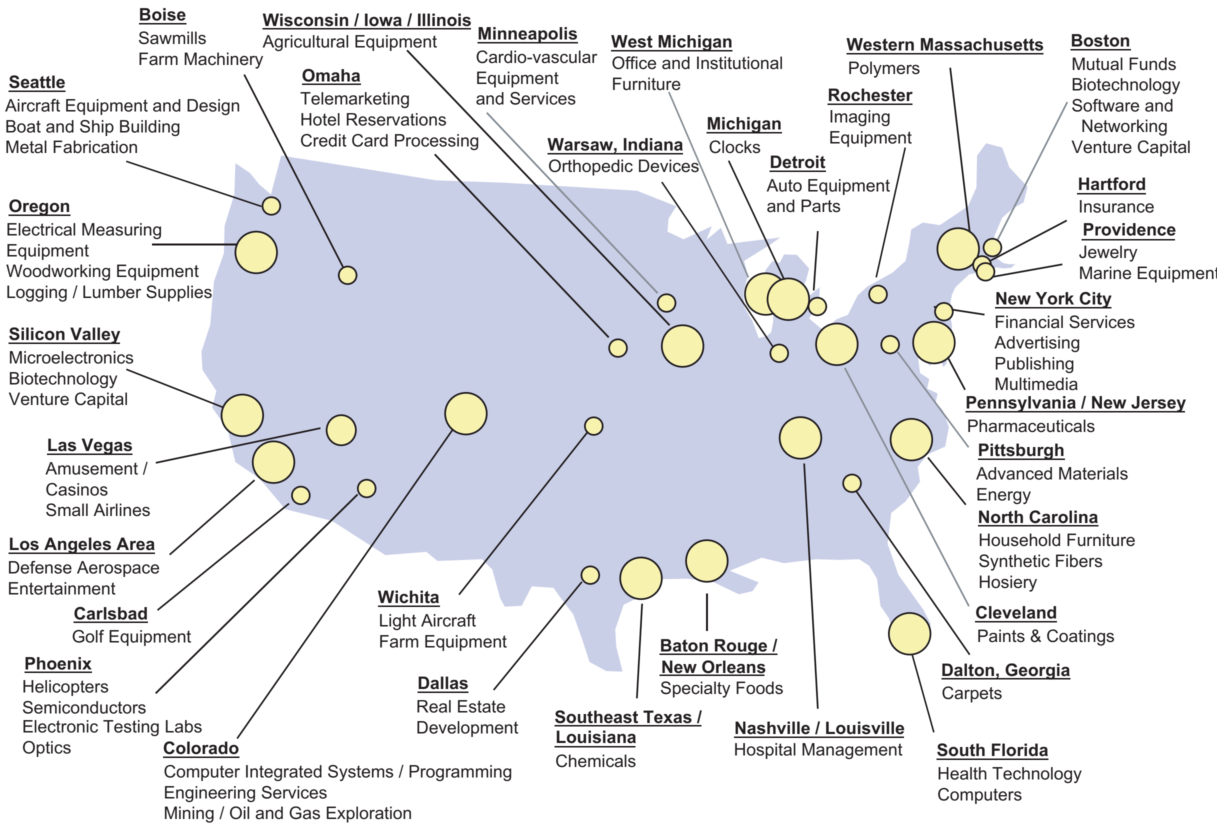
The workforce of this region is largely tapped out. Many of the communities around the city have no-growth policies. Unless we can tap the resource base – both human and other resource bases – in the urban core, this region will have one heck of a time growing. It's an economic issue that we get this right, not just a social issue.

Now, how to spur revitalization in our urban core? The tradition in looking at inner cities has been to become captivated – indeed, to become devastated – by all the deficiencies and the problems. What we are saying here is we must deal with those problems, and deal with them frontally, but we must also focus on the opportunities to generate jobs and business growth. What are the advantages we can build on? What's the low-hanging fruit in terms of business opportunities? We have to continue to invest in social programs to reduce poverty, and we've got to do them better and more efficiently, but we also have to have an economic plan to create the jobs, income and wealth that are the only long-term solution to poverty.

Many people have thought that the inner city was some kind of an economic dinosaur; that the global economy was passing it by; that all the growth inevitably had to be in the suburbs. That's just not true. We had terrible policies in the city, we drove business away, we drove up business cost, we over-regulated, we made it impossible to expand the business, we made it impossible to find a site, we made it impossible to park the cars and the trucks. Of course business left the city.

But [suburban growth] is not the economically more efficient way to do it. It makes no economic sense for a business to be 40 miles out of the city and then try to deliver into the

Examples of Regional Clusters



city every day. It's much more efficient to have that business in the city, and that's true for printing, food processing, logistics companies and a variety of other industries. What happened was we had a period in America where, artificially, the economic growth was driven out of the urban core. And that was fueled also by prejudice and discrimination. What we're starting to understand is if we can look at this through the cold eye of economic efficiency, we start to see urban opportunities that didn't look like opportunities before.

What we've also learned about competitiveness and economic development is that it's a marathon, not a sprint. There's no one burst of effort that will get you over the finish line. It's a marathon. You've got to keep running. You're not going to win with the sweep of a pen or by signing a trade agreement or by announcing a new program. They're not going to solve this problem. You've got to have a sustained effort.

The effort is longer than the period in office of any elected official. It's a five, 10, 15-year process, so you've got to have a structure that survives and makes transitions from government to government, from leader to leader. Further, we cannot delegate or default the creating of a for-profit economy to the public sector. We can expect government to do a lot of things, but we can't expect them to generate sustainable jobs.

In conclusion, I want to say that there are three ingredients to a successful economic strategy for any region, or city or inner city, or state or country. One is you need a strategy – you can't do everything at once. You've got to set some priorities, figure out what are the most clear and obvious and compelling economic weaknesses and barriers, what are the most clear and obvious opportunities and growth engines, and focus your strategy on those.

The second thing we need to be successful is a collaborative structure for implementation, with the private sector in the lead. What buries many economic development initiatives is fragmentation: competing interests, jealousy, ego, everybody fragmenting the money and the time and the effort around too many different duplicative agendas.

The third thing we need is in some ways the hardest to control, and that's the confidence part. Can you actually do it? Can you believe that you can be successful? Particularly when I sense a fatalism; Oh my God, we're in trouble. We're just in a declining part of the country. Don't believe it. I have worked in very many places in this world and in this country that had just a shadow of assets, and they've made it a success. ★★★

For further information on Professor Porter's work on clusters and competition, visit the Institute for Strategy and Competitiveness at ISC.HBS.EDU. Based at the Harvard Business School, the Institute for Strategy and Competitiveness is led by Professor Porter and is dedicated to the study of competition and its implications for company strategy; the competitiveness of nations, regions, and cities; and the relationship between competition and society.

Growing an Economy in Clusters

By Katie Burns, IEDC

Economic clusters may often start on their own, but economic developers and local leaders increasingly are working to identify potential clusters in their communities and accelerate their growth. It's a matter of working to develop networks, grow existing assets and attract new ones. At least, those are the tactics behind efforts to develop two very different clusters on opposite coasts of the country: biosciences in New Hampshire and the maritime industries in Southeast Alaska.

Southeast Alaska Signals for Its Ship to Come In

One of the first laws of economic cluster development is "Work with what you have." In the case of Southeast Alaska, that means working with no major highways, rail lines or hub airports; lots of trees, most of which are protected from commercial logging; a fishing industry suffering from depressed prices; a mostly seasonal job market; and a sparse population scattered across more than 1,000 islands. Aside from Juneau, which in some ways has acted as an economy separate from its neighbors to the south, the region's largest city is Ketchikan, population 13,000.

Fortunately, the area also boasts plenty of rugged natural beauty, a temperate climate, relatively close proximity to Asia, and an ice-free deepwater port. In Ketchikan, one can also find a shipyard – one in need of improvements, to be sure, but it's a start. Officials for the city and the borough (the equivalent of a county) of Ketchikan are hoping all those factors, perhaps with some funding from the right sources and some clear-headed thinking on the community's part, will lead to an economic revival for the town and its environs.

The disappearance of the timber industry, hastened by federal restrictions imposed on logging in the 1990s, seriously damaged the regional economy. A 2000 consultant study found that the timber harvest from Tongass National Forest, which covers most of the region, had dropped 75 percent since 1990, costing an estimated 2,900 jobs and more than $100 million in annual payroll. (Not that estimating local employment figures was easy, according to Doug Ward, director of shipyard development for Alaska Ship and Drydock, which operates the state-run Ketchikan Shipyard: Many unemployed residents in the area move away because there aren't other jobs for them to pursue, and because getting to the jobs that exist may require a boat or small plane ride.)

Fishing – whether commercially or as a pastime – is an important economic driver in Alaska.
Photo by John Hynde

Some of the economic loss was masked by Juneau, where jobs and income actually increased during the same period. Timber, however, didn't play a major role in Juneau's economy the way it did for the smaller towns down the coast. Fortunately, Southeast Alaska has other key economic assets, many of which are maritime-related:

- **Ferries.** Since the 1960s, the region has been served by the Alaska Marine Highway System, in which state-run ferries transport people and vehicles from as far south as Bellingham, Washington, to the various towns, islands and inlets along Alaska's Inside Passage (a natural waterway connecting to, but protected by numerous large islands from, the Pacific Ocean). Passenger use has been declining and the system has seen some financial problems, but it still provides a necessary service and has little competition.

- **Fishing.** Probably the area's oldest industry, it has been harmed by the onset of farm-fishing abroad, which has lowered prices for salmon and other fish. Consultants hired to analyze the region's maritime industries also found industry practices generally inefficient and in need of an overhaul. On the other hand, consumers are buying more and more fish in general; and as the consultants pointed out, other communities have managed to overhaul their fishery methods and prosper.
- **Tourist cruises.** Cruise ships carrying tourists are big business during the summer – to the tune of $20 million a year for the region. Ketchikan, which is usually the first stop in Alaska for the ships, has seen as many as 8,000 visitors in a single day – and that doesn't include the ships' crews, which can be half the size of the tourist load. And according to Borough Manager Roy Eckert, the visitors have been requesting more off-boat activities, such as museums and jeep tours.
- **The Ketchikan Shipyard.** The shipyard, a public-private venture originally intended to maintain and support the Marine Highway ferries, has had an on-and-off history. When it opened in 1987 after five years and $30 million worth of work, it had only one small machine shop and no restrooms, according to Ward. Boat maintenance currently is done outside, for lack of a protected dry dock. The yard closed three years after opening, then reopened in 1994. Today it employs an annual average of 60 workers, according to Ward. But analysts say there could be plenty more work available if the yard expanded and upgraded its repair facilities.

Not that any of the maritime industries can be called a sure bet, as the consultant noted. The cruise industry could be hurt by a major drop-off in travel; the fisheries have a lot of competition; and the state could order budget cuts to the ferry system. Shipyard improvements wouldn't come cheap. But the shipyard is of particular interest to officials in Ketchikan because of its potential for counter-seasonal employment and the family-support-level wages it might provide.

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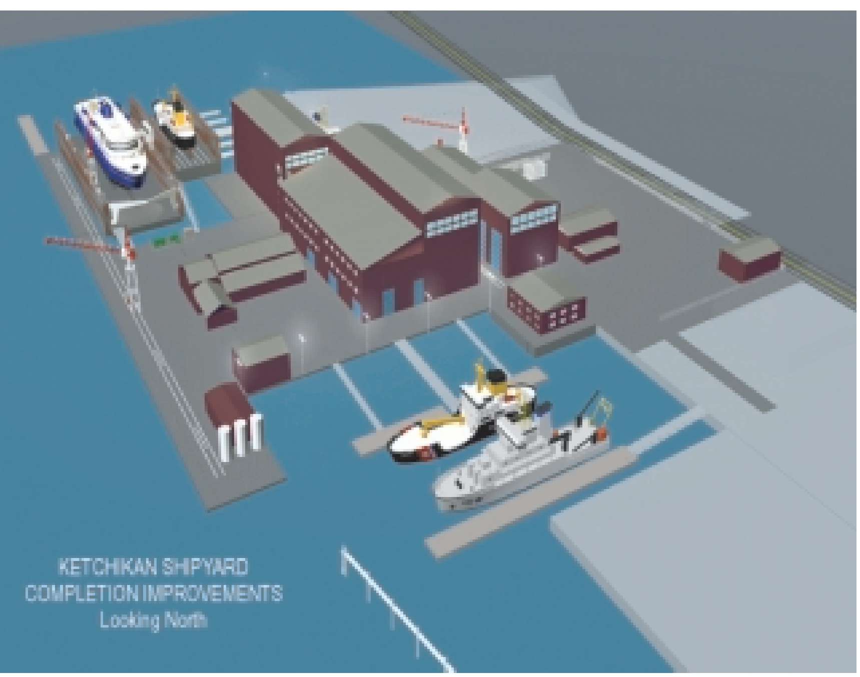


A computer rendering of the completed improvements at the Ketchikan shipyard shows new covered facilities and a second shiplift.

A Little Shipyard with Bigger Market Potential

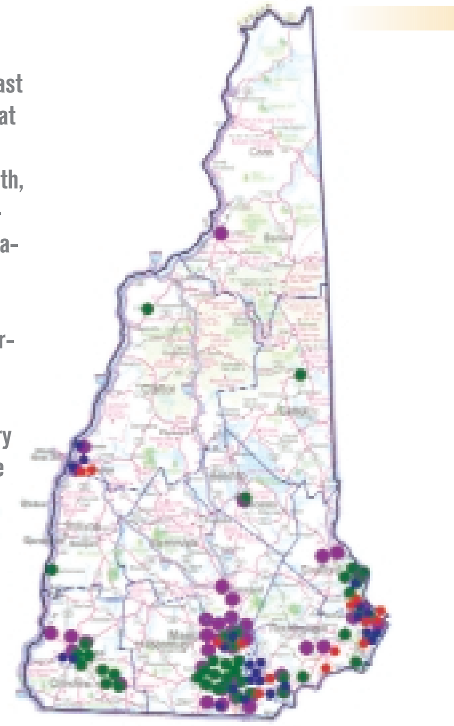
Tourism, fishing and even the ferries all are most active in the spring and summer months; workers in those industries often are idled in the winter. Winter, however, is the most logical time for boat repair. If at least some of those temporarily unemployed workers could be trained and employed at the shipyard, it would mean year-round paychecks.

Of course, the yard and the harbor need significant improvement – currently the yard only has one dry dock, and when it's in use, no other jobs can be undertaken. But talks among residents and businesses led people to start thinking of Ketchikan as a maritime support center. The more people looked at it, they came to see the yard as – in Ward's words – "the only light in a very dark night."

As Ward explained it, that's why he "pestered" the U.S. Economic Development Administration (EDA) for funds to complete the shipyard for some years, though he had little success. Then in 2001, he got a call from an EDA representative telling him that the investment guidelines were changing and that Ketchikan should try again. The grant arrived in August 2002 – $5 million to help build a second shiplift, which was to be matched by the local government and the state of Alaska. Currently, the project is in the design phase. Officials hope the improved shipyard will be able to repair the ferries, as well as the mostly smaller vessels that ply the region's waters.

The consultant that local officials hired last year saw the yard's potential as well. Reports estimated a market of approximately $67 million in repair work available for the

BioSeacoast Life Sciences Cluster: Centered around Portsmouth, N.H., BioSeacoast is a life sciences cluster that extends from Cape Anne, Mass. through Cape Elizabeth, Maine. This comprises hundreds of life sciences companies, as well as a highly trained workforce. The BioSeacoast partnership currently consists of 15 major stakeholders from government, academia and industry with Informagen, Inc. as the managing partner.



Life Sciences in New Hampshire: Existing life sciences companies are located near major access roads and centers of population, primarily in the southern part of New Hampshire and aren't necessarily adjacent to universities. Maps courtesy of Informagen, Inc., Newington, N.H.

facilities. On the other hand, the current lack of flexible shiplifting equipment and covered work areas meant the yard could only handle a fraction of that. But if the shipyard did make the improvements, not only could it maintain its current jobs, it could eventually create as many as 200 year-round jobs. The improvements would allow the yard to handle multiple repair contracts simultaneously, thereby employing more people and bringing in a greater variety of projects, which in turn could increase the shipyard workers' capabilities and flexibility. Adding covered facilities would be better for the workers as well, keeping them out of the rain that falls so frequently there.

Funding for the shipyard improvements, the consultant said, would probably come from a combination of public sources. The estimated costs – including construction, market analysis, process design and training – were expected to come to $55 million over four years. Gross annual revenues for the Ketchikan shipyard were projected to reach $44 million within four to five years.

New Hampshire: Developing an Entrepreneurial Culture for Biotech

In New Hampshire, efforts to get a fledgling bioscience cluster off the ground seem to be based on a combination of existing assets; proximity to other established bio-clusters; higher education leaders willing to rethink their relationships with business; and some very smart people who'd simply rather be in New Hampshire, thank you very much.

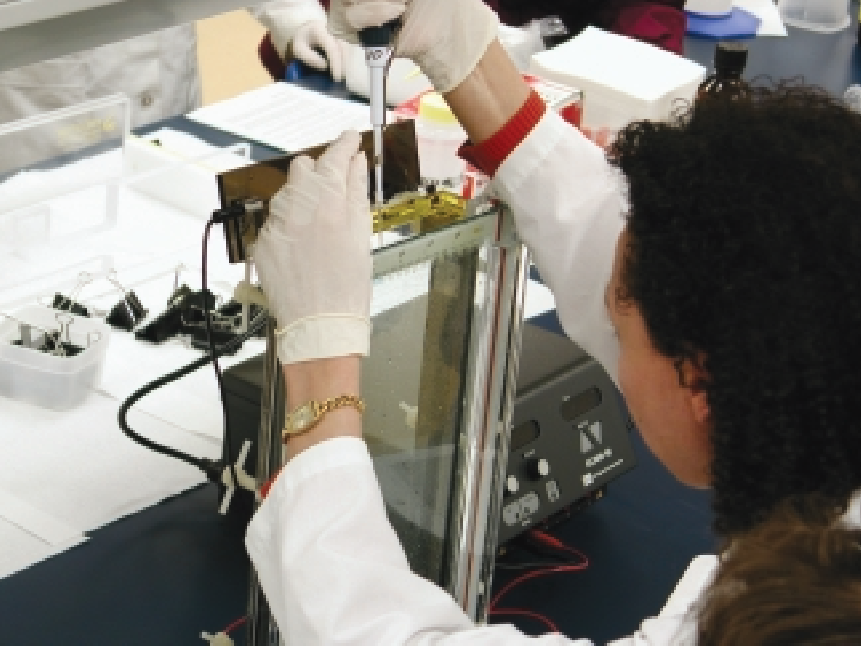
Lulu Pickering is one of those smart people. A tenth-generation New Hampshire resident, Pickering went away to MIT, Cal Tech and beyond, getting involved in the biotechnology field in the late 1970s. But after becoming the mother of two children, she decided it was time to return home. Pickering didn't leave her academic and business interests behind: She currently is president of Informagen Inc. – a nine-year-old firm in Newington providing Internet-based biotech information services – and president of the New Hampshire Biotechnology Council as well. She and others from some 120 bio-related firms in the state are looking for company and believe they can get it.

"The assets are here," Pickering says. Those assets include Dartmouth College and its medical school, which dates to 1797; the University of New Hampshire; the New Hampshire Community Technical College system; relatively close proximity to other biotech hotbeds, such as Massachusetts; and a small but substantial collection of existing bioscience and biotech companies. What requires more work is the creation of an entrepreneurial culture to promote the growth of more such companies.

Pickering notes that the University of New Hampshire has historically focused on teaching, with research a distant second. The state's place in the rankings of state expenditures for higher education – 50th – hasn't helped matters, either. Pickering and her colleagues on the Biotechnology Council are trying to persuade state education leaders to rethink the importance of research and development. "But that doesn't happen overnight," she says.

Dartmouth, on the other hand, has licensed its technologies around the globe. However, it only recently began to encourage faculty to start their own companies. Helping provide that encouragement is the Dartmouth Entrepreneurial Network, a department under the college provost's office. Most of the network's staff hail either from the business world or Dartmouth's business school, but at least two of its administrators are in medicine – one specializing in cancer research and the other in medical devices. The network provides Dartmouth faculty and students with advice and training in the basics of starting and running a business, and advises business owners beyond the college on resources that can help their companies grow. In addition, the network is working to help the college develop commercialization programs both on and off campus.

Gregg Fairbrothers, executive director of the network, explains that he and his colleagues aren't necessarily out to



In New Hampshire, displaced workers making a career change to the bioscience industry are choosing biomanufacturing technology training to complement their advanced degrees from other disciplines.
Photo by T. Dubuque

completely overhaul Dartmouth culture. “We are a liberal arts institution,” he says. No one there is aiming to become a national leader in technology commercialization. The network’s goal is simply to support people who are interested in getting something commercialized.

Asked about the progress of New Hampshire’s development of a biotech cluster, Fairbrothers doesn’t make grand pronouncements. “It’s in the eye of the beholder,” he says. But he points out that the chair of Dartmouth’s engineering department, who worked with one of the leaders of the transformation of Palo Alto, California, into Silicon Valley in the 1950s, sees similarities to that culture now in Hanover, New Hampshire. And Fairbrothers seems to concur. The Hanover area has a large medical school, plenty of ties to business via Dartmouth graduates and lots of bright people. “We look at that as a cluster,” Fairbrothers says.

Providing Workers, Facilities & Networks

To remain viable, of course, any cluster needs a skilled workforce, and the state community college system has stepped in to make sure that workforce is available. Dr. Sonia Wallman, a Harvard grad who moved to New Hampshire in 1969 to raise a family, has been involved in the development of that workforce since 1994, when she helped establish the biotechnology technician training program at Pease International Tradeport Campus in Portsmouth. The Emerging Technology Center, as it’s called, works in tandem with industry groups to provide whatever skills training biotech businesses need.

The 71,000-square-foot facility opened two years ago and includes a research lab and state-of-the-art biomanufacturing suite. Campus Director Valerie Mahar notes that many of the students in fact either have jobs already or have been laid off and are using Workforce Investment Act money to redirect their careers. “Our building is full at night,” she says. All the students who graduate from the program find jobs upon graduation, according to Mahar.

The center also allows scientists to test their ideas in its facilities, and is constantly looking for partnerships with industry. (The council also is working to establish a technology business incubator, but that’s still in the planning stages.) Wallman, who also founded the New Hampshire Biotechnology Council (now headed by Pickering), recalls that plenty of industry people attended an open house for the center in 2002, and “wanted a piece of the action.” They weren’t all from the immediate neighborhood, either.

One company, a one-man operation from Colorado, is paying for equipment and personnel there to purify his company’s proteins. Wallman also has been working with firms from Massachusetts, Texas and other states, and is hoping to establish the center as a place to manufacture small quantities of proteins – a service that’s often needed, but not particularly economical for a large company to do on its own. This could become a sideline for the center, funded by the users. Wallman says the companies find their way to her doorstep via a mix of personal relationships, business ties and relationships with her colleagues.

Wallman, Pickering and others in New Hampshire recognize the need for linkages beyond state lines, particularly in regard to marketing. Some may be with nearby neighbors. New Hampshire has positioned itself, for example, as part of the International Northeast Biotech Corridor, begun about five years ago, which promotes ties among biotech companies and institutions from Quebec down through Maine, Massachusetts and beyond. Each participating state or province has a biotechnology industry representative and a government representative on the corridor’s governing board, and they do a great deal of joint marketing. “It gives us an immediate brain trust,” Pickering says.

The Biotechnology Council also works with the Southeast England Development Agency, based in Portsmouth, England. The English counterpart to Portsmouth, N.H., has a life sciences cluster looking to position itself as a gateway to Europe, and the relationship between the two regions works well, according to Pickering.

At the same time, she doesn’t want to overreach. “We don’t want to try to have a dozen marketing partners,” Pickering explains. New Hampshire has had a relationship with the original Portsmouth for more than 300 years, however, and they make a good match.

One other area in which the state reaches beyond its borders is venture capital. Pickering reports that New Hampshire has a couple of local funds, but is quick to point out that Massachusetts, an East Coast magnet for biotech venture funds, is close enough that investors are often willing to check out New Hampshire companies. Fairbrothers adds that efforts are underway to put together some angel investor groups in New Hampshire as well. Of the state’s venture capital scene in general, he says, “It’s better than it was.”

The various players all seem to agree that New Hampshire’s bioscience industry has a lot of growing to do, but they also sound optimistic. Like Pickering, for example: “I am confident that in three years, we are going to be on the map.” ★★★

Growing Forward:

Northwest North Carolina's Regional Approach to Economic Development

By Amy Holloway

Vice President of Economic Development, AngelouEconomics

Northwest North Carolina is a picturesque region anchored by Winston-Salem in the east and heading westward into the Blue Ridge Mountains. The diverse territory contains an energetic urban core, historic towns, and pastoral landscapes. For years, the region has been a tourism destination, offering visitors the Blue Ridge Parkway, the country's oldest arts council, river rafting, hiking, and more than 12 vineyards within the Yadkin Valley wine region.

Northwest North Carolina has also been hard hit during the recent economic downturn. The steady flow of manufacturing jobs out of the U.S. has been particularly tough on the region, whose largest employers have historically been in the textiles, furniture, and tobacco industries. The region has lost more than 3,000 jobs since 2001, and in some parts, unemployment has topped 30 percent.

In 2002, Congressman Richard Burr (NC-05) decided to take strong measures to help the region overcome its economic downturn. Congressman Burr rallied the Economic Development Administration (EDA) and the State of North Carolina to provide funding to the region for an economic recovery initiative. The two organizations awarded $400,000 in grants to the Northwest Piedmont Council of Governments and Greater Mount Airy Chamber of Commerce to craft a regional CEDS (Comprehensive Economic Development Strategy) that included eight counties: Alleghany, Ashe, Davie, Forsyth, Rockingham, Stokes, Surry, and Yadkin. AngelouEconomics, an Austin-based economic development consulting firm, was hired to help the Northwest North Carolina CEDS Committee create the plan.

After 10 months of work, the final Northwest North Carolina CEDS was delivered in November 2003. The EDA has described the Northwest North Carolina CEDS as one of the most significant plans it has ever funded, partly because the planning process covered one of the largest territories of any prior strategic plan. In addition to the sheer size of the project, the EDA recognizes that the strategy does three things very well. First, it strengthens regionalism and partnerships between the public and private sectors. Second, it offers valuable lessons for any U.S. community grappling with manufacturing losses. Finally, the CEDS followed a unique public planning process that generated thousands of supporters for economic development.

The city of Winston-Salem and Piedmont Triad Research Park are at the hub of new economic growth for Northwest North Carolina.

Working from the Ground Up

In the beginning of the strategic planning process, stakeholders recognized that the project faced a challenge. The boundaries of the strategic planning region followed the congressional district, including several counties that had not previously worked together nor considered themselves part of the same economy. The goal was to approach the planning process in a way that gave all eight counties a distinct role in the region's economic development.

Northwest North Carolina's tradition of fine craft and hand-work inspired the region's shared, primary target industry: design. These tree carvings are by Ashe County resident and artist Thomas Sternl.

The regional CEDS was created from the ground up, by first conducting the strategic planning process in each county. The local-level analysis and intense public input process revealed common traits among all eight counties. Each shares similar values, economic trends, natural beauty, and rich tourism amenities. Also, within the region's traditional manufacturing industry are highly talented individuals who are skilled in using their hands to build and design products.

The unique tradition of design became the common thread that tied each county together within the regional CEDS. Design touches many fields of business across Northwest North Carolina – from engineering to software development to fine crafts – so the "design industry" was selected as the region's primary economic development target.

In addition to the regional CEDS, eight county plans were written to help local economic developers make sure that their activities fit within Northwest North Carolina's broader objectives. The county plans and regional CEDS ask for changes to workforce development programs, business climate, and structural assets so that the region becomes more attractive to design businesses and entrepreneurs. Recommendations included, for example, that local community colleges adopt new curricula modeled after the best design programs in the country. The Piedmont Triad Research Park was urged to build shared wet laboratory space to help incubate the region's start-up biotechnology businesses. A new regional brand identity was provided together with individual county themes that fit within the region's umbrella concept. The entire region was charged with implementing a new on-line communication tool to keep information flowing. Techniques were offered to help individual artisans and sole proprietors sell their products to national and international markets.

The plan recommended a different facet of the design industry as a target for every county. More rural counties, for example, were asked to actively support the growth of their local fine craft industry and to promote locally made products to tourists. For urban Forsyth County (home of Wake Forest University, the Piedmont Triad Research Park, and the North Carolina School of the Arts), it recommended that local leaders concentrate on targeting the design aspects of biotechnology and computer animation.

Inviting the Public to Drive the Process

The success of the project was due in large part to strong public involvement. The process was completely open to the public from beginning to end. It began with the launch of a Web site containing information about the project, the schedule, and reports and presentations as they were completed. Residents were provided with the consulting team's contact information and encouraged to contact team members directly with their thoughts on economic development.

Next, a survey was conducted asking residents and businesses to rank the strengths and weaknesses of the area. Almost 1,500 people responded to the survey. In each county, focus groups and interviews were conducted with more than 100 people. Ultimately, over 2,000 Northwest North Carolinians contributed to the CEDS.

In November, the EDA and CEDS Committee hosted a rollout event that was attended by 900 people from across the region. The high attendance at the event reflected the enormous support for the CEDS and the public's involvement in shaping its content. The public process helped residents form new relationships with one another, created a regional commitment to implementing the CEDS, and built momentum that will carry the region long into the future.

Early Success Builds Long-Term Support for Economic Development

Rather than waiting 10 months until the final CEDS was completed and approved, local leaders pursued good ideas while they were fresh on people's minds. At the completion of the project, several good initiatives were already underway. Several counties, for example, established new economic development director positions so that they would have staff to implement the CEDS. To assist local craftspeople, the

The unique tradition of design became the common thread that tied each county together within the regional CEDS.

Yadkin Valley Craft Guild was established and is currently setting up its headquarters in Surry County. Stokes County leaders have started an aggressive tourism initiative, aimed at increasing the economic benefits of the 400,000 people visiting Hanging Rock State Park each year. Davie County passed a long-awaited school bond referendum. Ashe County leaders approved the addition of a small business incubator at Family Central, a unique facility that houses all workforce development and social services in the county.

During the project, Forsyth Technical Community College (FTCC) spearheaded one of the best examples of targeted economic development in Northwest North Carolina. In 2003, FTCC received a $750,000 grant from the U.S. Department of Labor to establish a replicable biotechnology curriculum for community colleges. Local employers, Wake Forest University, and the Chamber of Commerce helped FTCC develop the curriculum. This year, the program has more than 100 students enrolled. The program serves all of Northwest North Carolina: Students from 12 other community colleges in the region can enter the program at their home institution and finish their degree at FTCC's main campus.

Forsyth Technical Community College biotechnology major Scott Barton in the lab.

Lessons Learned in NWNC

The lessons learned in Northwest North Carolina have strong relevance to other communities. The lessons on competition, regionalism, and community investment are helpful to any community looking for a new direction in economic development:

- Form close relationships and pool resources with neighboring communities. A regional approach to economic development helps communities succeed and offers residents a wider range of opportunities.
- Make sure economic development activities and local policy cater to entrepreneurial businesses. Entrepreneurs and small businesses will drive future economic growth.
- Strengthen K-12 education, downtowns, and support for local businesses. These investments increase a region's appeal to new businesses and talented workers. Now more than ever, it is critical to invest in the core of the community.
- Empower local residents and businesses to participate in economic development. They are a great source of new ideas and extend the reach of an economic development organization.
- A region's ability to attract knowledgeable and talented people is equally as important as the ability to recruit new companies.
- Successful regions will take aggressive steps to reduce social disparity. As disparity decreases, the potential of attracting new investment increases.
- The ability and freedom to innovate differentiates the U.S. from every other country. A region's economic development campaign must embrace and cultivate innovation.

The Beginning of a Renaissance

The Northwest North Carolina CEDS process was about more than developing a report. The project was designed to bring about a renaissance in the region: to transform people and organizations, change them in heart and mind, and enlarge their vision, insight, and understanding. The project has brought about permanent, self-perpetuating change in Northwest North Carolina that will span far longer than the five-year CEDS. ★★★

AngelouEconomics is a technology-based economic development consulting firm. Amy Holloway assisted more than 50 communities across the U.S. and Europe with economic development planning.

Resources:

- *CEDS Project Web site: www.northwestnc.com*
- *Project consulting firm: AngelouEconomics: www.AngelouEconomics.com*
- *Lead contact: Amy Holloway: aholloway@AngelouEconomics.com or (512) 225-9321*

Enterprising Capital

Bringing the Knowledge-Based Economy Home

By Dan Loague

Executive Director, National Association of Seed and Venture Funds

Some venture capitalists call Minnesota, Iowa, Oklahoma and even Washington the "flyover states," places to pass by when traveling to Silicon Valley or Boston's Route 128.

And unfortunately, investment statistics show that the tag fits. The PriceWaterhouseCoopers' 2003 Fourth Quarter MoneyTree Report reports that Silicon Valley, New England, New York and Texas accounted for more than 60 percent of the nation's total venture capital investments. The Midwest, Northwest, Southwest, Southeast, North Central and South Central areas of the country accounted for less than 20 percent of the total.

"Invisible" Early Stage Capital - Angel Investors

But venture capital is just part of what it takes to launch startup companies. Research by Dr. Jeffrey Sohl of the University of New Hampshire Center for Venture Research shows that early stage capital – pre-seed, seed and angel funding – is the driving force in starting and growing the new companies that create tomorrow's jobs and attract new capital. Importantly, angels prefer to invest in seed and startup stages of emerging entrepreneurial ventures, usually investing in the $100,000 to $1 million range.

According to Dr. Sohl, about 400,000 early stage investors (individual angels or groups) annually invest in at least 10 times the number of deals made by venture capitalists. Before 2000, annual angel investment totals always exceeded total venture capitalist investment. In peak years, angels invested more than $50 billion in over 50,000 ventures; recently, however, both angel and venture capital investments have dropped below $20 billion annually. Angels, although a relatively "invisible" part of total early stage capital investments, are plainly powerful drivers of local jobs and capital attraction.

Worthington (Minn.) is typical of a new trend in which local leaders reach beyond traditional geographic boundaries and work creatively with early stage investors to help build local, fast-growth enterprises, generate new jobs and attract new investment capital.

Leaders in flyover states – and in communities in rural and non-metropolitan areas – are now discovering angels as important, yet largely untapped, sources of local capital for homegrown enterprises. Individually, angels provide critical startup capital. But they provide even greater value when part of an angel group or formal syndicate, bringing in-depth knowledge of tech-based industries and significant regional and national contacts. Their help in creating new companies with high-growth potential often attracts the next stage of funding, regional venture capital investment.

Angel investors are excellent resources because many are entrepreneurs who have cashed out from successful tech-based companies. An equally valuable resource may be the local leadership, or "civic entrepreneurs," who work with local seed investors to expand sources of entrepreneurship and new enterprises. They find ways to reach across institutional and geographic boundaries to work with public, nonprofit and private sectors, create a shared vision of change for their community, and bring together key resources to build a local knowledge-based economy.

The most important function of angel investments is to fill the new enterprise funding gap, typically about $500,000 to $2 million. Known as the "valley of death," this is the equity funding usually needed to launch a company after funds from friends, family and "fools" have been exhausted and before the company has grown enough to be of interest to a venture capitalist. Some communities, like Worthington, Minnesota, have formed (or are working to form) local seed funds to fill the gap.

The Worthington Way

Worthington, Minnesota, is a town in the state's southwest corner. In this community of about 10,500 people, the Worthington Regional Economic Development Corporation (WREDC) has formed several successful partnerships that reach into Minneapolis and surrounding states. WREDC, local business leaders and

Networking is one of the most important aspects of seed investing seminars and angel networks. Patrick Hamner of Dallas and Robert Dean of Shreveport shake hands while Ben Woods, also of Shreveport, looks on.

Participants at a seed investing seminar in Shreveport practice conducting due diligence on a proposed deal.

Minneapolis's Minnesota Investment Network, Inc. (MinCorp) have set up Prairie Capital LLC, an early-stage investment fund of about $640,000. Prairie Capital has made about $1.2 million in investments – $530,000 from the fund and another $700,000 from individual investors in Prairie Capital LLC.

Now the fund is in process of recapitalizing, and WREDC and Prairie Capital LLC are seeking to attract investors from South Dakota, Iowa and Minnesota. As a way to invite investors to participate in the new fund, WREDC held a one-day training session on the seed investing process, produced by the National Association of Seed and Venture Funds (NASVF). Those who attended represented 14 Minnesota cities, four South Dakota cities and one city each in Iowa, Nebraska and Wisconsin. Participants included 10 representatives from venture capital/investment companies, a dozen private investors (angels), almost as many entrepreneurs, and several representatives of university and federal laboratory tech transfer programs interested in building the local economy.

Their effort aims at creating a $3 million local fund that will partner with MinCorp to make investments in the Worthington area. The fund will be structured as a limited liability company and function like a small venture fund. MinCorp will provide 10 percent of the fund, up to $100,000.

Worthington is typical of a new trend in which local leaders reach beyond traditional geographic boundaries and work creatively with early stage investors to help build local, fast-growth enterprises, generate new jobs and attract investment capital. Similar efforts are underway in Spokane, Washington; Whitefish, Montana; Las Cruces, New Mexico; Shreveport, Louisiana; Fairfield, Iowa; Tulsa, Oklahoma; Greenville, South Carolina; Morgantown, West Virginia; Portland, Maine, and many other communities across the nation.

State-Level Efforts

Some states, such as Oklahoma and Washington, are increasing the availability of early-stage capital for new companies by helping create statewide networks of private angel funds.

The Oklahoma Technology Commercialization Center (OTCC), equipped with incentive legislation for the formation of angel funds, helped create a dozen, community-based $1 million to $2 million funds as LLCs. Members of the funds get "first looks" at technologies groomed for investors by OTCC.

The Washington Technology Center (WTC), supported by a grant from the Economic Development Administration, is creating a statewide network of angel groups – first, to help WTC evaluate market potential of new technologies, and second, to provide early stage capital resources. WTC staff identify and work with a leading businessperson (a "champion") in each community who possesses the wealth, respect and prestige to draw other possible investors into the network. WTC then works with a local economic development organization to develop a network of possible investors, and establish training activities to develop the network's investment capabilities. Then they develop a deal flow of possible investments and work with groups formed throughout the state.

Important as they are, local institutions that churn out advanced technology, benevolent citizens who can write large checks, or well-endowed venture capital funds cannot by themselves create jobs and attract outside capital.

Seminars provide the chance to role-play negotiations between investors and an entrepreneur as part of building the enterprise.

Keep Your Eyes on the Enterprise

Community leaders are focusing more on the enterprise as the engine that drives a vibrant local economy. Important as they are, local institutions that churn out advanced technology, benevolent citizens who can write large checks, or well-endowed venture capital funds cannot by themselves create jobs and attract outside capital. Building the vision and changing the community culture is crucial in creating enterprises. Success comes from investors and entrepreneurs who talk with each other about what makes the enterprise succeed.

Fairfield, Iowa has made very good use of this principle. A community of 10,500 located about 70 miles from the setting for the film Field of Dreams, Fairfield is the 2003 Grassroots Award Winner from the National Council of Small Cities. At its Web site, the Fairfield Entrepreneurs Association advertises an entrepreneurs' relocation program, generous tax credits for investments in Iowa businesses and local venture capital of $60 million. It reports that since 1990, more than $200 million has been invested in local companies. The Web site is packed with potential resources for entrepreneurs and information on cooperative efforts throughout Iowa and surrounding states (www.fairfield-iowa.com/fea.htm).

Shreveport, Louisiana is also on this path and has started several efforts to augment its oil industry and build a knowledge-based economy. The Biomedical Research Foundation (BRF) recently invited investors and investment professionals from across the state and as far away as Dallas, Oklahoma, New York and California to participate in a seminar on seed investing produced by the NASVF. Participants included about 30 venture capital representatives and private investors, plus a dozen investment professionals and entrepreneurs. Outcomes of the event include a $3 million investment from a California venture capital firm in a local company and BRF's initiation and coordination of a regional network of angel investors who will evaluate local technologies for potential investment.

And the Secret is…No Secret

Away from the spotlight, many of the nation's communities are extending their reach and participating successfully in regional and national early-stage investing. They tap private sector resources such as attorneys experienced with seed deals and expert in term sheets; high-profile private investors (super angels); venture capital companies that work with local private investors and participate in first-round and later rounds of financing; angel investment clubs skilled in assessing potential investments; consultants skilled in due diligence; seed fund managers; technology associations that help promote development of clusters, and local "cashed out" entrepreneurs seeking new opportunities (especially those entrepreneurs cashed out of successful technology-based companies).

They also take advantage of resources from technology commercialization experts; university intellectual property and technology portfolio managers; university seed and venture funds; recipients of Small Business Innovation Research (SBIR) and other federal technology business development grants; SBA Small Business Development Center professionals with experience in developing tech-based companies; state-sponsored seed and venture funds and technology commercialization programs; state and local finance authorities that work with regional and national seed and venture capital companies, and many more.

To enhance the process, these communities often hold seed investing seminars as network-building interactive workshops, and hold forums to engage regional civic leadership in defining the issues that affect their communities. In addition, they facilitate initiatives to:

- form angel clubs, formal seed investment groups and tech-based enterprise associations;
- build capacity for early-stage investment by holding investment forums, securing due diligence support services, and holding "ready for the commercial market" technology shows; and
- support tax credits for seed investments.

Successful communities are clarifying and strengthening their visions – and capabilities – to build local knowledge-based economies. They catalyze the process in which investors fill the funding gap and support new tech-based enterprises. And in the long run, they are increasing the potential for self-sustaining investment cycles in which successful enterprises create cashed-out entrepreneurs, who then help spawn a new generation of enterprises. ★★★

The National Association of Seed and Venture Funds (NASVF) is a network of private, public and nonprofit organizations committed to building their local economies by investing and facilitating investment in local entrepreneurs. NASVF offers an annual conference, training events, a newsletter, e-mail list, and electronic discussion groups. For more information, visit www.nasvf.org.

Florida's New Cornerstone Initiative:

Regionalism in Action

By William Habermeyer, Jr.

President and Chief Executive Officer, Progress Energy Florida

Foundations for Florida's 21st Century Economy

NEW CORNERSTONE

What is the secret to ensuring the competitiveness of Florida, the nation's fourth largest state and a worldwide powerhouse in tourism, trade, and emerging industries such as biosciences?

The answer, according to a recent statewide economic blueprint, is to think regionally.

The *New Cornerstone* study, a 10-year economic blueprint developed by the Florida Chamber Foundation, concluded that Florida's economic future would be driven by four areas – trade, tourism, technology, and talent – and urged stronger regional partnerships among economic development, business, government, and educational institutions to accomplish goals in these areas.

The *New Cornerstone* recommendations envision a continued evolution of regional economic development initiatives in Florida – from today's focus on marketing to a future emphasis on coordinated investments in education, workforce, transportation, telecommunications, and other support systems.

In the past, Florida's regions primarily were defined by tourist destinations and associated promotional activities. The "Gold Coast" in Southeast Florida conjures images of sun and sand, retirees and visitors. The "Space Coast" is renowned as the home to Cape Canaveral and the nation's space exploration program. Orlando is the brand name for one of the world's leading tourist destinations, a cluster of attractions, convention centers, and recreational facilities spanning multiple counties in Central Florida.

Today, Florida's regions are defined by business relationships and are playing a more proactive role in shaping the future of the state's economy. Regional partnerships and coalitions with roles in supporting economic development have grown tremendously in Florida over the past 10 years. These organizations come in various shapes and sizes, but are playing key roles in marketing and lead development, tracking, and placement.

Today, Florida's regions are defined by business relationships and are playing a more proactive role in shaping the future of the state's economy.

Tomorrow, such regional organizations are anticipated to grow in scope. Critical functions that are now being assumed by regional economic development organizations include the following:

- **Economic diversification**, especially through growth of technology industries. The Florida High-Tech Corridor Council, a partnership of businesses, universities, and government agencies, provides marketing, research, and business expansion support for a broad corridor extending from Tampa Bay to Orlando to the Space Coast – home to half of Florida's high-tech jobs. The council's research partnerships with the University of South Florida and the University of Central Florida have matched $25 million in state money with more than $55 million in corporate and federal funds, directed to more than 290 joint projects between the two schools and 150 industry partners. To ensure that the region produces enough high-tech graduates, the council developed a consortium with local school districts and community colleges, with initiatives including electronics camps for high school students and two-year associate's degrees in high-tech disciplines. A similar coalition, the InternetCoast, is promoting technology growth in Southeast Florida through initiatives to build a regional brand identity, create a high-speed Internet hub, establish a high-tech workforce training center, and address the "digital divide" among regional residents.

- **Trade promotion and development.** Economic development organizations and chambers of commerce in major markets such as Miami, Jacksonville, and Tampa are increasingly sponsoring programs related to export assistance, foreign investment attraction, and international visitor support. Led by South Florida, organizations statewide are uniting behind efforts to attract the Secretariat for the Free Trade Area of the Americas to Miami. The Florida Services Network, managed by the Greater Miami Chamber of Commerce, has evolved into a statewide program to market Florida services industries worldwide.
- **Workforce development.** Regional organizations are playing leadership roles in identifying future workforce needs and encouraging partnerships between businesses and community colleges and universities. The Orlando Regional Chamber of Commerce is a close partner with O-Force, the regional workforce development board. Multiple public and private organizations are launching Creative Tampa Bay, an initiative to attract and retain creative professionals in the 25-to-34 age bracket.
- **Transportation and growth management.** The Tampa Bay Partnership is identifying regional transportation priorities, encouraging stronger coordination across the region's multiple transportation providers, and exploring new transportation revenue sources, such as a potential regional toll authority or coordinated increases in local option gas taxes. The partnership previously played a key role in developing a regional approach to water supply management. The Southwest Florida Transportation Initiative, a partnership of businesses and economic development organizations in six counties, led successful efforts to accelerate a major widening of Interstate 75, the region's principal highway corridor. In Southeast Florida, three seaports and two railroads have collaborated with county economic and transportation agencies to establish the Atlantic Commerce Corridor Coalition and promote development of seamless intermodal transportation systems to support trade growth. Myregion.org is developing a regional vision for seven counties in central Florida, and urging stronger regional coordination on transportation, land use, and water management issues.
- **Rural development.** The governor and legislature have designated 26 counties in three regions as Rural Areas of Critical Economic Concern, reflecting high unemployment or poverty rates or low population and job growth. Regional organizations such as Florida's Great Northwest, Inc., Opportunity Florida, and Florida's Heartland Rural Economic Development Initiative are convening partners and developing strategies for these regions, often with a holistic approach that considers not only business recruitment but also workforce, transportation, and other infrastructure needs.

This emphasis on regionalism reflects the reality that business and consumer markets in Florida typically span more than one county and do not fit neatly along jurisdictional boundaries. Florida's urbanized areas grew significantly during the 1990s, crossing traditional boundaries and underscoring the need for regional coordination (Figure 2). Regional partnerships often can have a larger impact on issues such as workforce or transportation, which are too broad in scope for most local organizations to impact in a meaningful manner. Finally, regional partnerships provide an opportunity to rationalize resources and provide better services at lower cost during a time of staffing and financial constraints.

The current group of regional organizations covers much of the state, representing both rural and urban areas. Most of them are public/private partnerships, but with a range of missions, organizational structures, and funding sources. The experience is that there is no "one size fits all" approach to regional economic development, but rather that successful regional organizations reflect the unique economic and political environments of their regions (see sidebar).

Regional Organizations to Watch

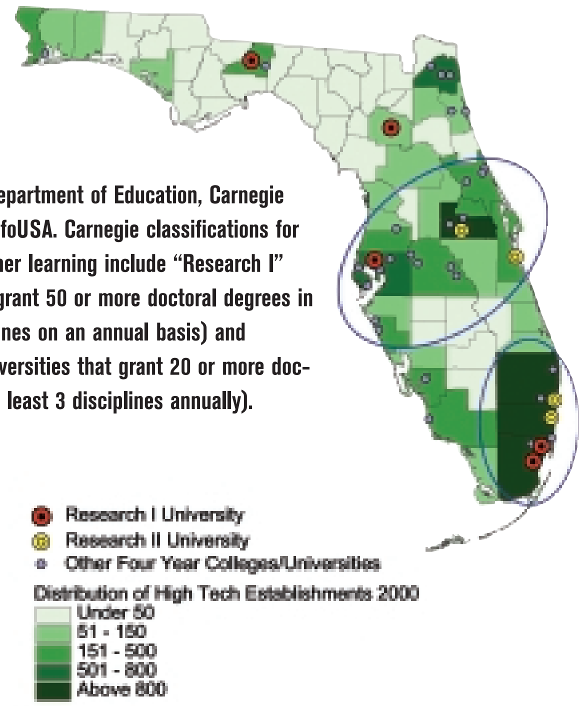
- **Florida's Great Northwest, Inc. – a 16-county regional organization formed to raise corporate awareness and brand a relatively untapped region for business development.**
- **Florida's High-Tech Corridor Council – a 21-county regional organization that connects the Tampa Bay, Orlando, and Space Coast regions to promote and enhance technology-based economic development.**
- **Internet Coast – a three-county region in southeast Florida focused on branding the area as a technology center.**
- **Jacksonville Cornerstone – a six-county region that pools county resources with the Jacksonville Chamber of Commerce to market the region nationally and internationally as Greater Jacksonville, and to assist with business retention and expansion.**
- **Myregion.org – a partnership of 16 private and public organizations in seven counties designed to create and implement a regional vision for Central Florida.**
- **Tampa Bay Partnership – a seven-county business partnership focused on marketing the metropolitan area as one solidified economic region and addressing regional public policy issues such as workforce and transportation.**

Planning for Prosperity

New Cornerstone reviewed best practices in regionalism in Florida and in other states, such as Michigan, North Carolina, Pennsylvania, and Texas, and recommended a strengthening of this approach in Florida. Plans for the successful growth of the regional partnerships are based on the following:

- **Reducing inter-jurisdictional competition.** The experience to date in Florida – as in other states, too – has been that it generally is easier for the private sector to think regionally than for the public sector to do so. Cities and counties often are accustomed to competing for jobs and tax revenue, which creates resistance to regional coordination. But in one current example, the InternetCoast in southeastern Florida is developing an agreement among Palm Beach, Broward, and Miami-Dade counties such that business incentives will not be given to firms that are attempting to re-locate from one county in the region to the next.
- **Creating common regional definitions.** Florida's economic development, workforce, education, transportation, community affairs, tourism promotion, and water management agencies all use separate regional definitions, which compounds the difficulty of coordinating on complex issues. As part of Florida's Statewide Strategic Plan for Economic Development, Enterprise Florida, the state's principal economic development organization, has identified eight economic regions. These eight regions reflect a market-based, bottom-up approach to economic development, and could serve as a basis for cross-agency and multi-jurisdictional planning and coordination if adopted by other statewide or regional organizations. For example, the Florida Department of Transportation is now using these regions as one component in developing its transportation policies and priorities.
- **Expanding funding options.** Expanded funding options must be developed for regional partnerships, so that they are not competing with their statewide and local partners for limited public or private sector funding. New Cornerstone recommended that the state consider providing matching grants to regions that have formalized collaborative economic development initiatives. The legislature also could enable additional counties to use the occupational license tax or a local option sales tax to fund local or regional economic development groups, potentially offering a higher tax rate to counties that are pooling resources to create regional organizations. ★★★

Figure 1. Florida's Universities Are Catalysts to High Tech Growth



Source: Florida Department of Education, Carnegie Foundation, and InfoUSA. Carnegie classifications for institutions of higher learning include "Research I" (universities that grant 50 or more doctoral degrees in at least 15 disciplines on an annual basis) and "Research II" (universities that grant 20 or more doctoral degrees in at least 3 disciplines annually).

Growth Trends and Regionalism in Florida

Florida's urbanized areas expanded rapidly over the past 10 years, largely due to market forces that made low-density, auto-oriented development profitable for developers and builders. The shaded areas on the maps in Figure 2 are classified as "urbanized areas" or "urban clusters" by the U.S. Census Bureau, meaning their cores have population densities exceeding 1,000 persons per square mile. Between 1990 and 2000, existing urban areas expanded in size and in density. Development expanded along major transportation corridors, in some cases causing adjacent urban areas to combine:

- The urbanized areas in the Tampa Bay and Orlando regions continued to grow together along the Interstate 4 corridor. As development moves north from Tampa and northwest from Orlando towards Ocala and Gainesville, this "high-tech corridor" is expected to develop into a "high-tech triangle."
- The South Florida megalopolis expanded northward along the Atlantic Coast as communities in Martin and St. Lucie counties gained population.
- Urbanized areas in emerging economic regions in southwest Florida and the Panhandle grew in size. Development extended north and south of Tampa Bay towards Hernando and Collier counties, and Gulf Coast communities in the Panhandle gained population.

Continued on page 22

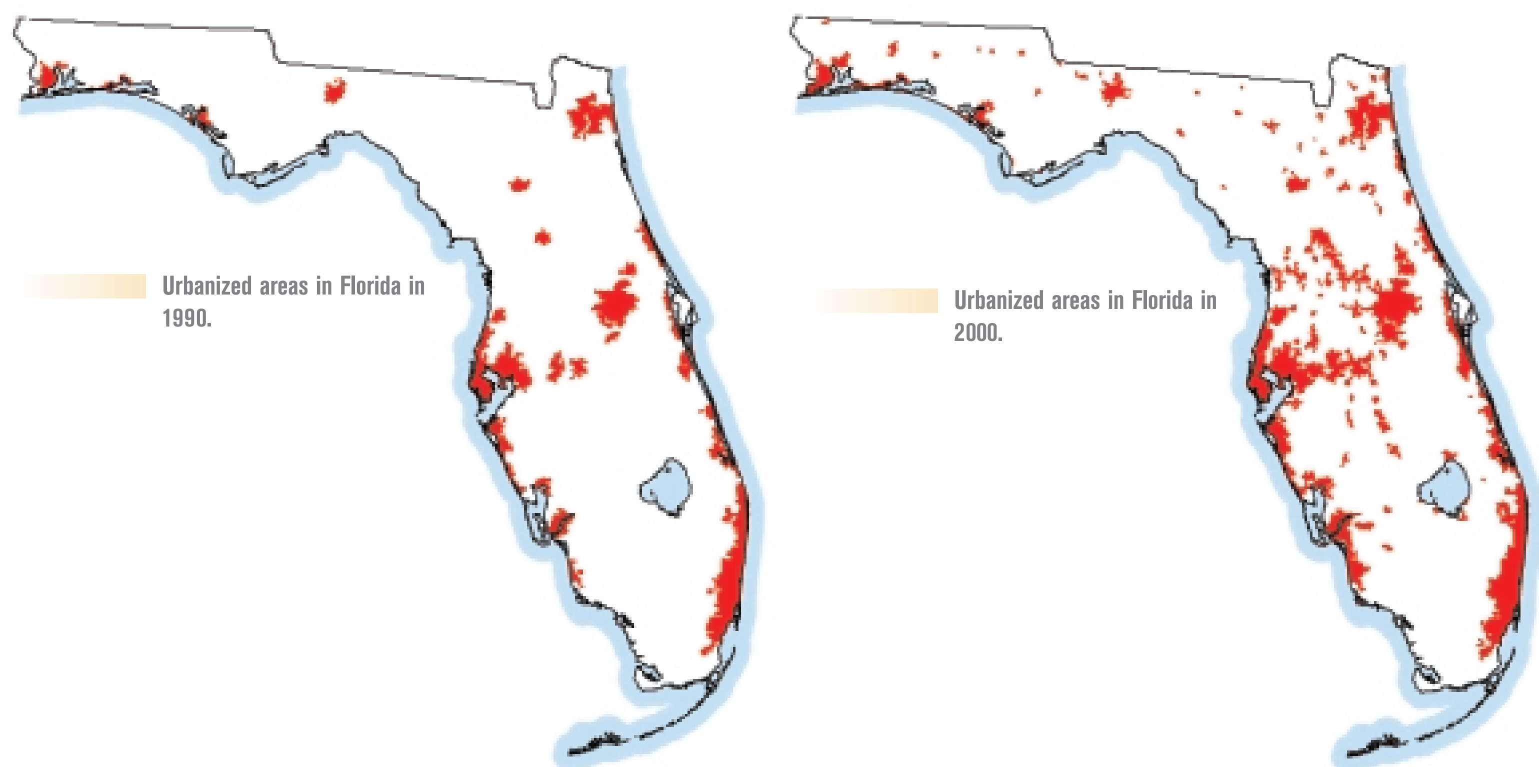
Growth Trends and Regionalism in Florida continued

Florida has a finite quantity of farmland, wildlife, potable water, and other valuable natural resources that are being rapidly depleted by growth and development. Urban sprawl has other social and environmental costs that are difficult to quantify despite decades of debate and analysis, and therefore these costs are not fully offset by current tax structures and other direct assessments. Most counties and small towns do not have adequate growth management policies and procedures in place due to the substantial cost and time involved in developing and updating comprehensive plans and zoning codes. In addition, local governments are often more concerned with local interests than regional concerns, leading to developments that have impacts across jurisdictional boundaries.

New Cornerstone urges a philosophical shift from "growth management," which implies reactionary efforts to address new development, to "growth leadership," or a proactive effort to shape future growth so that it is sustainable and manageable. The core strategy would be to implement integrated, regional comprehensive planning that addresses economic development and growth in the context of transportation, land use, water, energy, workforce, environmental quality, and historic preservation.

Figure 2. Urbanized areas, Census 1990 and 2000.

Source: U.S. Census Bureau, 2000.



H. William Habermeyer, Jr. served as chair of the New Cornerstone Executive Steering Committee, and also is the Vice Chair of Enterprise Florida, a statewide private/public partnership for economic development.

Resources:

- *New Cornerstone Web site: www.newcornerstoneonline.com*
- *Project sponsor contact: Jane McNabb, Executive Vice President, Florida Chamber of Commerce Foundation, jmcnabb@flchamber.com*
- *Project consultant contact: John Kaliski, Principal, Cambridge Systematics, Inc., jkaliski@camsys.com.*

Advancing Regional Prosperity

Through Innovation

By Deborah Wince-Smith

President, Council on Competitiveness

Regions in the U.S., as elsewhere, are under growing pressure to nurture and build upon specialized centers of economic activity in order to succeed in a time of rapidly expanding worldwide markets.

Many of these regions face similar competitiveness challenges: recruiting and training a skilled workforce, improving technology transfer from universities and labs, fostering entrepreneurship, and capitalizing on existing industrial competencies. Yet there is no silver bullet for prosperity. Each region must tailor its own unique solutions to address these challenges and succeed in a worldwide marketplace. The Council on Competitiveness, supported by the Economic Development Administration, is helping regions around the country do just that.

The key to this growth is innovation. In a knowledge-based economy, prosperity is inextricably linked to the capacity for innovation – the ability to transform knowledge and ideas into new products, processes or services. Innovation permits the creation of high-value products that can expand trade and capture market share. Innovative companies and workers are rewarded with greater incomes, higher wages, and greater prosperity.

Led by the Council's Center for Regional Innovation, the Regional Competitiveness Initiative is a two-year effort designed to promote regional economic growth. Drawing heavily on the Council's previous Clusters of Innovation project, the initiative has developed a set of analytic tools to identify challenges and opportunities. In addition, it helps regional leaders design a process to transform the analysis into an action agenda to boost economic growth.

The Regional Competitiveness Initiative seeks to put these principles into action in regions around the U.S. The regions chosen to participate in this initiative are Central New Mexico (Albuquerque), Northeast Ohio (Cleveland-Akron-Youngstown region), and Wilmington, Delaware. Three more regions will participate in 2004.

In each region, the Council provides an unbiased, detailed assessment of the regional innovation platform through a set of quantitative benchmarks, surveys and interviews of top private and public sector leaders. (See graphic on page 24 for a summary of the metrics.) Following the analytical assessment of the regional innovation environment, the Council works with regional leaders to identify key regional issues for ongoing focus; convene a regional summit to explore those issues; and launch action teams to develop plans to address the key innovation issues.

The Regional Competitiveness Initiative represents a new brand of public-private partnership; one that not only seeks to leverage federal resources within a regional context but also seeks to catalyze a self-perpetuating, industry-led forum on regional innovation. Regional leaders must not only understand their respective economic foundations and subsequent innovation processes, but also must continually seek ways to collaborate and leverage their resources to spur growth and generate prosperity for their residents.

Randall T. Kempner, Executive Director of the Council on Competitiveness' Center for Regional Innovation, explains the regional focus: "The EDA and Council on Competitiveness recognize that innovation is a contact sport – the players critical to developing and commercializing new ideas physically interact at a regional level. Healthy and innovative regional economies are the foundation of U.S. competitiveness."

Paul Shirley, CEO of Qynergy, Inc. and Chairman of Next Generation Economy, Inc. in Albuquerque; New Mexico Congresswoman Heather Wilson; and Deborah Wince-Smith, President of the Council on Competitiveness, at the Albuquerque summit in September, 2003.

Assistant Secretary of Commerce for Economic Development Dr. David Sampson with Bob Farley, Executive Director of Team Northeast Ohio, at the Northeast Ohio Summit in Cleveland in November 2003.

The EDA and Council on Competitiveness recognize that innovation is a contact sport - the players critical to developing and commercializing new ideas physically interact at a regional level.

Regions in Action

At the Wilmington Regional Competitiveness Summit in December, James Baker, Mayor of Wilmington, remarked, "This summit raised our sights to consider a higher and more important objective: That is the prosperity-creating power of innovation and critical mass which can only come from pooling our many resources, and packaging and linking them together in creative regional partnerships that cross municipal and state boundaries."

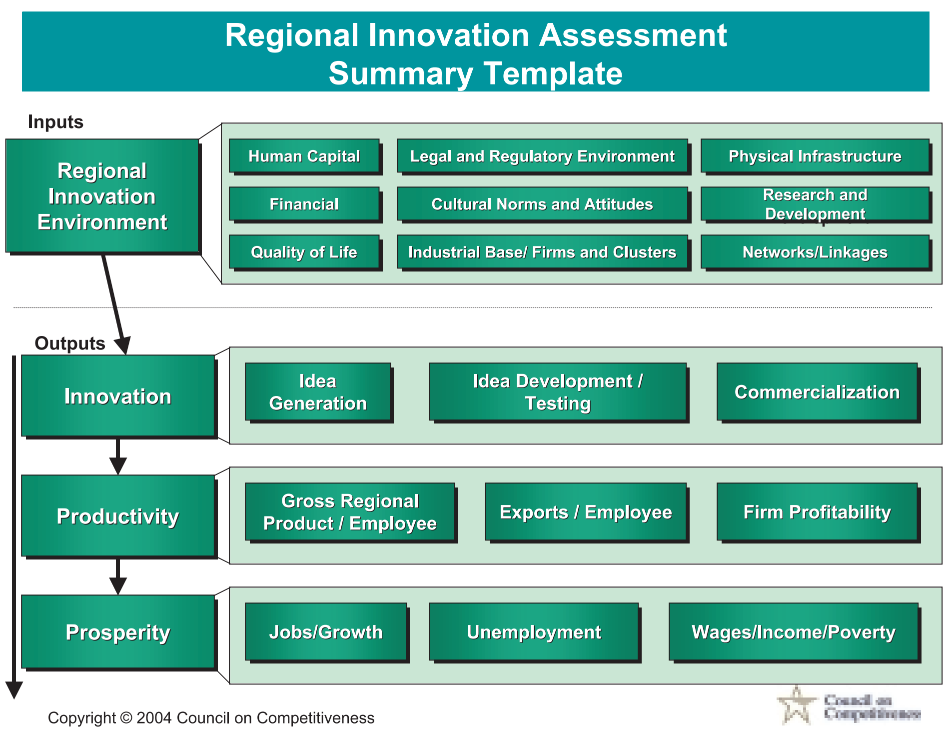
Each region faces a unique set of specific challenges and opportunities. For each of the eight action areas identified in 2003 (see box on page 25), the Council worked with local partners and development organizations to identify action team leaders, who, with their teams, are now at various stages of developing plans to address the key issues.

For example, in Wilmington, a team of individuals representing the business, government, education, and nonprofit sectors has formed to consider innovative ways of improving the entrepreneurial environment in the greater Wilmington area. Ernie Dianastasis, Managing Director of Computer Aid, Inc., a Delaware-based IT services firm, is leading the group and is intent on ensuring participation from across the state line into Pennsylvania and New Jersey.

In Northeast Ohio, three issues were identified: stemming brain drain, improving university research collaboration, and crafting a regional manufacturing strategy. The Council has worked closely with Team Northeast Ohio (a consortium of economic development organizations from 13 counties in the region), the Northeast Ohio Council on Higher Education (NOCHE), and Northeast Ohio Technology Coalition (NorTech) along with other private sector and university leadership to address these issues and to build consensus among regional stakeholders on priorities, policies and practices for strengthening the regional economy. To support these collaborative efforts, the Council contracted with national experts who, along with Council staff, provide ongoing coaching to the action teams.

The action teams are developing plans that include short, medium, and long-term activities aimed at addressing the key issues. A component of all the action team processes is to explicitly include "unusual suspects," community members interested in participating, but who for one reason or another have not been active in economic development efforts.

The worldwide economy has accelerated the pace of creative destruction, which can be terribly difficult for displaced communities, industries and individuals. The Council and



EDA understand these difficulties and are working with regional leaders to develop innovation-based strategies that will help workers find long-term jobs and firms to succeed in the worldwide economy. ★★★

Located in Washington, D.C., the Council on Competitiveness is a nonpartisan, nonprofit membership organization of corporate chief executives, university presidents, and labor leaders dedicated to setting an action agenda to drive U.S. economic competitiveness and leadership in worldwide markets. The Council helps shape the national debate on competitiveness by concentrating on a few vital issues including national and regional innovation, competitiveness and security, globalization, workforce development, and the benchmarking of U.S. economic performance against other countries.

Regional Innovation Action Agendas

Central New Mexico:

- **Crafting a stronger and more widely accessible entrepreneurship education program at the University of New Mexico.**
- **Creating a regional "connective organization" to better link local innovators with risk capital providers and skilled business managers.**
- **Organizing the local artisans into an artisan enterprise cluster to incorporate innovation into traditional industries and capitalize on a core component of New Mexico's economy.**

Northeast Ohio:

- **Improving the innovation pipeline by fostering collaboration among regional universities to pursue increased R&D funding.**
- **Developing a regional strategy to support "brain gain" – the attraction and maintenance of a talented workforce.**
- **Crafting a regional strategy to assist manufacturing firms to adopt innovative strategies and processes that will allow them to succeed in the worldwide marketplace.**

Wilmington, Delaware:

- **Fostering a stronger entrepreneurial environment through education and improved programs and services to entrepreneurs.**
- **Building world-class business-higher education partnerships by improving information flow and collaboration between local universities and the local business community.**

Northeast Ohio at a Crossroads

By Robert Farley, President, Team NEO

Northeast Ohio is at a crossroads. Declining job growth, an economic downturn, the loss of young talent, and the need for an improved image have consistently been identified as the biggest economic development challenges facing the region. Two factors compound these challenges: mounting competition from other regions, and a lack of coordination and collaboration among Northeast Ohio's multiple economic development initiatives and groups.

Recognizing that regional collaboration is key to successful economic development in the region, leading business and civic groups set out in pursuit of a common goal: enhancing and promoting Northeast Ohio's strengths to support and stimulate higher levels of business attraction, expansion and retention.

A new organization, Team NEO, has been formed to take on this task. The concept for Team NEO emerged when regional leaders met in 2002 and identified *better coordination of the region's economic development agenda* as a key concern of the business community. A consulting firm then developed a competitive assessment and recommendations on how to create a regional economic development initiative.

Launched in 2003, Team NEO provides one-stop customer service for companies in the 13-county region of Northeast Ohio, using the account management approach to retention and an extensive partner network. Team NEO is providing solutions in the areas of workforce, access to transportation, and business climate improvements.

The initial partnership and funding has come from five of the region's leading economic development organizations, including Greater Cleveland Tomorrow, the Greater Akron Chamber, Stark Development Board, Youngstown Warren Regional Chamber, and FirstEnergy Corp. The economic development staffs of partnering organizations meet monthly to share information and resources.

The formation of Team NEO coincided with the Council on Competitiveness's selection of Northeast Ohio to participate in its regional competitiveness initiative. A six-month analysis culminated in a regional summit held in November of 2003. Team NEO was identified as a key player in coordinating a regional response to challenges identified by the Council's activities. Team NEO's ability to speak as one voice on behalf of Northeast Ohio will make the region more responsive to its corporate community, and better positioned to attract companies from around the world.

The Affiliated Tribes of Northwest Indians:

Regional Economic Development Among Six States and 54 Governments

Alex Saluskin of the Yakama Nation was among the Northwest tribal leaders who helped to formally establish ATNI in 1953.

By Dave Tovey

President of the Affiliated Tribes of Northwest Indians Economic Development Corporation and Executive Director, Coquille Indian Tribe

In 1953, tribal leaders in the Northwest formed the Affiliated Tribes of Northwest Indians (ATNI), initially to deal with the threat of elimination of tribal governments and the imposition of retroactive income tax laws by the Internal Revenue Service. Today, ATNI is a nonprofit organization representing 54 Northwest tribal governments from Oregon, Idaho, Washington, southeast Alaska, Northern California and Western Montana, dedicated to tribal sovereignty and self-determination.

After years of various struggles on behalf of Northwest tribes, in the 1980s ATNI began to turn a greater focus to economic development. In 1996, its economic development committee evolved into a formal nonprofit subsidiary, becoming the ATNI Economic Development Corporation (ATNI-EDC). Over 125 tribal leaders and economic planners gathered for an economic summit to discuss the challenges of economic development within Northwest Indian country, and to look for ways to work collaboratively on programs of mutual interest. Priorities identified by the participants became the foundation of ATNI-EDC programming activities. The goal of the EDC is to represent and work with member tribes to provide economic opportunity and parity, through service and advocacy for Northwest Indian people.

ATNI-EDC's current programs place emphasis on four priorities that came out of the summit: the development of a revolving loan fund, tribal administrative capacity-building, telecommunications and information technology, and tribal energy and utility development. Since that time, tourism has emerged as another important element in strengthening tribal economies. This article highlights ATNI-EDC's telecommunications, tourism and revolving loan fund efforts. ATNI-EDC's programs are excellent examples of regional economic development efforts that span multiple states and tribal governments.

Getting Tribes Wired

Thanks to the support of multiple foundations, the Economic Development Administration and others, the ATNI-EDC Tribal Technology Program was created in 2001 to improve the availability and use of technology – in order to improve economic development, healthcare, the environment, education, and to preserve culture – among ATNI member tribes.

The Tribal Technology Program provides a variety of services. Since October 2002 – principally under the sponsorship of the Gates Foundation – ATNI-EDC has initiated a Tribal Technology Assesment program, which is focused initially on Washington state tribes. The hope is to expand these assessments to all other ATNI member tribes in the next few years. The objectives are to:

1. Help tribes conduct technology assessments and produce community-based plans to address needs;
2. Help tribes find resources to implement their technology plans so they can catch up and keep up with the Information Age;
3. Keep tribes informed of ongoing changes in information technologies and address policy changes that prevent tribes from having access to technology;
4. Promote efforts that address an emerging "content divide," a gap in the types of information that can be found on the Internet to address tribal concerns; and
5. Engage tribes in sharing their technology and telecommunications success stories and pitfalls so that tribes can learn from one another.

Another recent effort in telecommunications is a new partnership between telecommunications provider Verizon Avenue (VZA) and the Sauk-Suiattle Indian Community. In January 2004, Sauk-Suiattle, ATNI-EDC and VZA entered into a three-year partnership to fully develop and administer the tribe's telecom resources. VZA will provide the computer systems and network equipment, and will work with ATNI-EDC to design and develop the wireless network. At the end of the term, the tribe will have the capability to create its own ISP to serve the surrounding tribal and non-tribal communities that may not have Internet access.

"Both Indian and non-Indian communities, like Sauk-Suiattle, suffer a lack of technological advancement because they are viewed as not financially viable," says Elstun Lauesen, ATNI-EDC Technology Director. "We understand the need to provide essential technology that, today, is an intricate part of how state, federal and corporate America function."

In addition, the EDC's Web site (www.atniedc.com) has been developed as an important vehicle for communication and information-sharing among tribes, recently providing a Web-cast of the 50th Annual ATNI Conference.

Attracting Visitors from the State and the World

The first ever in-depth assessment of tribal tourism in Washington state was released in 2001. The assessment acted as a catalyst for the tribes to apply for and be awarded a $300,000 Administration for Native Americans grant to implement a statewide tribal tourism development effort. Washington's tribes already contribute more than $1 billion to the state's economy through tribal programs and tribal enterprises.

ATNI-EDC has been working to support the development of a culturally appropriate tribal tourism program and to create a forum for tribes to educate the public on their true histories and cultural differences. The program focuses on all Northwest federally-recognized tribes interested in promoting cultural centers, gaming venues, RV parks and recreation facilities, annual art shows, powwows and more, in an effort to draw visitors from the state and world. Although the needs and desires for tourism development vary depending on a tribe's location, culture, size and access to financial, natural and human resources, a strong tourism and marketing plan, plus resource networking, will help develop the tourism sector to provide jobs and income.

ATNI has produced a number of publications for visitors to Northwest Indian country, including an award-winning brochure for Oregon tribes, a magazine-style *Travel Guide to Washington State Indian Country*, and the Sasquatch-published visitor book, *Native Peoples of the Northwest*. A travel guide for the Oregon tribes is being created, and a similar guide for the Idaho tribes is planned. The states of Oregon and Washington have pledged to distribute not only their own state's tribal guides, but the other Northwest tribal state guides as well, promising to bring the benefits of tourism development to ATNI members throughout the region. In addition, a tribal tourism Web site has been developed (www.tribaltourism.com) for promotion and information-sharing.

Washington's tribes already contribute more than $1 billion to the state's economy through tribal programs and tribal enterprises.

Fostering Enterprise – the Revolving Loan Fund

ATNI-EDC's revolving loan fund (RLF) provides loans and technical support to tribal and Native American-owned for-profit enterprises for the purpose of expansion, relocation, or startup. With initial capitalization of the fund from EDA, the RLF was the first major project undertaken by the fledgling ATNI-EDC and is at the core of its economic development efforts. ATNI-EDC recognizes that helping tribes start and grow successful businesses will bring much-needed jobs and economic prosperity to distressed Indian communities.

"We encourage banks and other lenders to participate in the Native American economy often by lending in a subordinate position, making the primary lender's loan-to-value position stronger," says Greg Starup, Director of ATNI-EDC's RLF. "We advise businesses on financing strategies as well as operations, marketing and other areas, and recommend professional services such as accounting and law when appropriate."

A more formal partnership is being structured with ONABEN, a Native American business network based in Oregon that offers training and support to develop entrepreneurship in Indian communities. ONABEN develops and distributes its business training curriculum centrally but provides technical assistance at the local level, making it accessible to and appropriate for the local culture. The EDC's RLF is currently seeking funding to expand the work that ONABEN has done into Washington, with ATNI-EDC RLF providing the financing component that is currently missing from this regional approach.

Looking to the Future

The ATNI-EDC's work has reached a new zenith in effective programs, tribal political support, and expectations. In managing the complexities of providing regional services to an enormous geographic area of the Pacific Northwest, the ATNI-EDC has learned that forming strategic partnerships with organizations and governments serves the member tribes' interests in building their economies. ATNI member tribes increasingly rely on the assembled talent and expertise of the ATNI-EDC to provide advice and guidance as to potential business partners and service providers. Now more than ever, Northwest tribes recognize that collaborating and pooling resources are key to shared economic prosperity. ★★★

The Effects of Bank Mergers on Economic Development Organizations – *Good, Bad, or Somewhere in Between*

By Alex Iams, IEDC

When New York City's JP Morgan Chase announced that it would acquire Chicago-based Bank One, some in the city of broad shoulders merely shrugged. "It's a blip on our radar," said Joe Balasa, Chief Operating Officer at the Chicagoland Chamber of Commerce.

His comment might be surprising, since community and business leaders often react negatively to merger announcements. Former San Francisco Mayor Willie Brown's comments at a 1998 meeting of the California Assembly Banking and Finance Committee typify the objections: "Every time a merger takes place, something bad happens. People lose their jobs. Charitable contributions diminish. And those executives we knew and trusted…they are now gone."

Many community and economic development organizations share Mayor Brown's concerns. Yet some organizations, like Balasa's, experience minimal impact from consolidations. Two factors – increasing competition among banks (happening simultaneously to consolidations), and bank efforts to maintain a presence in communities that lose a headquarters – seem to help mitigate the negative effects of mergers on economic development organizations.

Why Consolidate?

U.S. banks consolidate to cut costs, diversify services, and gain market share. Mergers became common starting in the 1980s and show no sign of stopping. The U.S. financial sector, with 8,000 banks, is actually far more fragmented than many other countries – by contrast, Canada has only four banks, Australia fewer than 10.

Fragmentation insulates U.S. banking from systematic catastrophe and advances its product development and delivery, but an increasingly worldwide market encourages consolidation. "In the current environment of massive cross-border trade and investment flows, it doesn't make any sense to constrain our banks when those from virtually everywhere else can 'bulk up,'" says Martin Guilfoyle, a senior consultant at Bearing Point Inc. U.S. banks, via mergers, are adapting the bulked-up, or "universal service" model, common in Europe for many years, which brings banking, investing, insurance, and other financial functions into single companies.

Community Concerns

Concerns about negative effects from mergers seem to be greater among community groups that represent inner-city neighborhood, business, and housing interests than among other kinds of economic development organizations. Community groups fear losing personal attention, access to credit, and cash contributions for housing and community development. "As banks become more nationally focused, it's really difficult to get to a decision-maker," says Gail Parson, Lead Housing Staff at the National Training Information Center in Chicago. Many community groups don't believe that the Community Reinvestment Act (CRA) – passed in 1977 to eliminate redlining and ensure quality banking services in low- or moderate-income areas, and a performance factor considered by federal regulators when banks apply to consolidate – is sufficient to guarantee the specialized financial services that diverse, low-income communities require.

But many broader economic development organizations have similar concerns. They fear losing financial support, board members, and key contacts within the bank. Critics

Chicago's Balasa notes that mergers have less impact when a region has assert that mergers displace executives and diminish commitment to local interests in general. "Banks that were once regional or state players are now part of a much larger bank, and the budgets are driven by someone 3,000 miles away," says Chuck Foisie, President and CEO of the Seattle and King County Economic Development Council, an organization that has seen large bank support decline over the years.

While national banks offer assistance for economic development, they often have very defined guidelines which do not match local needs, say other economic developers. There also is frustration with the large bureaucracies that big banks impose. Funding proposals must pass over several desks before they can be approved, leaving local bank managers feeling stymied by corporate rules, processes, and time.

In addition, a February 2004 report from the Small Business Administration's Office of Advocacy found that small businesses have difficulty obtaining credit from large banks produced by consolidation, due to formulaic processes to determine whether to grant credit and an inability to be flexible in meeting individual needs. The study finds that in 1999, small business loans comprised 25.5 percent of bank assets for institutions with less than $1 billion in assets; for banks with assets of more than $5 billion, small business loans were only 7.85 percent of total assets.

A Sunnier Perspective

Despite the many concerns cited above, Chicago's Balasa notes that mergers have less impact when a region has several banks serving its community and economic development needs. Chicago, for instance, is welcoming a wave of newcomers, including Washington Mutual and Fifth/Third, in the midst of Bank One's merger. New arrivals are eager to engage economic development organizations, which offer gateways to new clients and networking infrastructure.

In Utah, Wells Fargo is establishing connections as it acquires local banks. "We have experienced no change in our relationship with the bank (now Wells Fargo), and they continue to support our organization in an exemplary manner," says Ron Kusina of the Ogden/Weber Chamber of Commerce.

Conditions are comparable in Nevada, where Wells Fargo acquired Norwest. Chuck Alvey, President and CEO of the Economic Development Authority of Western Nevada, says contributions to his organization equal those prior to the merger. Alvey credits the symbiotic relationship between banking and economic development. "As economic development does well, all business does well, including banks," he says.

Neighbors in the Northwest report similar experiences. Bart Phillips, President of Washington's Columbia River Economic Development Council, believes the impact of large bank mergers – while hyped in headlines – is "negligible" in practice. In the wake of merger activity, the area has attracted many smaller banks that hope to take advantage of underserved markets and lines of business. Competition is intense, says Phillips, and has become more so in recent years.

The other key aspect to diminishing the impact of a bank merger is maintaining relationships with the bank's decision makers.

The other key aspect to diminishing the impact of a bank merger is maintaining relationships with the banks' decision makers. Jim Kollaer, President and CEO of the Greater Houston Partnership, says that when leadership remains consistent, a merger is unlikely to alter support for economic development. Ogden/Weber's Kusina agrees. Citing the Wells Fargo merger in his area, he says: "The key decision makers haven't changed…that may be more important than any other concern."

The Pressure's On

Another factor blunting the effects of mergers is the pressure that banks are under to be good corporate citizens, prompting some to leave roots in their former homes. Though acquired by JP Morgan of New York City, Chicago's Bank One is busy building convenience centers throughout the city and will keep its retail headquarters there.

Bank of America, now based in Charlotte, still dedicates resources to its former home in California. The Boston Globe, investigating Bank of America's 1998 departure, found that: "The bank's charitable giving in the state increased after the merger, while its refinancing loans to blacks and Latinos went up as well…The bank shut some branches, but it has since opened many new ones."

What's Next?

The Bank of America-Fleet Boston and Bank One-JP Morgan Chase mergers will create two of the three largest banks in the US, behind only Citigroup. Chicago's Balasa, who believes that Bank One's departure will not have severe consequences for the city, admits that consolidation's effect may not be known for several years. Once a deal is done, it takes time for a bank to reorganize – or as some fear, reprioritize. For now, the only certainty is that mergers, and concerns for their effects, are something to get used to. ★★★

several banks serving its community and economic development needs.

Effective Regional Recruitment:

Jacksonville and Florida's First Coast

Kirk Wendland, Executive Director, Jacksonville Economic Development Commission, and Jerry Mallot, Executive Vice President, Jacksonville Regional Chamber of Commerce

By Kirk Wendland & Jerry Mallot

Over the two past decades, Jacksonville's public and private sectors have worked diligently to market Northeast Florida as a region, building a solid foundation for commercial, residential, cultural and entertainment venues. The assets and benefits of our six-county regional partnership are evident – a regional population of over 1.2 million, three Fortune 500 company headquarters, over $2.2 billion in private and public investment in the urban core, 300 miles of riverfront property, 68 miles of Atlantic Ocean coastline and host to Super Bowl XXXIX in February 2005.

Working together as a region makes us more competitive than working as single entities. Initial obstacles to regionalism were understanding what a partnership can do, and building trust throughout the region – trust that Jacksonville, as the population center, would be fair and equitable with our partners.

The regional effort provides all partners with greater resources than any county could procure individually. Obviously, together we can provide more options for site selectors' consideration – urban settings, suburbs, rural environments, ports, airports, etc. – and since competition to get site selectors to visit our area is intense, limiting the rivalry among neighboring counties makes sense. The regional partnership also provides cost savings. Few individual counties or entities have enough money to effectively market their area alone, and with little or no name recognition nationally, our surrounding counties would have a difficult time attracting attention. Using Jacksonville as the marketing entity instantly locates them.

Golfing at Amelia Island in Nassau County is only half an hour north of downtown Jacksonville.

In 1983, the Jacksonville Chamber of Commerce hired a national firm to create an identity for the Northeast Florida area. The tag "Florida's First Coast" stuck because Jacksonville was the first place on the continent where Europeans landed and the first destination in Florida for people arriving from the northeast. The campaign helped bring the region together.

A History of Consolidaton

In 1968, the city of Jacksonville and Duval County merged, creating a single entity governing all of Duval County except the beach communities and Baldwin. This consolidated government greatly simplified the legislative process, and by eliminating multiple layers of government made it easier to resolve business concerns. Similarly, in 1997 the city formed the Jacksonville Economic Development Commission (JEDC) to bring all public economic development entities for Duval County (that work on site selection, permitting, economic incentives, and more) under one umbrella to foster economic development and to work with the Jacksonville Chamber of Commerce to market Jacksonville as a business city.

Jacksonville's regional economic partnership began to take shape in the late 1980s with a conference session to discuss the economic future of the region. From this conference emerged the concept of working together to create economic cooperation on issues that affect everyone, such as transportation and clean air. Now, we conduct a strategic planning session each year, in which all partners help define the issues, directions and approaches to doing economic development on a regional basis. Over time, these meetings have dramatically increased communications and built camaraderie and trust among the chambers, effectively breaking down the fear and territorial barriers that could easily have been an obstruction.

Early Challenges: Funding and Structure

An initial challenge was figuring out how to fund marketing. Government entities, by their very structure, see boundaries. Businesses don't, but they often need government cooperation to get the job done, so our regional efforts are funded by both public and private sources and coordinated by the private sector. Realizing their future was linked to the city of Jacksonville, surrounding counties began stepping forward in 1995 to establish a regional economic development partnership with Cornerstone, the economic development initiative of Jacksonville Chamber of Commerce launched in 1991. As regional counties joined the initiative, Cornerstone became known as the Cornerstone Regional Development Partnership.

The Cornerstone Regional Development partnership comprises Baker, Clay, Duval, Nassau, Putnam and St. Johns counties; the Jacksonville Economic Development Commission; and the Jacksonville Electric Authority (JEA), which provides approximately $1 million for advertising, direct mail, public relations, a Web site, trade shows and other programs. Additionally, Cornerstone raises about $2 million of private funds each year and another $1 million comes from other sources. The ability to support and effectively accomplish economic development varies with the distance of a county from Jacksonville and its concentrated population, so each county's participation is priced based on these factors. All partners focus on a single marketing theme (currently, *Jacksonville, where the future leads*) for synergy, and most dollars are focused on target industries that bring higher-wage jobs.

Return on Investment

For their investment in Cornerstone, each county receives prospects without having to individually identify and bring them to the area. Meetings are held every two weeks review any and all prospects that are "hot" at the moment. Each regional partner has computer access to all information on prospects, with the understanding that total confidentiality is required to make it work.

Cornerstone also aggressively markets international trade programs that directly expand First Coast company sales, and often represents the First Coast area on state and national economic development issues. Cornerstone's workforce development efforts make the most of scarce resources and identify future workforce needs. It partners with WorkSource, the First Coast workforce development board, to handle issues of marketing and the execution of training programs for the First Coast.

Our regional partnership does not replace any economic development organization within the partner counties. Instead, it is brings everyone to the table to combine assets, resources, data and talents to identify and attract new prospects. Our partners have agreed that retention and expansion are functions that are primarily local in character, and are handled by counties individually. When a company is considering growing or expanding from one county to another in the partnership, we work closely to ensure communication among partners, and try to lessen the impact on the county in which the company currently resides.

The current Cornerstone III fund, which began in January 2001, is in the fourth year of its five-year marketing plan. To date, Cornerstone III has brought 94 projects to Florida's First Coast, the creation and retention of approximately 12,000 jobs, capital investments of $664 million and the build-out of over 7 million square feet. For the past five straight years, Expansion Management magazine has ranked Jacksonville (Florida's First Coast) in its top 10 "Hottest Cities in America" for corporate expansion and relocation; it is the only area to be ranked No. 1 three times.

Above: New federal courthouse building behind Hemming Plaza in Jacksonville's business core.
Below: Street scene from St. Augustine, the nation's oldest city, located in St. Johns County less than 45 minutes south of downtown Jacksonville.

Greater Than the Sum of Its Parts

As the largest urban center in the region, we realize that Jacksonville is larger than just the core city and our success comes from sharing resources, recognition and rewards with our smaller neighbors. Building trust among our neighbors has been a key component to our success. The six counties that make up Cornerstone have an understanding that the customer's needs determine the location of the project, and do not engage in incentive bidding wars.

Regions, not cities or counties, are emerging as the foundation units to future economic growth. Businesses, investments, individuals and information flow unimpeded across county, state and national borders. Capital, labor and knowledge are more important than land for economic success. Because businesses and industries are not constrained by geographical or political boundaries, neither should economic development. ★★★

About Economic Development Information Coalition (EDIC) Partners

Part of the United States Department of Commerce, the **Economic Development Administration (EDA)** provides grants for infrastructure development, local capacity building, and business development to help communities alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions. Since 1965, EDA has invested more than $16 billion in grants across all programs, including local public works and special initiatives such as responding to natural disasters and defense conversion, and has generated more than $36 billion in private investment. For more information, visit www.doc.gov/eda.

The **International Economic Development Council (IEDC)** is the premiere organization for the economic development profession. Serving close to 4,000 members, IEDC is the world's largest professional membership organization providing a diversity of economic development services, including research and advisory services, conferences, professional development and legislative tracking. Visit IEDC's website at www.iedconline.org to learn more about membership, upcoming events and IEDC services.

The **National Association of Regional Councils (NARC)** is the preeminent alliance for fostering regional cooperation and building regional communities. For more than three decades, NARC has represented multi-purpose regional councils of government that assist community leaders and citizens in developing common strategies for addressing cross-cutting transportation, economic development, air and water quality, social equity, growth, and other challenges, through advocacy, training, technical assistance and research. For more information, visit www.narc.org.

The **National Association of Development Organizations (NADO)** provides training, information and representation for regional development organizations in small metropolitan and rural America. The association, a public interest group founded in 1967, is the largest and leading advocate for a regional approach to community, economic and rural development and provides a network for its members to share ideas and innovations. For more information, visit www.nado.org.

International Economic Development Council
734 15th Street, NW, Suite 900
Washington, DC 20005

More Regional Economic Development Forums Coming Up!

The Economic Development Information Coalition (EDIC) will hold nine economic development forums from May to September, 2004. Mark your calendar for the forum nearest you!

May	*June*	*September*
May 18 Morehead, KY	June 15 Kingman, AZ	September 21 Beloit, WI
May 20 State College, PA	June 17 Findlay, OH	September 23 Bemidji, MN
May 25 Cape Girardeau, MO	June 22 Greeley, CO	
	June 24 Farmington, NM	

For more information, visit the NADO Web site at **www.nado.org/meetings**, or contact **Laurie Thompson** at **(202) 624-5948** or **lthompson@nado.org**.

EDIC Telecast on Rural Economic Development to Be Held on May 4

The next EDIC telecast is scheduled for May 4, 2004 and will focus on New Directions and Opportunities in Rural Economic Development. Along with Dr. Sampson, a featured guest will be Mark Drabenstott, Vice President and Director of the Center for the Study of Rural America, from the Federal Reserve Bank of Kansas City. More information can be found at the EDIC Web site (go to **www.doc.gov/eda, click** on News and Events, then follow the EDIC link), or by contacting **Peggy Tadej** at **(202) 986-1032, ext. 224**, or **tadej@narc.org**.

For more information about the Economic Development Information Coalition, visit the EDIC homepage: from EDA's Web site, www.doc.gov/eda, click on News & Events, then follow the EDIC link.