

Economic Development Marketing & Attraction



Mark Goodman, CEcD

True or False?

We can handle all our economic development needs alone.

Any new business is right for our community.

Our local economic development director will turn our economy around.



True or False?

Toyota will locate here if we provide enough incentives.

One big manufacturer will solve all of our economic problems.

The State (or utility partners) controls where businesses locate.



True or False?

A community's best business recruiters are their existing businesses!

Site consultants increasingly expect community \$ participation on projects!

Incentives should be a negotiating tool that provides a "Return on Investment"!

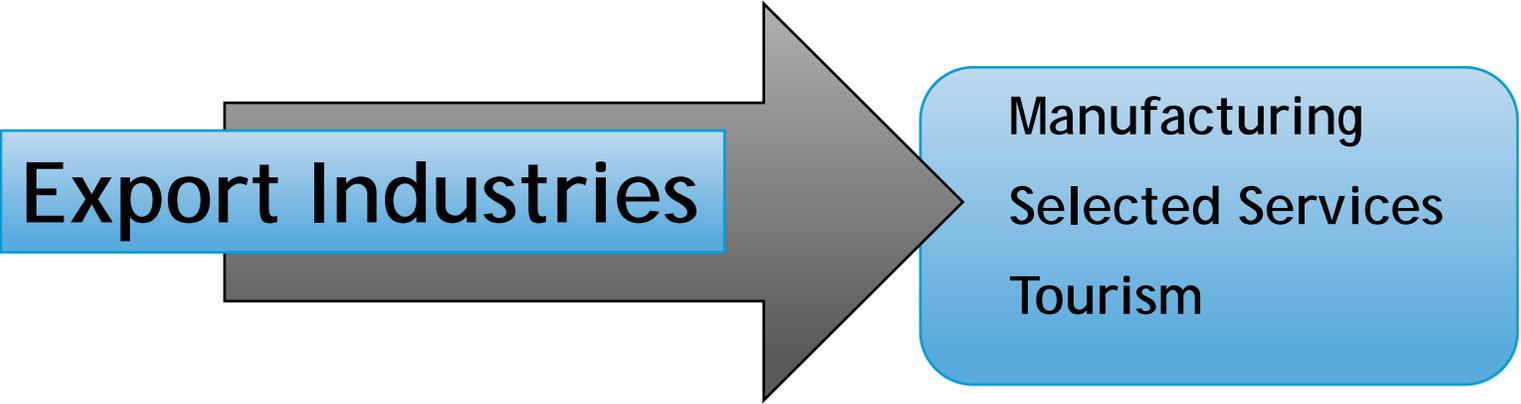


Business Development



Basic vs. Non-Basic Industries

Basic Industry



Basic vs. Non-Basic Industries

Non-Basic Industry

Everything else
"Service"

- ✓ Dependent on basic industries
- ✓ Re-circulates imported \$\$ such as retail
- ✓ May be a mix of Basic and
- ✓ Non-Basic activity
- ✓ Essential to
 - creation of "quality of life"
 - preventing leakage



The Multiplier Effect

New basic sector income and employment

Generates new basic and non-basic sector income and employment

Local and regional economy grows more than the original basic sector growth



Economic Impact

Identify



Jobs, payroll, and taxes collected in and around the community



Capture / leakage of impact effects to / from the community



Community costs associated with development

ANALYSIS!!



Example:

A company with approx. \$20m payroll

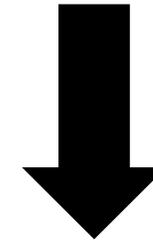
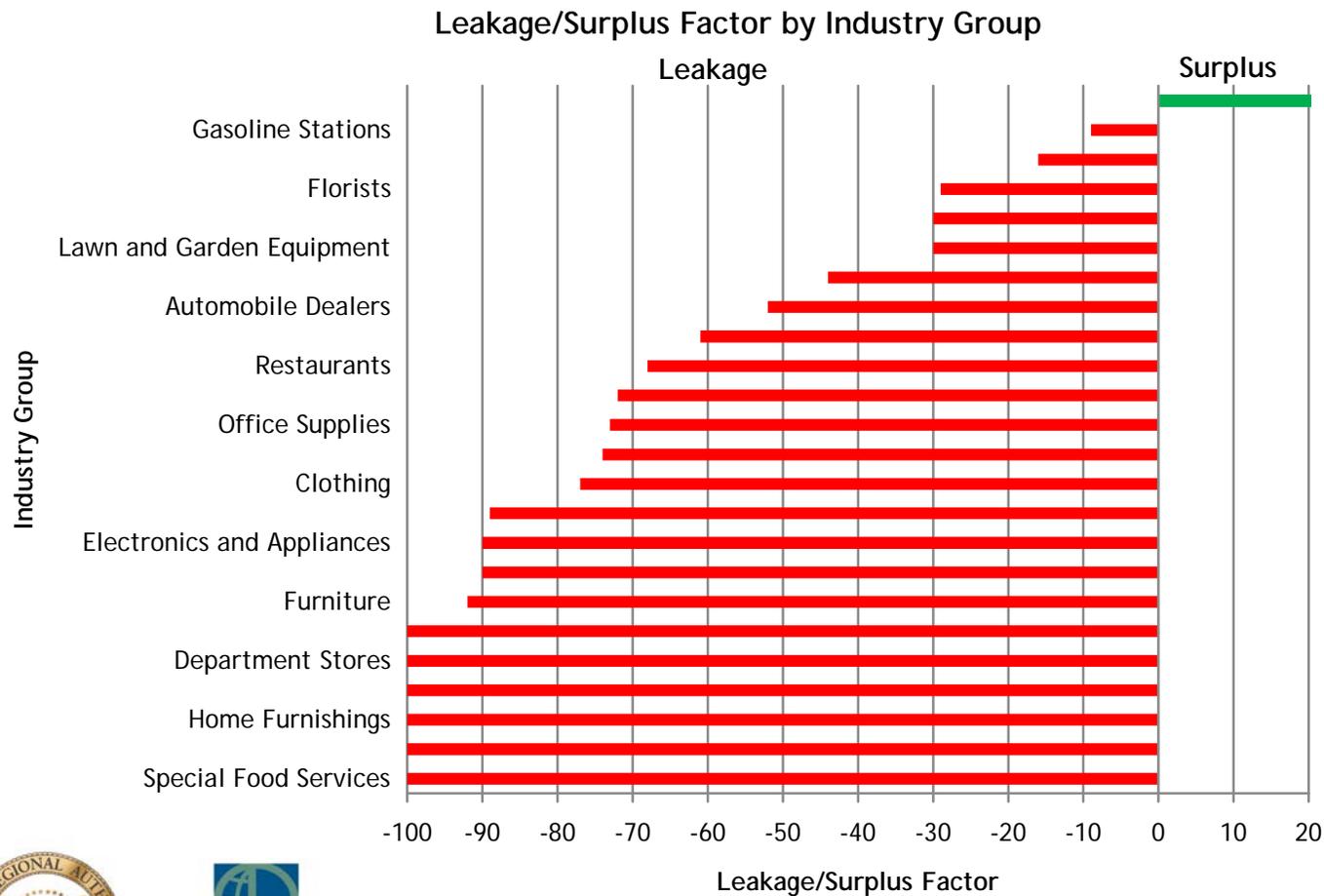
Jobs Affected

Direct	800
Indirect	2,834
Induced	730
<u>Total</u>	<u>4,364</u>



Leakage

Money injected into local economy through the basic sector



Leaves the local economy

Try to minimize!



How does your economy grow?

- ▶ Start-ups and entrepreneurship
- ▶ Growth of existing companies
- ▶ New business attraction
 - ▶ American companies that want to relocate
 - ▶ Direct foreign investment



Business Attraction

Characteristics of a local program

- Competitive and frustrating
- Expensive
- Success takes time
- Technology impacts selection process

- Target-focused and incentive-based
- Based upon community assets
- Needs due diligence
- Easily quantifiable
- Unpredictable



How businesses assess locations

- ▶ Access to markets
- ▶ Skilled workforce
- ▶ Availability
 - Raw materials, adequate utilities
 - Intermediate goods & services
- ▶ Transportation access and type
- ▶ Quality of life factors
- ▶ Infrastructure
- ▶ Cost of doing business
- ▶ Overall business climate
 - How friendly is the community?
 - Are elected leaders supportive and approachable?
 - Ease of doing business
 - Taxes and fees

WHAT CAN YOU IMPACT??



Understanding marketing requires understanding the site selection process



Retail Analysis

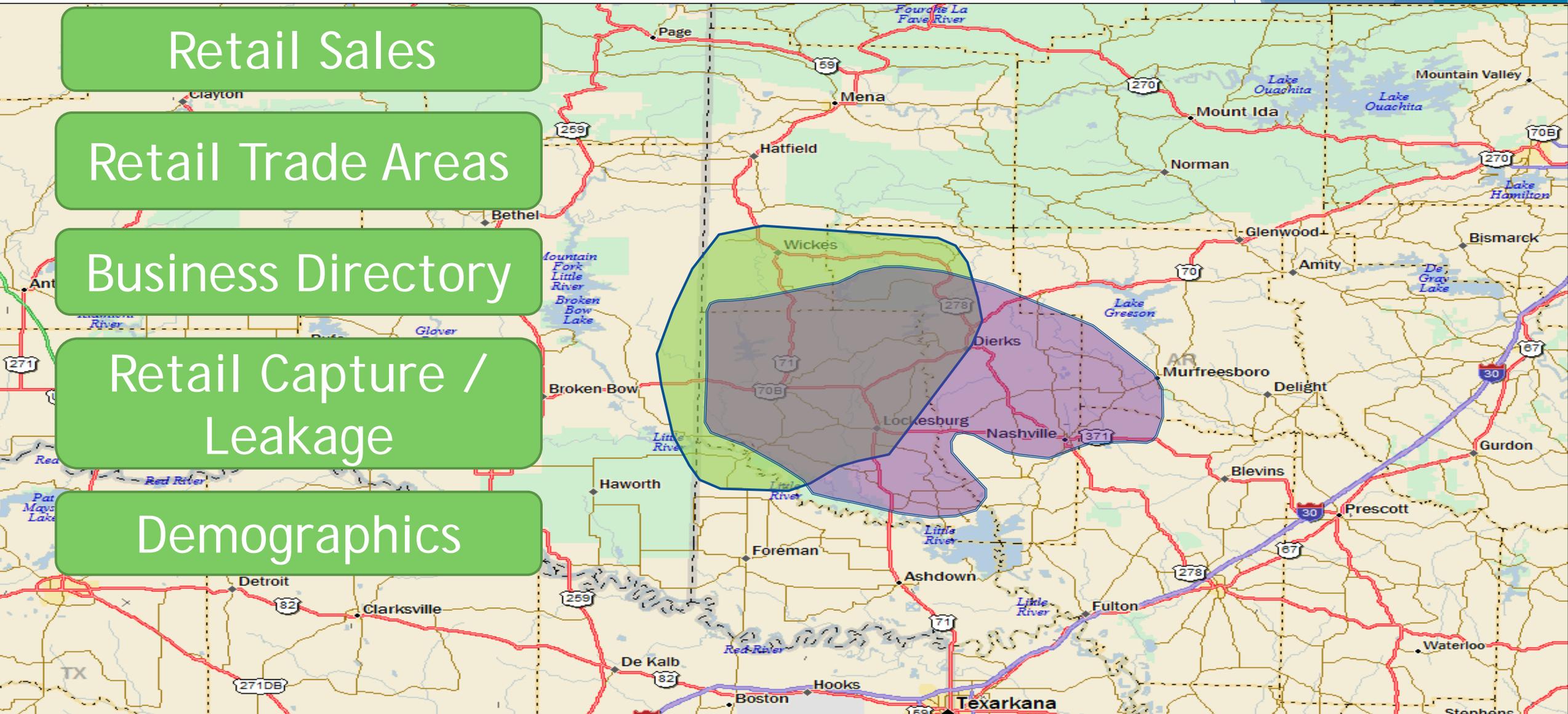
Retail Sales

Retail Trade Areas

Business Directory

Retail Capture /
Leakage

Demographics



Focusing Marketing Efforts

Your focus should target companies that:

- Match your assets
- Coincide with your economic development goals
- Have investment & growth potential that will help to diversify your economy



Essential marketing techniques for areas with a small population & budget

- Website and social media
- Press releases
- Building relationships
 - Through your local businesses & their contacts
 - Targeting supply chain linkages
 - ▶ Who is doing business with your businesses?



...Larger communities and regions

- E-Newsletter
- Hire a professional firm to manage publicity & newsletter
- Printed brochure
- Advertise in site selector or industry magazines (if budget allows)
- Trade shows
- Site selection or industry conferences
- Local programs or events you host





ED marketing advantage: A distinguishing brand

- ▶ Must be...
 1. based in reality
 2. believable
 3. simple
 4. appealing
 5. distinctive



Rural place branding: Illinois counties

How rural counties are describing themselves in websites

“Cozy”

“Historic”

“Hub county”

“Recreation”

“Bedroom community”

Would these attributes attract businesses?

Is there a way to describe your community that would be more memorable?

TABLE 7.2 County-level brand associations

County	Position emphasized in county website	Website visited
Bureau	Cozy county	http://www.bureaucounty.us/community.php
Carroll	Recreation county	http://www.gocarrollcounty.com/
Christian	Website not available (see http://www.statelocalgov.net/state-il.cfm)	
Clay	Recreation county	http://www.claycountyillinois.org/
Coles	Cozy county	http://www.co.coles.il.us/
Cumberland	Website not available (see http://www.statelocalgov.net/state-il.cfm)	
Douglas	None provided	http://www.douglascountyil.com/home.html
Edgar	Website not available (see http://www.statelocalgov.net/state-il.cfm)	
Effingham	Cozy county	http://www.co.effingham.il.us/
Ford	Cozy county	http://www.paxtonil.com/fordco.html
Franklin	Recreation county	http://www.fctb.com/index.shtml
Fulton	Recreation county	http://www.fultoncountytourism.org/
Hancock	Cozy county	http://www.hancockcountyil.com/
Iroquois	Hub county	http://www.co.iroquois.il.us/
Jackson	None provided	http://www.jacksoncounty-il.gov/index.php?option=com_frontpage&Itemid=1
Jefferson	Hub county	http://www.southernillinois.com/
Jo Davies	Cozy county	http://www.jodaviess.org/
Knox	Hub county	http://www.visitgalesburg.com/
LaSalle	None stated	http://www.lasallecounty.org/
Lee	Hub county	http://www.encounterleecounty.com/
Logan	Cozy county	http://www.co.logan.il.us/
Macoupin	Bedroom community	http://www.macoupincountyil.gov/
Marion	Website not available (see http://www.statelocalgov.net/state-il.cfm)	
Mason	Recreation county	http://www.masoncountyil.org/
McDonough	Education county	http://www.macomb.com/index.html
Morgan	Historic county	http://www.morgancounty-il.com/
Randolph	Historic county	http://www.randolphco.org/gov/index.cfm
Richland	Website not available (see http://www.statelocalgov.net/state-il.cfm)	
Saline	Recreation county	http://www.shawneetourism.com/
Stephenson	Hub county	http://www.stephenson-county-il.org/
Vermilion	Recreation county	http://www.co.vermilion.il.us/
Warren	Cozy county	http://www.warrencountyil.com/
Wayne	Website not available (see http://www.statelocalgov.net/state-il.cfm)	
Whiteside	Hub county	http://www.whiteside.org/

Source: *International Place Branding Yearbook*
Western Illinois University, Frank M. Go, Robert Govers, 2012



Place branding example: Pella, Iowa

- ▶ Memorable brand based on cultural heritage, “A Touch of Holland”
- ▶ Known for tulips, charming heritage sites
- ▶ Strategy for attraction of residents, visitors and businesses



Place branding: Vancouver, Canada

- ▶ Vision: Be a leader in comprehensive environmental sustainability as a means of attracting residents, businesses, visitors who value this quality of life.
- ▶ Share Vancouver's image globally as a mecca of green enterprise
- ▶ Targets: Double green jobs by 2020
 - ▶ 35,000 green jobs
 - ▶ Double companies engaged in green business by 2020
 - ▶ Attract world-class, environmentally conscious, businesses



ZERO CARBON 	Climate Leadership	Lighter Footprint	Green Economy
	Green Transportation		
	Green Building		
ZERO WASTE 	Zero Waste		
HEALTHY ECOSYSTEMS 	Access to Nature		
	Clean Water		
	Local Food		
	Clean Air		



Lessons learned in attraction

- Do not rely on attraction as the only approach; taking care of your existing businesses should be the first priority
- Investments in attraction must be “patient money”
- Attraction is not based solely on marketing
 - Competitiveness & comparative advantages are essential = **Value Proposition**



Trends in Incentives

- ▶ Used widely in the U.S. – seen by some as necessary to compete, but often controversial
 - \$70-80 billion in state and local incentives awarded annually
 - Illinois' Governor has cut incentives from the state budget
- ▶ Legality of incentives varies among jurisdictions

The screenshot shows the Chicago Tribune website interface. At the top, there is a navigation bar with the Chicago Tribune logo, a search bar, and links for 'SUBSCRIBE' and 'LOG IN'. Below this, a secondary navigation bar lists various sections: 'SPORTS', 'BREAKING', 'THANKSGIVING', 'SUBURBS', 'BUSINESS', 'OPINION', 'ALL SECTIONS', and 'TRENDING'. The date 'ESDAY NOV. 25, 2015' and the temperature '46°' are also visible. The main content area features a red horizontal line above the word 'ADVERTISEMENT'. Below this, there are social media icons for Facebook, Twitter, and Email. The article title 'Illinois halts economic incentives for businesses' is prominently displayed. To the right of the title, the word 'Business' is visible. Below the title is a photograph of Governor Bruce Rauner holding a press conference. To the right of the photograph is an advertisement for Jadot wine, which includes the text 'Learn why America Loves Jadot.', 'SAVE \$1 ON JADOT', and 'JADOT'. Below the advertisement, the text 'From this article' is visible. At the bottom of the screenshot, there is a dark blue banner with the Chicago Tribune logo and a subscription offer: 'Subscribe now! Unlimited digital access to chicagotribune.com for ONLY \$0.99.' Below the photograph, a caption reads: 'Gov. Bruce Rauner holds a press conference outside his office at the State Capitol in Springfield, Sunday.'



First Course of Action: Offer non-financial incentives





Common Non-Financial Incentives

1. Data
2. Available building/sites listings
3. Detailed information on certified sites, available sites and buildings
4. Introductions to community leaders
5. Permitting guidance
6. Logistics assistance
7. Assistance with regulatory issues
8. Labor market analysis
9. Inventory of educational programs
10. Peer-to-peer employer experience interviews that allow prospects to speak with other community businesses



Example of Non-Financial Incentives to Attract a Target Industry



- ▶ Holly Hill, Florida, Pop. 11,700
- ▶ Mayor John Penny and Chamber get involved in encouraging motor sports businesses - taking advantage of proximity to Daytona Beach
- ▶ Incentives: detailed business information, free workforce training, business-to-business introductions, a special zone for motor sports businesses
- ▶ Attracted 6 new firms over 2 years

Source; Economic Development Research Partners
Report "More than Money," IEDC - 2014



Example of a Workforce Development Non-financial Incentive

- ▶ Louisiana “FastStart” program - award for the best workforce program in the U.S. - *Business Facilities* magazine
- ▶ Free customized employment screening, interviews, training for targeted industries
- ▶ Companies must commit to adding 15+ full time jobs

The screenshot displays the LED Louisiana Economic Development website. The top navigation bar includes links for International Commerce, Small Business, Living In Louisiana, and Contact Us, along with a search bar for the LED site. A secondary navigation bar highlights KEY INDUSTRIES, CASE STUDIES, FASTSTART (selected), SITES, INCENTIVES, and LED NEWS. Below this, a vertical sidebar on the left lists INCENTIVE CATEGORIES. The main content area features four tiles: GOLD STANDARD for workforce development and training (with a trophy icon), TAILORED SOLUTIONS to meet company needs (with a gear icon), Requirements for ELIGIBLE INDUSTRIES (with a clipboard icon), and FREQUENTLY ASKED QUESTIONS (with a speech bubble icon). Below these tiles, a section titled "No. 1 State Workforce Development Program" features a quote from *The Economist* praising the program's innovation and effectiveness. Contact information for Jeff Lynn, Executive Director of Workforce Development Programs, is provided, including his email (jeff.lynn@la.gov) and phone number (225.342.0107). The Windows taskbar is visible at the bottom of the browser window.



Loans

- ▶ Industrial Development Bonds (IDBs)/ Private activity bonds (PABs)
- ▶ Revolving loan funds (RLFs)
- ▶ Forgivable loans
- ▶ Loan guarantees
- ▶ Interest rate subsidies

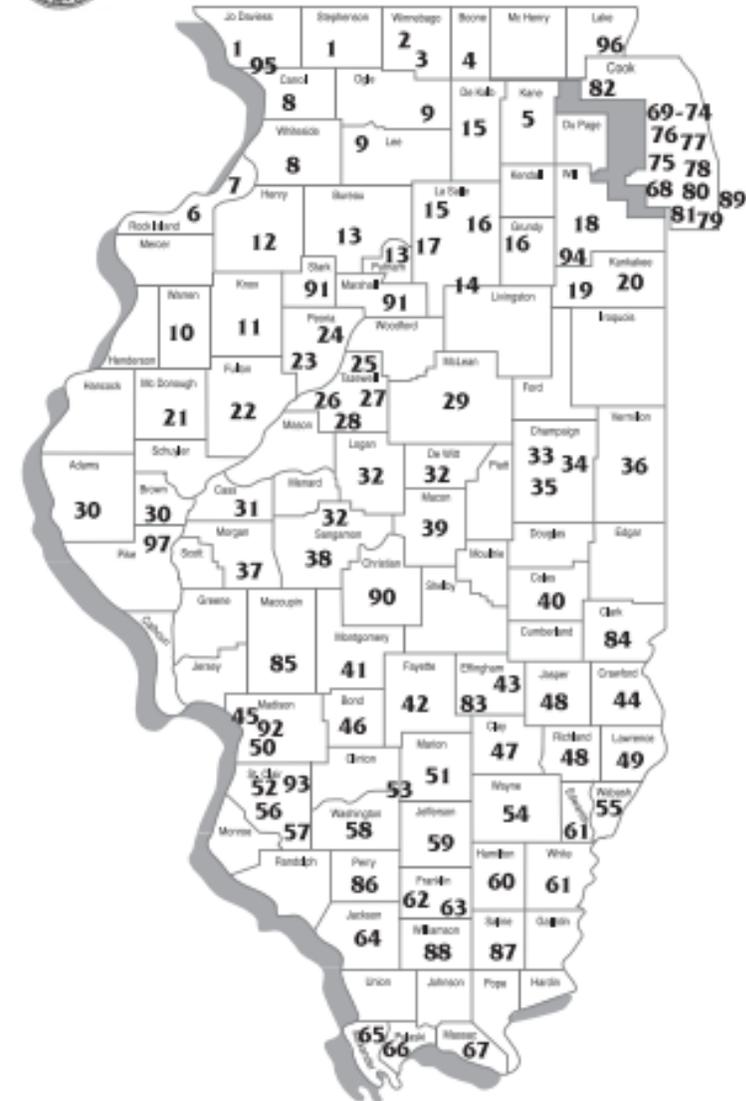


Other “incentives”

- ▶ Grants
 - ▶ Training grants
 - ▶ Wage subsidies
 - ▶ Export promotion grants
 - ▶ Deal-closing funds
- ▶ Equity investments
- ▶ Government fee discounts
- ▶ Hybrids
 - ▶ Tax increment financing (TIF)



State of Illinois
Department of Commerce and Economic Opportunity



ILLINOIS ENTERPRISE ZONES
February 2015

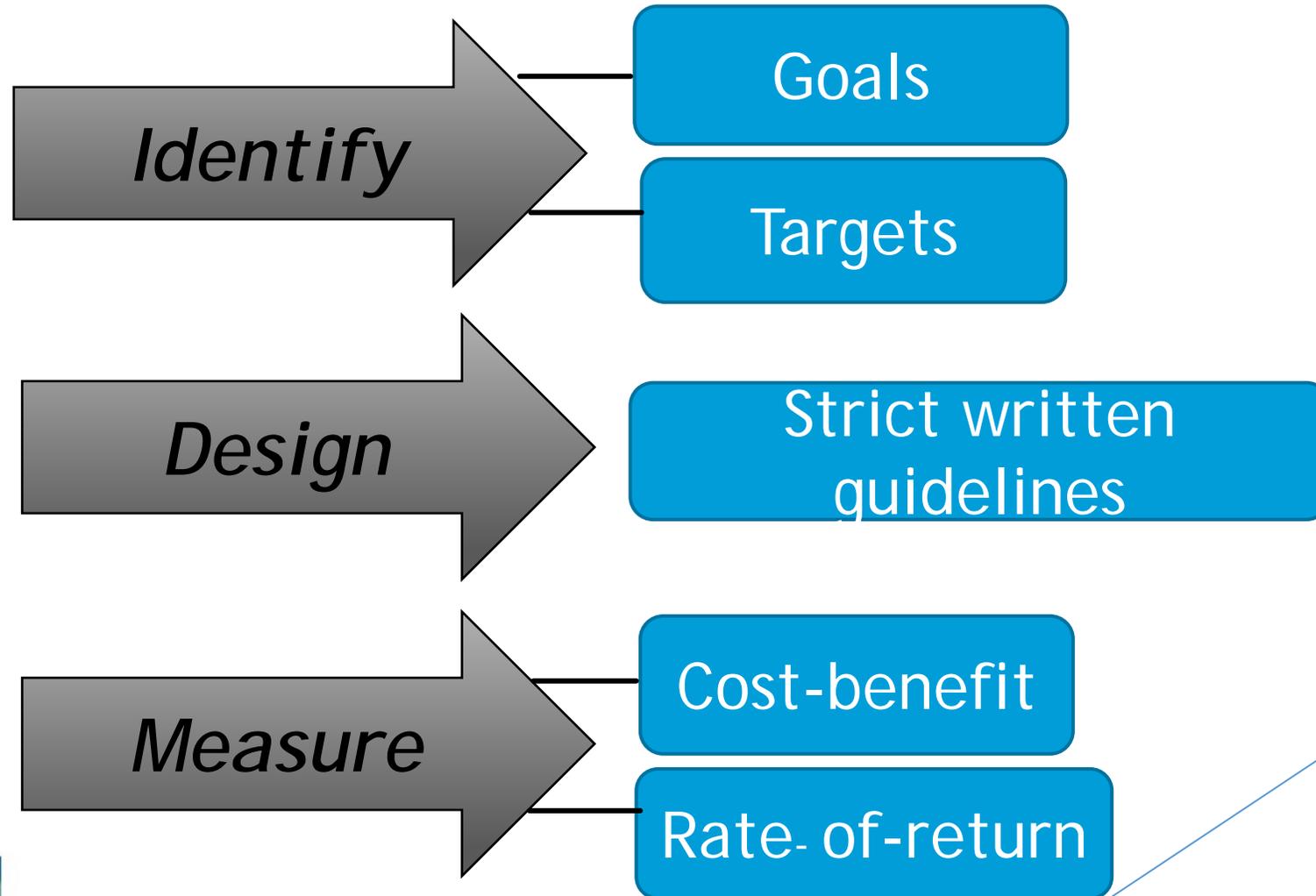


Site Selection and Incentives

- ▶ Goal is to select best location to do business
- ▶ Many site selectors are paid commissions on incentives negotiated. This means they will push for them.
- ▶ However, incentives are usually not the most important selection factor to the business long-term.



Before you consider an incentive...



Examples of Criteria

- ▶ But-for conditions
- ▶ Minimum private investment (ratio to public)
- ▶ Maximum public investment (ratio to private, per job)
- ▶ Local purchases/capital expenditures
- ▶ Number of temporary and permanent jobs created
- ▶ Minimum pay/benefits per worker
- ▶ Local hiring requirements
- ▶ Increase in the tax base
- ▶ Contribution to a cluster
- ▶ Minimum return

Number of jobs created

- Vary according to company size
- May be linked to amount of capital investment



Quality of jobs

- Measured in terms of the wages and benefits
- e.g. at or above the median for the municipality



Minimum investment requirements



Monitor & Evaluate

- ▶ Critical in use of incentives
- ▶ What are expected returns to community and government? What are costs?
- ▶ What are the ideal, expected, and minimum acceptable returns?



Transparency

- ▶ Prepare regular reports on the incentives you have given
- ▶ Audit when possible
- ▶ Communicate value of incentives to taxpayers:
 - ▶ How incentives support ED strategy
 - ▶ Public dollar commitments
 - ▶ Private investments and jobs
 - ▶ Returns



Best Practice in Regional Cooperation: Ohio

- Identified key community objectives via strategic planning
- Agreed to cooperate regionally and not poach from one another
- Set a business-friendly tone through non-financial incentives
 - Training, rapid permitting, technical assistance
- Trained staff and acquired software to manage incentive portfolio

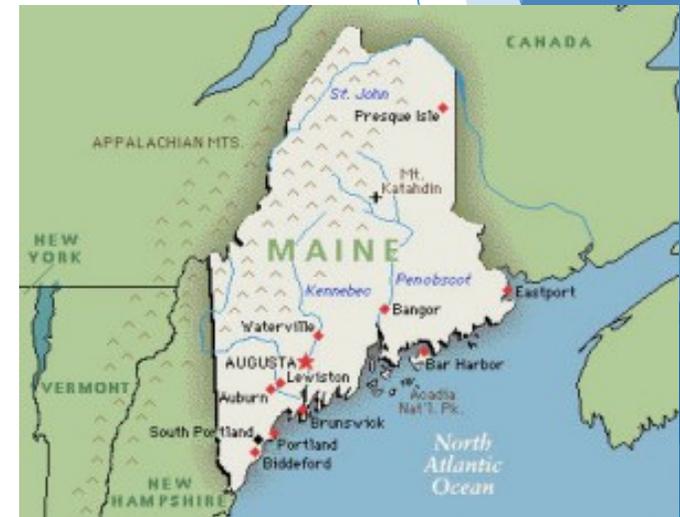


Cleveland and other cities in Cuyahoga County forged an anti-poaching agreement



Best Practice in Monitoring ROI: Maine

- ▶ 2014 evaluation by third-party consultants
- ▶ Cost-benefit model on impact of incentives to the state
- ▶ Estimated rates of return
 - ▶ Best performing program: 19% per year return
 - ▶ Worst performing program: -22% per year return
- ▶ Recommendations to reform incentives by increasing effectiveness, transparency, accountability, evaluation capacity



EDRP Reports: Alternative Incentives

“More than Money: Alternative Incentives that Benefit Companies and Communities” (2014)

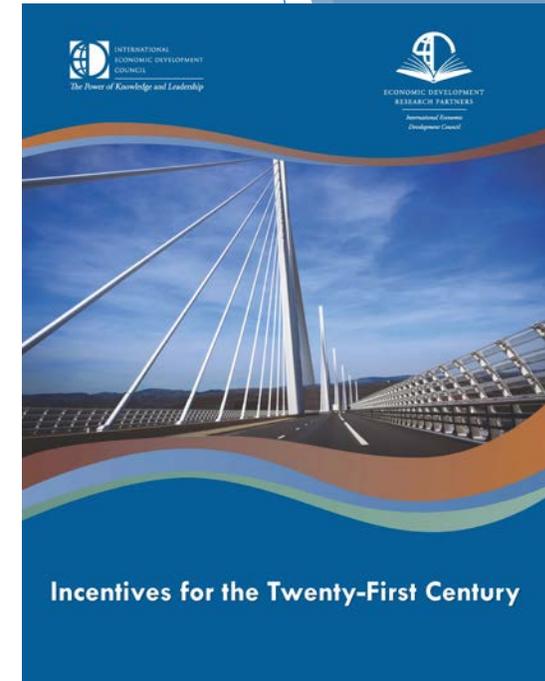
- ▶ Results of a North American study
- ▶ Discusses 40 types of non-financial incentives
- ▶ Findings: alternative incentives are common and effective
- ▶ Case studies
- ▶ Available at www.iedconline.org



EDRP Reports: Using Incentives Strategically

“Incentives for the 21st Century”
(2015)

- ▶ Talent attraction and development
- ▶ Brownfields
- ▶ Entrepreneurship
- ▶ Small business development
- ▶ Placemaking
- ▶ Smart growth
- ▶ Export development
- ▶ *Available at www.iedconline.org*



Ask these questions when considering incentives

- Is this incentive necessary? (BUT-FOR test)
- Have we used non-financial incentives first?
- Can we leverage state incentives?
- Do incentives support the community's growth strategy?
- Are we monitoring and reporting on our incentive investments?
- Are incentives strengthening our economy?



At the end of the day, businesses shouldn't come for incentives. They should come and stay for all the other factors.

Ask yourself

...stay here?

Why would anyone...

...move here?



Quality of Place

Crime
Retail/
Services

Culture

Schools

Recreation



Health
care

Entertainment

Housing

Churches



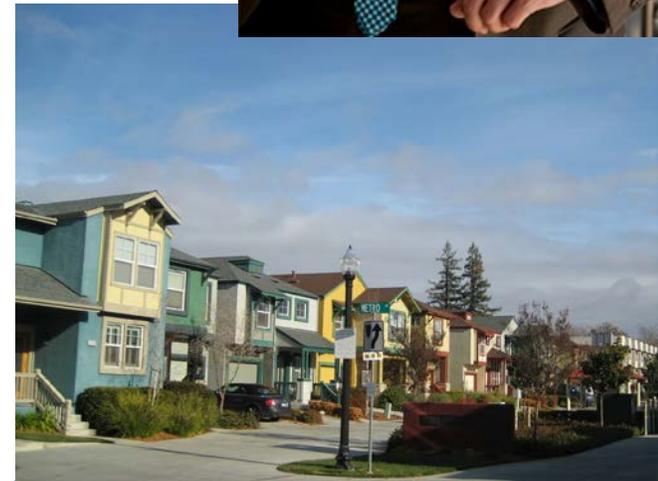
Leadership Example: Tulsa, Oklahoma

- ▶ Mayor Susan Savage, 2003-2011
- ▶ Focused on neighborhood revitalization, improving infrastructure, public safety, cultural and correctional facilities
- ▶ Results: unprecedented job and personal income growth, outpacing the U.S.
- ▶ Tulsa ranks 3rd among 44 U.S. cities for government services
- ▶ One of the nation's 25 "mayors to watch" 1996, Newsweek



Leadership example: West Sacramento, California

- ▶ Mayor Chris Cabalden, 2004-present
- ▶ Pop. 50,000
- ▶ His work on economic development, housing, transportation, land use and climate change - a model for collaborative community action
- ▶ Led "Sustainable Growth Through 2050," a multi-county sustainable economic development plan for an inclusive, age-friendly community with target industries that provide high-paying jobs



In summary...

1. Market your location to your businesses first
2. Establish a positive image & attitude
3. Continually strive to improve your community's assets
4. Market your unique assets to the kinds of companies that are looking for more than just a bargain



Questions?