Overview

All economic development processes begin with taking stock of assets, challenges and opportunities. What are the most relevant assets to being competitive in the emerging global economy? What are the best tools for cities to assess their economic performance, drivers, assets and capacities? How do cities then use that information to design comprehensive, integrated initiatives tailored to truly grow their unique economy?

Materials


Regional Council of Mayors information sheet, Urban Land Institute Minnesota, May 2012. RED – 29


Speakers

Cecile Bedor has served as the City of Saint Paul’s Director of Planning and Economic Development since June of 2006. She also serves as the Executive Director of the City’s Housing & Redevelopment Authority. She is responsible for all planning functions in the city, and implementing and administering the City’s participation in housing development, economic development, small business lending, home rehabilitation lending, mortgage foreclosure prevention programs, emergency shelter grant programs, and the Neighborhood and Cultural Sales Tax loan and grant programs; she also oversees a $100 million Parking and Transit program.

Prior to joining the City, Ms. Bedor was the Director of Partnerships and Development for the Minneapolis Public Library, overseeing the system’s marketing and communications; community library capital projects; and community partnerships. Ms. Bedor has also held various leadership positions related to the development of affordable housing, working with the National Equity Fund, the Metropolitan Council, the regional governmental agency and metropolitan planning organization for the Twin Cities, and Aeon Homes, one of the largest developers of affordable housing in the region.

Ms. Bedor earned her BA from the University of Minnesota, with majors in Economics and English. She currently co-chairs the Minnesota Foreclosure Partners Council, and serves on various boards including the Family Housing Fund (a philanthropic organization) and Hope Community (a local CDC). Ms. Bedor lives in south Minneapolis with her two teenage children.

Toni L. Griffin was recently named Professor and Director of the J. Max Bond Center for Architecture at the Spitzer School of Architecture at the City College of New York and maintains an active private practice, Urban Planning and Design for the American City, whose current clients include the cities of Newark, New Jersey and Detroit, Michigan.

Prior to returning to private practice, Toni was the Director of Community Development for the City of Newark, where she was responsible for creating a centralized division of planning and urban design. Between 2000-2006, Ms. Griffin served as Vice President and Director of Design for the Anacostia Waterfront Corporation in Washington, DC, and held the position of Deputy Director for Revitalization Planning and Neighborhood Planning in the DC Office of Planning.

Prior to locating in Washington, DC, Ms. Griffin served as Vice President for Planning & Tourism Development for the Upper Manhattan Empowerment Zone Development Corporation in New York City. She began her career as an architect with Skidmore, Owings & Merrill LLP in Chicago, where she became an Associate Partner involved in architecture and urban design projects.

Ms. Griffin received a Bachelors of Architecture from the University of Notre Dame and a Loeb Fellowship from the Harvard University Graduate School of Design.

Kathleen Lee, Vice President of Research and Strategy for the Greater Phoenix Economic Council, supports the organization’s strategic initiatives, business development activities and regional competitiveness through research and analysis in economic development policy, tax policy, fiscal analysis, competitive analysis, industrial cluster development and evaluation of new market
opportunities. During her time at Greater Phoenix Economic Council, Lee has driven research efforts that have resulted in the successful passage of economic development policies, including the Arizona Renewable Energy Incentive Program in 2009.

Lee’s experience has also led to advancements in collaborative community planning. In 2009, she implemented GPEC’s Community Partnership Program, which established strategic planning sessions hosted by community leaders and the region’s economic development professionals. Lee’s contributions also include GPEC’s Convening the Community, a series that engaged business and political leaders in an effort to promote the region’s competitiveness.

Prior to joining GPEC, Lee served as vice president of research at the PMR Group, a Los Angeles-based consulting firm. Her work there resulted in state and federal grants to assess the technological impact on California’s industries and analyses of labor market dynamics. Lee has also worked overseas at a think-tank in Seoul, Korea. As a research fellow, she conducted industrial planning in the Philippines.

Lee attended UCLA’s Urban Planning Program where she completed doctoral coursework focusing on regional specialization. She has earned a bachelor’s degree in economics and a master’s degree in urban and regional planning from the University of Hawaii at Manoa. Lee has also taught undergraduate courses at Arizona State University.

Lee currently resides in Tempe with her husband who is a member of the faculty in the College of Geographic Sciences and Urban Planning at ASU.

Robert Weissbourd manages RW Ventures, LLC, an economic development firm specializing in technical analysis of urban assets and markets, and in creating the information, products and enterprises necessary to successfully grow urban and regional economies. Mr. Weissbourd was a lead developer of MetroEdge, the Center for Financial Services Innovation, the Urban Markets Initiative and the Metropolitan Business Planning Initiative, which he co-manages with the Brookings Institution. Mr. Weissbourd previously served for ten years in executive positions at Shorebank Corporation, designing, delivering and managing comprehensive development finance initiatives to invest in distressed communities. Before Shorebank, Mr. Weissbourd spent a decade leading complex civil rights and other constitutional litigation, and representing community and other non-profit groups and leaders. Mr. Weissbourd brings over thirty years of experience leading economic development work in dozens of cities and scores of neighborhoods.

Mr. Weissbourd is a nonresident Senior Fellow at the Brookings Institution Metropolitan Policy Center, and served as Chair of the Obama Campaign Urban Policy Committee, on the Obama Transition HUD Agency Review Team, and as President or Vice-President of the Boards of City Colleges of Chicago, Crossroads Fund, the Center for Neighborhood Technology, BPI and PROCAN, as well as on the Visiting Committee of the University of Chicago Law School. Mr. Weissbourd is a frequent author, public speaker and guest lecturer on a broad range of urban markets, housing, business and economic development issues, and has testified on these issues before federal, state and local legislatures.
In the aftermath of the Great Recession, America needs to move toward a more productive next economy that will be increasingly export-oriented, lower-carbon, and innovation-driven—as well as opportunity rich. At the same time, leading U.S. metropolitan areas—which drive the national economy—are mounting increasingly strategic, locally developed, and sophisticated initiatives to move in that direction themselves. And so the nation needs to take a new approach to economic development. Federal, state, and philanthropic actors all need to approach metros not as problems requiring programmatic handouts but as compelling investment opportunities for driving national prosperity. In keeping with that, the “metropolitan business planning” concept described in this brief proposes one approach for reorienting such interactions.

Metropolitan business planning adapts the discipline of private-sector business planning to the task of revitalizing regional development. Such planning provides a framework through which regional business, civic, and government leaders can rigorously analyze the market position of their region; identify strategies by which to capitalize on their unique assets; specify catalytic products, policies, and interventions; and establish detailed operational and financial plans. These plans can then, in turn, be used to restructure federal, state, and philanthropic engagement in ways that invert the current top-down, highly siloed, and often ineffective approach to cities and metropolitan areas while bringing new efficiency to development activity.

Along these lines, the brief introduces the concept of metropolitan business planning and describes how three very different regions—Northeast Ohio, Minneapolis-Saint Paul, and Puget Sound—are currently piloting the process and thereby providing a testbed for the re-orientation of federal-state-metro relationships. Ultimately the hope is that the new approach may help the nation complement macroeconomic policy with a new “metro-economic” one.
“Aimed at reorienting typical economic development practices, metro business planning adopts many of the standard elements of private-sector business planning to boost regional, and thereby national, prosperity.”
At the same time, leading U.S. metropolitan areas—which overwhelmingly concentrate the assets and dynamics that drive the national economy—are mounting increasingly strategic, locally developed, and sophisticated initiatives to transform themselves. These metros are emulating such global city-regions as Turin, Barcelona, and Munich that have over decades designed and implemented—in partnership with their national and state governments—intentional and locally-specific campaigns to enhance or reposition drifting regional economies.

All of which suggests a compelling opportunity for federal, state, and local governments and other partners to aid and abet such “bottom-up” economic development by exploring a new sort of collaborative intergovernmental partnership to more effectively invest in regional economies to promote national prosperity.

Metropolitan business planning—a new concept in regional growth strategy being developed by the Metropolitan Policy Program at Brookings and RW Ventures—is one experiment at such design and exploration.

Aimed at reorienting typical economic development practices, metro business planning adopts many of the standard elements of private-sector business planning to boost regional, and thereby national, prosperity. In this fashion, it applies a disciplined analytic process to the development of place-specific economic strategies, proposing a new brand of “metro-economic” policy to complement national macroeconomic frameworks.

Metropolitan business planning recognizes the centrality of U.S. metropolitan areas to economic activity but also recognizes that regional economies are differentiated, meaning that one size does not fit all. At the same time, the new approach breaks with past development templates that have tended to view cities and metropolitan areas as collections of isolated problems in need of programmatic hand-outs. Instead it holds that metros are critical investment opportunities that can deliver prosperity given tailored investments.
investments shaped from the ground up by local actors with a sophisticated understanding of their assets, institutions, and market dynamics.

That is why metropolitan business planning calls for regions as well as governments and other potential “investors” to collaborate in new ways.

Regions, for their part, need to develop strategies targeted to their unique opportunities in order to offer a compelling investment.

Such work entails analysis of the marketplace, and then the fashioning of strategies, products, and services to grow the regional market and increase productivity and efficiency. It is precisely this sort of market-based enterprise that private-sector business planning does well. And so, as described here, metropolitan business plans:

➤ **Assess and situate the market position of the regional economy**

➤ **Detail linked strategies to improve its performance based on its particular market opportunities**

➤ **Specify operational and financial plans to deliver policies, products, and interventions to implement the strategies**

Yet that is only the region’s work. Once the region has completed this “bottom-up” exertion, the metropolitan business planning concept calls for governments and other investors—whether federal, state, local, or philanthropic—to respond in new ways. Most notably, the production of data-informed, market-oriented, and multi-disciplinary regional business plans proposing concrete, locally developed strategic investments challenges key stakeholders to respond and invest in ways that are similarly integrated and targeted.

Metropolitan business planning thus stages an ambitious vision and set of goals. The new concept seeks to advance the state of regional development practice; demonstrate the sophistication of the best practice in regions; and generate highly specific investment “prospectuses” that can drive a reorientation of federal-state-metro relations towards a more asset-based, business-like focus on regional and national economic prosperity.

To describe this vision and methodology the following pages introduce the concept of metropolitan business planning by first reviewing some foundational propositions about economies and development policy. Subsequently, two more sections describe the mechanics of the business planning idea as envisioned by Brookings and RW Ventures and describe three ongoing pilot experiments in metropolitan business planning sited in Northeast Ohio, Minneapolis-Saint Paul, and the Puget Sound region. A final section suggests some implications of metropolitan business planning for the emergence of a new, more catalytic economic federalism.

In this fashion, the following pages stage their own proposition: that metropolitan business plans and planning represent a useful new way to focus and structure a new bottom-up impulse in American economic affairs at a time of searching for new models.
II. BACKGROUND: THE LOGIC OF METROPOLITAN BUSINESS PLANNING

The concept of “metropolitan business planning” arises from a series of propositions about how today’s economy works and how its performance may be enhanced. This sequence of contentions asserts that:

➤ **Economic prosperity primarily flows from market activity.** Or, to put it another way, market interactions—enabled and shaped by government—generate the outputs that matter most: jobs, income, gross regional product, and wealth creation.

➤ **Major market systems are place-based and their main locus is metropolitan.** Metropolitan areas are where the nation’s assets agglomerate to disproportionately create economic value. Housing, labor, and many business markets and supply chains operate and interact in the unique context of specific regions, which combine the assets, spillovers, infrastructure, transaction costs, and other inputs and characteristics that determine market productivity.

➤ **Regional economies are differentiated, complex, and dynamic; improving their performance entails customized and integrated strategies.** Regional systems continually interact with and influence each other in the context of locally specific characteristics and dynamics. Regions are therefore increasingly differentiated, which means that influencing outcomes requires increasingly differentiated interventions.

➤ **Developing comprehensive strategies for regions lends itself to the discipline of business planning.** Analyzing markets, key assets, challenges and opportunities in order to develop specialized goals, strategies, products and implementation programs—whether for firms or regions—is exactly what the discipline of business planning does. The process can be helpful to collaboratives of local governments, regional development intermediaries, business groups, civic associations, and philanthropies that seek to engage in regional transformation.

➤ **Regional business plans can enable a new economic federalism.** Tailored, place-based (bottom-up) economic policy is needed to complement macroeconomic (top-down) policy. Regionally developed business plans provide a guide and process for tailoring government investment in regional prosperity.
The concept also follows from a widening dissatisfaction with many past and recent federal, state, and local development programs. In broad terms, many federal and state programs are felt to remain insensitive to the regional organization of the economy; insufficiently responsive to local variation (and so oriented to dispersed engagement rather than focus); overly oriented to alleviating regional deficiencies rather than building on regional strengths; narrowly defined and rigidly siloed, so that interacting components of the regional economy cannot be dealt with in concert; rule-driven, inflexible, and hard-to-use by increasingly entrepreneurial and business-like metropolitan actors; insufficiently oriented to the institutional and organizational context in which development occurs; and slow to embrace state-of-the-art analysis, accountability, and performance-management techniques.6

At the same time, local and regional economic development policy has for its part remained faddish; overly focused on firm-relocation strategies and “smokestack” or headquarters chasing; project- and infrastructure-oriented; and under-researched.7

In defense of the current array of legacy programs, it is hard to take any other approach in the absence of a more comprehensive alternative vision and approach, and that can only come from regions and regional actors themselves.

In any event, the facts are undeniable: More and more regional leaders are seeking a new approach to economic development—one that is much more bottom-up, flexible, entrepreneurial, and attuned to the locally varied, highly dynamic market conditions and specific needs and opportunities of individual metropolitan areas.

“Regional business plans can enable a new economic federalism. Tailored, place-based (bottom-up) economic policy is needed to complement macroeconomic (top-down) policy.”
III. METROPOLITAN BUSINESS PLANNING: WHAT IT IS, WHY IT CAN HELP

Against this background, the concept of private-sector business planning holds out a relevant model for the development of a new approach to regional development—one that proposes a new model for federal and state investment in regions, and so for intergovernmental relations in America’s federalist system.

Business planning, after all, is an established process by which enterprises undertake strategic thinking about their position in the marketplace, their key assets and challenges, and the steps that are needed to improve performance. Increasingly, though, all kinds of organizations have adopted business planning processes to set strategy, shape operations, and discipline execution. Now it is proposed that regions adopt the practice as a way for consortiums of local governments, business and civic organizations, and the private and non-profit sectors to engage in coherent strategic action.

As it happens, the leading elements of business planning methodology translate surprisingly well to the context of regional economic planning. At least six discrete business planning steps can be usefully deployed in the regional context:

- **Develop vision and goals** for the region’s economy
- **Conduct a market analysis** to assess the dynamics and performance of the local economy and identify the region’s strengths, challenges, and opportunities in the context of global trends
- **Specify the strategies** to deploy in achieving those goals. As for a business of similar size and complexity, these have to be developed by area and tied together. Strategies may include things like specific cluster development tied to human capital development or transit-oriented development
- **Create products and services**—programs, policies, and other interventions—to implement each of the strategies. These might range from venture capital for firms in targeted clusters to land trusts to support affordable housing near transit
- **Detail operational implications** to deliver each of the products and services. What organizations and partners, leadership and staffing, programmatic development and delivery capacities and so forth are needed to implement the plan?
- **Specify financials**—not just the costs and sources of funds, but revenues and returns on investment, including in this context “returns” such as increased federal tax revenues or reduced welfare costs based on the job and firm creation goals.
In this sense, business planning represents more than a “buzz word” or suggestive analogy for regional development thinking. Instead, traditional business planning conventions and processes provide a useful discipline and framework for organizing bottom-up regional planning activities and moving past some of the reactive, transactional, or lofty aspirational development activity that often passes for regional planning.

In this respect, the preparation of metropolitan business plans (MBPs) and their use in various stakeholders’ “investment” decisions promises a number of advantages over current business-as-usual. Among other strengths metro business plans:

➤ Place regions in the middle of economic development action
➤ Ground strategy in rigorous economic analysis oriented to documented local conditions
➤ Transcend faddish, politically driven deal-making to focus on building long-term regional advantage
➤ Shift the focus from deficiencies and handouts to assets and markets, building on strengths, and capitalizing on investment opportunities
➤ Advance comprehensive and integrated strategies that reflect the interactive dynamics of local economies rather than narrow programmatic “silos”

➤ Engage the public, private, and civic sectors such that the plan development and implementation process itself creates new institutional capacity and consensus in the region
➤ Establish an ongoing process of setting goals and tracking progress, revisiting market status and opportunity, updating strategies and interventions, and managing continuous strategic economic development. Business planning is not just a protocol or one-time deal; it’s an ongoing, iterative enterprise
➤ Provide a new basis for state and federal programming. Rather than fragmented requests to hundreds of siloed programs in dozens of agencies, comprehensive MBPs that demonstrate their “returns” can be translated into investment prospectuses to enable more flexible, performance-based funding

Finally, the new approach appears to be timely. U.S. and world regions are eager to become more deliberate and strategic as they seek to move beyond the Great Recession in the context of an increasingly competitive global economy. At the same time, governments at all levels are looking to catalyze growth, break down traditional bureaucracies, become more customer-responsive, and particularly to increase their effectiveness and efficiency.

Metropolitan business planning, in short, is a well-grounded concept with significant practical and policy appeal at a time of searching for new models of economic stewardship.
IV. PILOTING THE CONCEPT: METROPOLITAN BUSINESS PLANNING IN THREE REGIONS

To test the concept of regional business planning and begin translating it to practice, the Brookings Institution and RW Ventures have been working with leaders in three metropolitan regions to develop experimental metro plans.

Selected through a limited request for proposals, teams from Northeast Ohio, Minneapolis-Saint Paul, and the Puget Sound region have been laboring for nearly a year to “co-produce” sound MBPs by dint of a systematic work plan and extensive collaboration that itself builds on deep preexisting regional planning.

In each case, the goal has been for each regions’ business, civic, and governmental leadership to come together to carry out a rigorous, data-oriented analytic process for ascertaining the market position of the regional economy; defining the regions’ vision and goals; and identifying promising economic strategies.

In this respect, good business planning is not a single, one-time exercise but instead a continuous, iterative process of assessment, strategy, and product and operational development with implications on many fronts. Considering the scale of a regional economy, therefore, it was decided that the first iterations of the MBPs would broadly cover key aspects of the economy with respect to the market analysis, vision, and strategy development components of business planning, but that the development of in-depth products, operational plans, and financials would initially be undertaken only for one illustrative initiative. (A full business plan would advance detailed initiatives for all of the strategies that the pilot regions aspire over time to develop.)

Along these lines, then, the MBPs currently consist of two main parts.

Grounding each plan is what the project team has called a metropolitan development baseline overview (MBDO)—a concise trend scan that employs standard and locally developed indicators of each metro area’s economic performance and market positioning to reveal regional challenges and opportunities, which then inform a broad vision for the region and a carefully designed array of mutually reinforcing economic growth strategies. Much of the market analysis and strategy development for this broad, but not-as-in-depth, part of the MBPs is organized around six key “leverage points” for affecting regional growth dynamics.10 These leverage points include:

▶ Concentrations of industries, functions, and occupations. Concentrated economic activity—often embodied in regional industry clusters—benefits the production of goods and services by facilitating knowledge spillovers and exchange, enhancing innovation; enabling shared labor and other inputs; and reducing transportation costs11

▶ Human capital deployed for economic growth. Human capital is the single most important input to economic growth, but it must be deployed, which requires that attention be paid not just to production but to job creation, matching, and general labor market efficiency12
➤ **Innovation- and entrepreneurship-enabling resources and institutions.** The ability to innovate has been a longstanding driver of productivity gains, and is a growing priority in economic development policy and practice\(^{13}\)

➤ **Spatial efficiency.** The location of businesses, suppliers, workers, and consumers within a region—and the infrastructure connecting them—determines the transaction costs between them, and also influences the economic benefits of agglomeration, such as shared labor pools and knowledge spillovers\(^{14}\)

➤ **Effective public and civic institutions and culture.** Government shapes and enables market activity, and provides critical public goods from roads to education. Along with civic, business and cross-sector institutions, it also creates the institutional environment and culture that increasingly influences regional economies\(^{15}\)

➤ **Information resources.** Well-developed and deployed information tools can enhance economic performance by boosting productivity, reducing transaction costs and risks, and influencing consumer preferences—all of which can also help to expand markets to underserved urban areas\(^{16}\).

Following the baseline overview and growing out of it is the second part of the MBP: the detailed development initiative (DDI), which identifies a lead strategy for implementing the vision and completes the business plan—including products and services, operations, financials, and performance metrics—for implementing that strategy. Embedded in their overviews, visions and linked strategies for the regional economy, the DDIs move well beyond conventional economic development proposals in both their investment framing and level of market analysis and design work.

Finally, the business plans create the basis, as in the private sector, for each region to write a metropolitan investment prospectus that presents the regional investment opportunity (particularly the DDI) to potential government, industrial, and philanthropic partners.
Turning to the pilot plans themselves, they are varied and in each case bring detailed region-specific market analysis to bear on significant initiatives that respond in fresh ways to regional (and national) challenges and opportunities. In this respect, broad and deep teams in each of the three partner metros have produced compelling metropolitan planning documents which reveal three quite different markets and identify tailored, integrated strategies for producing growth in each. Embodied in each plan is a different “growth story” and investment opportunity:

**NEO: Northeast Ohio**

In Northeast Ohio, the Fund for our Economic Future—a unique partnership of more than 50 regional philanthropies—along with the region’s federally and state funded Manufacturing Extension Partnership affiliate, MAGNET, has convened an unprecedented collaboration of local governments, elected officials, businesses, civic leaders, research and education institutions, and engaged citizens to address long-standing regional economic challenges. NEO leaders realize that to usher their region into the next economy they need to connect robust assets that are a legacy of its prosperous industrial past to the development of emerging industry clusters that are supported by growing innovation assets, a revitalized entrepreneurial environment, and a culture of regional collaboration. Along these lines, the NEO business planning effort has concluded that the region’s economic transformation will be accomplished through coordinated strategies which nurture emerging high-technology, knowledge-intense clusters; raise overall educational attainment levels and improve the skills of incumbent workers; strengthen public-private connections that enhance the entrepreneurial ecosystem; and increase government coordination and civic engagement across this diverse region, which includes five metropolitan areas. Manufacturing is a core strength of the region’s economic past and future, and the highlighted DDI seeks to transition “old economy” manufacturing companies (many of them auto-related) and their employees into new markets by enhancing their ability to innovate new products, materials, and services demanded by customers in such high-growth sectors as global health, flexible electronics, and clean energy. The Partnership for Regional Innovation Services to Manufacturers (PRISM) will provide hands-on assistance to participating firms to update business models, provide market intelligence, upgrade incumbent worker skills, and connect companies to relevant regional innovation resources. NEO presents a classic venture investment opportunity—an economy positioned to leverage its strong assets into a high-growth “restart,” with a smart business plan and great management.
MINNEAPOLIS-SAINT PAUL: The Minneapolis-Saint Paul region has enormous assets—a highly educated and productive workforce; deep research and development expertise; a diverse business base, and the highest per-capita concentration of Fortune 500 corporations in the country. Combined with a history of civic engagement and regional thinking, these assets made the region an economic leader in the transition to the knowledge economy. However, the economy has recently been losing momentum, particularly with respect to entrepreneurship and the translation of innovative ideas to high-growth companies. In view of that, an impressive regional alliance led by the two major cities, the regional council of mayors, a prominent CEO group, and involving other local and state government officials and business and philanthropic leaders last year adopted the business planning approach to support and accelerate entrepreneurship in the region. Accordingly, the Minneapolis-Saint Paul MBP aims to build a flexible, adaptable, and dynamic business environment for driving innovation by leveraging the area’s concentration of headquarters and related functions; better linking research institutions to private-sector actors; fostering higher rates of entrepreneurship through advocacy and improved sequencing of investment; and providing higher-quality and more timely information for private-sector decision making. Meanwhile, the DDI specifically enhances the region’s entrepreneurial environment by creating an Entrepreneurial Accelerator to provide new ventures with access to appropriate capital and sophisticated entrepreneurial assistance, including business planning, mentors, and networking opportunities. The Minneapolis-Saint Paul region presents a classic value stock opportunity: Recent underperformance highlights an opportunity for the region to realign its strong assets to increase entrepreneurship and competitiveness.
PUGET SOUND: The metro economy in Puget Sound not only has strong assets; it is performing extraordinarily well on nearly all measures, from productivity and innovation to exporting and presence in the green economy. Nevertheless, the Puget Sound Regional Council—the region’s metropolitan planning organization and regional economic development entity—wants to keep the region on the leading edge, and for that reason has convened a wide cross-section of local government, business, trade association, venture capital, utility, research, and civic leaders to engage in metropolitan business planning. Through the process, the region has sought to identify strategies for enhancing the metro’s competitive edge while also pursuing new growth opportunities, and so the Puget Sound MBP identifies cross-cutting strategies that will increase human capital levels in high-demand fields; further strengthen core innovation intermediaries to turn research into commercial ventures; and robustly support its growing clusters. Drilling down further, the region’s DDI then identifies the next big cluster in which the region has a shot at leading in the global economy—sophisticated technologies and systems know-how for next-generation building energy efficiency—and creates the business enterprise to get there: the Building Energy-Efficiency Testing and Integration Center and Demonstration Network (BETI). BETI will seek to help transmute the region’s strong concentrations in software technologies and energy efficiency products and services into a leading export sector by providing labs and expertise to test, integrate, demonstrate, and verify new technologies as well as necessary links to business service providers and other resources to facilitate commercialization.

Puget Sound is clearly a growth stock. It is important to stress that the cohering pilot metro business plans are not just conventional, static one-time project-development documents. Instead, the plans are—and will always be—works-in-process, for several reasons. First, they are living documents meant not only to guide but to be informed by actions and feedback from continuous implementation and further business planning. In that sense they are meant to set strategy in a dynamic, uncertain environment but also to respond to those conditions on an iterative basis. Second, the plans are not just remote blueprints but embedded products of an ongoing, continuing process of institutional development and collaboration by which multiple actors (local governments, planning intermediaries, business and civic groups, philanthropies) in each region have engaged in extensive consensus-building, visioning, and analysis, all motivated by a settled determination to execute. Indeed, the fact that each business planning team is led by a well-regarded regional entity, experienced in planning and executing broad strategies and generating significant stakeholder buy-in, lends each plan an important degree of legitimacy.
Finally, it bears emphasizing that each of the plans proposes not just an aspiration but a true business plan for operationalizing the proposed initiative that in each case solicits the provision of specific federal, state, local, private, and philanthropic responses and “investments,” whether of resources, flexibilities, rule adjustments, policy changes, or partnership.

Along these lines, each DDI articulates a number of quite specific requests for engagement. Space does not permit an exhaustive itemization of the region’s detailed requests but suffice it to say that the proposals entail multiple sorts of new partnerships, including dedicated cross-agency teams; pooled programs and funds; joint application procedures; regulatory coordination and flexibility; and special criteria for grant awards:

➤ **Northeast Ohio:** Northeast Ohio’s business plan calls on regional business and philanthropic leaders and state policymakers to support Northeast Ohio’s PRISM by expanding and better coordinating their existing efforts and initiatives to encourage regional strategy-making, boost innovation, and develop promising growth clusters. For their part, federal leaders can best engage in PRISM through formal cross-agency collaboration—both at the federal level to set policy direction and the regional-level to assist implementers—and by providing increased program flexibilities, ranging from looser matching fund requirements to more balanced program performance metrics that take into account longer-term objectives as well as short-term outputs. In particular, regional discretion to use federal funds through the Economic Development Administration, the Manufacturing Extension Program, and other agencies to provide direct support to firms receiving trial services would be hugely helpful to PRISM as it would allow for evaluation and tuning of new services during development phases before their full, unsubsidized launch.

➤ **Minneapolis-Saint Paul:** The Minneapolis-St. Paul business plan urges local governments, businesses, philanthropies, and other regional leaders to support the Entrepreneurial Accelerator by continuing and expanding ongoing collective efforts to fundraise for this initiative and seed its most high-return programs; better link small and big businesses, and form a single region-wide economic development entity. The state also has an important role to play by aligning workforce development to key clusters so that worker retraining and skills upgrading better support new business creation and expansion. Additionally, federal leaders can support regional endeavors like the Accelerator through robust, new, outcomes-focused, economic development federal-regional partnerships that align the multiple federal resources and programs, form on-the-ground regional teams of federal agency representatives, and provide near-term cross-agency funding subject to 1:1 matching by regional sources. Also helpful from federal leaders are policies that incent more angel and venture capital investing and the creation of a nationwide network of economic development intermediaries that can receive and coordinate multiple federal funding streams to help entrepreneurs.

➤ **Puget Sound:** The Puget Sound area’s plan calls on regional civic and private sector leaders to support BETI by providing seed funding for initial operations and a revolving loan fund to finance real-world demonstrations. At the same time, state officials can be most helpful by appropriating funds to construct BETI’s facilities and purchase needed equipment. Finally, the plan challenges federal policymakers to establish federal leads at the regional-level to serve as a “one-stop concierge panel” to assist regional implementers by identifying relevant federal funding opportunities, and ultimately introducing new multi-agency awards in the future. In particular, ongoing funding of programs like the Department of Energy’s Energy Regional Innovation Cluster program, with perhaps more modest grant awards, would be very valuable. In addition, federal agencies can enter formal partnerships with BETI to allow use of their buildings and facilities in energy efficiency product demonstration and to dedicate commercialization and export assistance to newly verified technologies.
V. WHAT’S NEXT: IMPLICATIONS OF METRO BUSINESS PLANNING FOR ECONOMIC FEDERALISM

Metro business planning offers a powerful tool for regional economic development. With its disciplined focus on market realities in individual metros, the new tool provides a rational methodology grounded in business and economics for sharpening regional economic development. Likewise, the strategy’s urgent focus on execution has already proven effective and exciting in engaging and enhancing regional institutional capacity. More broadly, the pilot highlights the increasing sophistication of U.S. regional leadership in diverse U.S. metros.

But the attractions of metro business planning go beyond economic development practice in the regions. Regional business planning also has broad implications for federal and state policymaking—implications that could enable state and federal programs to more efficiently and productively engage with and invest in regions.

Currently, federal, state, and local development policy remains too-little-attuned to the metropolitan nature of the economy and its microeconomic underpinnings; over-focused on deficiencies as opposed to market strengths; siloed and narrow; top-down and rigid; and too little concerned with capacity building and data-provision.24

By contrast, the metropolitan business planning paradigm presages a new set of development relationships, and entails major implications for federal and state programming. In a number of ways the MBPs begin to enable the new approach and suggest some important principles and practices for a new era of federal-state-metro relations. Here are a few of the implied principles:

➤ **Place-based policy is needed to complement macroeconomic policy.** As the fields of economic geography and institutional economics are revealing, nations need more economic policies and programming tailored to supporting the complex, place-based interactions of local market and institutional systems that drive metropolitan, and so national, prosperity.25

➤ **Policy efforts should build on market strengths.** Shifting from a programmatic, needs-based approach to investing in inclusive market development would be a much more effective use of the massive resources currently distributed through myriad, isolated programs addressing particular needs out of context and without prospect for long term solutions.
New programs should be created and existing programs adapted and “pooled” to support bottom-up, multi-dimensional, and more specialized regional development. Reflecting the logic of these metropolitan business plans, federal and state policy offerings should be at once integrated across agencies to acknowledge the complex interaction of local systems and sufficiently flexible that they can be adapted to accommodate the sharp differences between regions. Since regional economic systems are dynamic, local, and specialized, the federal response needs to be cross-program, flexible, and performance driven.

Existing siloed programs should be redesigned to support the “parts” of regional economies in context. If the success or failure of a local business, a technology venture, or a job training program depends upon interactions with other programs and other characteristics of the region, then the federal and state programs that remain in silos need to at least incent taking the regional economic context into account. This means workforce development or small business investments need to be informed by what clusters are emerging and connected to a rigorous cluster strategy. Likewise, it means that affordable housing, for example, should get preferential placement in mixed income areas, or areas that are job and transit-rich. More broadly, it means that each federal program which is targeted to only one “part” of the regional system should ideally give preferences to integrated plans that weave the parts together because that’s how they work best to create economic growth.

Likewise, several specific practical government responses flow from the initial metro business plan experiments:

Support further experimentation and pilots. The present three pilot plans suggest the promise of metropolitan business planning but remain a narrow set of test sites. Helping more regions test the concept by providing them modest grants to support the development of regional business plans would be a low-cost, useful way to further develop the approach.

Create cross-agency regional teams. Another simple step would be to create cross-agency teams to work with any region offering the equivalent of a metropolitan business plan. These teams could help identify, shape, and coordinate resources to more effectively invest in regional prosperity. They might even help work out a new “common application” process to allow one MBP to be considered by multiple agencies and programs.

Support the development of regional institutional capacity. Broad and continuing intergovernmental collaboration at the regional level along with private- and civic-sector engagement, planning, and implementation are needed to develop the right comprehensive strategies, policies, and programs tailored to place and to make them work. Modest investments in technical assistance, convening dollars, and operational grants for lead convening entities would do a lot to increase the capacity of metro areas to develop, update, and implement their business plans and would likely generate large returns.

Invest in rich information resources. Information fuels markets, reducing transaction costs and enhancing efficiency, and also enables strategic planning and action. The federal government is a critical source of the rich information resources needed to develop regional economic growth strategies and to make them work. These resources will also yield large returns on the investment.
In these ways, then, the metropolitan business planning paradigm envisions nothing short of a major reordering of federal-state-local relations in how the United States conducts regional economic development activities. Over time, the new experiment envisions the federal and state governments receiving indigenous, sophisticated, and comprehensive economic growth plans from assertive regions and investing in the best of them wholesale—on the basis of promised performance “returns” in producing firm, job and economic growth; greater domestic product and tax receipts; and lower welfare costs. Rather than thousands of fragmented local entities responding to hundreds of disparate, uncoordinated, rigid, and not-always-relevant programmatic offerings spread across scores of federal and state agencies, it creates the opportunity for a much more effective and productive use of resources, driven from the bottom-up, just like the economy, and channeled through integrated, well-designed regional initiatives. Such a reordering would not require more resources: it would simply use the billions of dollars flowing to metropolitan areas much more wisely, and produce greater national economic growth.

In sum, the present pilot attempt at metropolitan business planning is just getting underway, but the project team and its metropolitan partners are already convinced of two things. First, it’s quite clear that engaging cross-sector local leadership in the market-based, business-disciplined development of comprehensive regional growth planning is creating better strategies and enhanced capacity for generating long term economic prosperity than have existed before. And second, it’s evident that the development of strong regional business plans and partner collaboratives provides a prerequisite for the development of a new, more effective, bottom-up investment approach by government, which is already beginning to move in this direction at the federal level and in some states. In short, a great deal remains to be learned and invented, and the development team looks forward to the field and government broadly engaging to better invest in regional and national prosperity. ■

“The metropolitan business planning paradigm envisions nothing short of a major reordering of federal-state-local relations in how the United States conducts regional economic development.”


9. See Friend and Zehle, Guide to Business Planning. In their telling the business planning process begins with a “stakeholder analysis” and discussion of “vision, mission, and objectives” before proceeding through “environmental analysis” and the generation of “strategic options.” These activities undergird “market analysis and strategy work, evaluation and selection of strategies, ‘examination of funding issues,’” “risk analysis,” “presentation of the plan, and implementation.

10. These leverage points are derived from extensive joint analysis of research and practice on regional economies, including with colleagues in companion projects on “Implementing Regionalism” (undertaken with the Institute for Policy Studies at George Washington University and sponsored by the Surdna Foundation) and on the Chicago Metropolitan Agency for Planning’s regional plan for Chicago (sponsored by the Chicago Community Trust). The full framework will be released in the following papers from those projects: Robert Weissbourd and Gretchen Kosarok, “Go to 2040: Strengthening the Regional Economy” (Chicago: Chicago Metropolitan Agency for Planning, forthcoming) and Harold Wolman and others, “Implementing Regionalism” (New York: Surdna Foundation, forthcoming). Note that the six leverage points build from asset areas identified as the “drivers” of regional prosperity advanced by the Metropolitan Policy Program at Brookings in its Blueprint for American Prosperity project. The Brookings drivers entail key factors in regional success such as the local innovation capacity, a place’s store of human capital, its basic infrastructure, and its quality of place along with the effectiveness of its governance structures. See Alan Berube, “MetroNation;” Mark Muro and others, “MetroPolicy;” and Robert Lang, Andrea Sarzinski, and Mark Muro, “Mountain Megs: America’s Newest Metropolitan Places and a Federal Partnership to Help Them Prosper.” (Washington: Brookings Institution, 2008).


17. In Northeast Ohio, the MBP team includes the Fund for Our Economic Future, the Manufacturing Advocacy and Growth Network, BioEnterprise, Jumpstart, NorTech, and the Greater Cleveland Partnership, among others. In Minneapolis-St. Paul, the team engages the Itasca Project, Jumpstart Community Advisors, the Cities of Minneapolis and St. Paul, the Regional Council of Mayors, and Target Corporation, among others. In Puget Sound, the team involves the Puget Sound Regional Council, the University of Washington, Washington State University, the Greater Seattle Chamber of Commerce, and the Seattle Foundation, among others.


25. See, Bruce Katz, Testimony United States Senate Committee on Banking, Housing and Urban Affairs, Subcommittee on Economic Policy (December 9, 2009).


SELECTED REFERENCES

BROOKINGS / RW VENTURES METROPOLITAN BUSINESS PLANNING INITIATIVE


GENERAL


A PLAN FOR THE NEXT ECONOMIC TRANSFORMATION

Greater Phoenix Metropolitan Business Planning Strategy Development Sessions

November 6-7, 2012

GREATER PHOENIX MARKET OVERVIEW

Fast growing economy …

- $173B GMP (2010)
  15th Largest Metro

- 70% of state economy

- GMP growth outpaced U.S. and top metros (2001-09)

- Job growth outpaced U.S. and top metros (2001-09)
GREATER PHOENIX MARKET OVERVIEW

Growth driven by population...

Population growth 2nd fastest in the 1990s 4th fastest in the 2000s

70% of population growth attributed to net migration (2001-10)

Reflected in employment dynamics – five sectors accounted for 56% of job growth and 72% of job loss

Manufacturing flat and lost 18% of jobs in the recession

Source: Arizona Department of Administration, Office of Employment and Population Statistics

GREATER PHOENIX MARKET OVERVIEW

Economic performance is lagging... not resulting in greater prosperity

Productivity is below U.S. and top metros (2001-09)

Five of the least productive sectors account 627,180 jobs

Manufacturing employ 112,000 (7.5%) Construction & retail employ 290,000 (14%)

Exports grew 29% while U.S. exports grew 60% (2005-11)

Median household income ($50,385) below top and peer metros
GREATER PHOENIX MARKET OVERVIEW

Upside… region has good assets for the next economy

Core Sectors with productivity and innovation potential
Aerospace
Electronics & Semiconductor

Emerging Sectors
Personalized Medicine
Information Tech
Renewable Energy

Large and diverse labor force

Increasing innovation capacity to transform good ideas to commercialization

IN SUMMARY…EMERGING THEME AND VISION

Our region is beginning to shift into more innovative sectors of the next economy…

- Can be observed in aerospace, renewable energy, electronics, informative technology, and personalized medicine

Consequently, the region needs to position its assets for the next economy and drive greater productivity and prosperity…

- Increase research capacity at universities and industries; enhance commercialization; attract, retain and train workforce; support entrepreneurial activities with the right resources; and invest in 21st century infrastructure and urban form

The region must support/accelerate this transformation with targeted and strategic interventions (right kind of public & private investments)
REGIONAL CONCENTRATIONS

What is it?

- Geographic concentrations of specialized firms, industries, and institutions
- Co-location benefits: sharing of labor and other productive inputs generate productivity, efficiency, and knowledge spillovers

Aspects to consider:

- Promising clusters in terms of growth, size and concentration
- Clusters needing redeployment and transformation
- Gaps in the shared inputs (workforce, infrastructure, supply chain)

REGIONAL CONCENTRATIONS - QUESTIONS

What industries in our region will be known for in the next economy, and what are the kind and scope of strategies to get us there?

- What are our core, emerging and upgrade clusters?
- What gaps exist in our industry clusters?
- What do our clusters need to become more productive, grow jobs and firms, and globally competitive?
HUMAN CAPITAL

What is it?

- Linking human capital and job pools
- Supply of skilled workers to meet employer demands
- Demand for skilled workers by cultivating appropriate jobs

Aspects to consider:

- Concentrations and growth prospects (both skills and occupations)
- Existing skills/education levels – obstacles and opportunities
- Quality of education/training system
- Attraction/retention record and factors
- Greater coordination, improved workforce information flow and feedback between employers and training

HUMAN CAPITAL – DISCUSSION QUESTIONS

How do we better develop, retrain, attract, retain and efficiently deploy an on-going supply of talent aligned with next economy growth?

- What are the dynamics that explain high level of skills to jobs mismatch?
- In what ways can we best prepare existing and projected labor force skills?
- What opportunities and obstacles exist in facilitating labor mobility (i.e., training/retraining, internships)?
- Opportunities for targeted retraining, credentialing?
INNOVATION

What is it?

- Innovation drives increasing productivity and efficiency - the source of all long-term growth. Innovation results in development of new products, processes, business models, and markets.

Aspects to consider:

- Knowledge/discoveries
- Cluster specific strategies
- Commercialization of R&D
- Entrepreneurship

INNOVATION – DISCUSSION QUESTIONS

What will enable us to shift towards more continuous innovation across the economy?

- What do we have that should be enhanced and what are we missing in our innovation ecosystem?
- What industry clusters have innovation-rich potential and what do these cluster need?
- What kind of public and private coordination is needed to improve innovation pipeline?
SPATIAL EFFICIENCY

What is it?

- The location of firms and workers within the region determines costs for people and businesses, and influences agglomeration benefits (such as shared inputs and knowledge spillovers)

Aspects to consider:

- Public policies regarding land use/zoning, infrastructure, etc.
- Spatial concentrations of firms, occupations, functions, etc.
- Degree of housing-jobs mismatch
- Access to transit

SPATIAL EFFICIENCY – DISCUSSION QUESTIONS

What do we need to foster well-connected, mixed use, vital communities that efficiently connect firms, workers and customers and enhance the region’s place types?

- Where are opportunities for mixed-use and innovation-enhancing developments?
- Are there opportunities for transformative infrastructure (next gen. energy, IT, public transit, PUDs)?
- What level of coordination is needed across jurisdictions (land use, permitting)?
- Are there opportunities to develop new tools and methods of financing for redevelopment and infrastructure projects?
- What strategies are needed to diversify housing types and prices near employment centers?
GOVERNANCE

What is it?

- Government and civic sector activities hinder or enhance the productivity of economic systems – attracting entrepreneurs, enabling markets, lowering transaction costs, increasing deployment of assets, etc.

Aspects to consider:

- Degree of horizontal and vertical fragmentation
- Tax and regulations, value proposition
- Areas and mechanisms for inter-jurisdictional coordination
- Strategic engagement of citizens, private and civic sectors
- Transparency, openness, responsiveness

GOVERNANCE – DISCUSSION QUESTIONS

What kind of alignment is needed to capitalize on our growth potential?

- What kind of strategic and targeted investments can be made to improve regional competitiveness in the next economy?

- What opportunities exist to coordinate and streamline services/initiatives among cities?

- How can regulatory and business environment be more efficient (permitting, licensing, inspections, etc.) to support business growth?
Regional Council of Mayors

The nationally recognized Regional Council of Mayors was formed in 2005 and is supported by the Urban Land Institute Minnesota. It includes Minneapolis, Saint Paul and 47 municipalities in the developed and developing suburbs. This collaborative partnership provides a nonpartisan platform focused on building action strategies to raise the region’s overall economic competitiveness, innovation and quality of life.

**Convene:** Bring Mayors and cross sector leadership together around issues of regional significance.
**Educate:** Equip Mayors to lead and support learning across sectors.
**Engage:** Support civic outreach strategies.
**Effect Change:** Seek solutions that support a ‘better way’ for collective regional action.

Four priority initiatives:

**Housing:** partnering to implement tools and strategies that support a full range of housing choices in connected, livable communities.

**Transportation:** building on national and regional best practices to connect transportation and land use systems.

**Environment:** promoting action strategies that reduce greenhouse gas emissions, protect natural resources, and support healthy living.

**Job Growth:** fostering regional collective action to strengthen economic competitiveness and job growth.

“We can learn a great deal from one another and have an impact beyond the boundaries of our respective communities.”

-Mayor Sandy Martin, City of Shoreview
ULI Minnesota actively engages public and private sector leaders to foster collaboration, share knowledge and join in meaningful strategic action to position our region for economic growth and prosperity.

RCM Co-chairs:
Mayor James Hovland, Edina
Mayor Sandy Martin, Shoreview

RCM Committee Co-chairs:
Mayor Debbie Goettel, Richfield, Environment
Mayor Mike Maguire, Eagan, Housing
Mayor Terry Schneider, Minnetonka, CTLUS
Mayor Elizabeth Kautz, Burnsville, Jobs

RCM Members:
Mayor Doug Anderson, Dayton
Mayor Dave Bartholomay, Circle Pines
Mayor Ardell Brede, Rochester
Mayor Chris Coleman, Saint Paul
Mayor William Droste, Rosemount
Mayor Jo Emerson, White Bear Lake
Mayor Jerry Faust, St. Anthony
Mayor Tom Furlong, Chanhassen
Mayor Mike Gamache, Andover
Mayor Mary Giuliani Stephens, Woodbury
Mayor David Grant, Arden Hills
Mayor Ken Guenthner, Corcoran
Mayor Mary Hamann-Roland, Apple Valley
Mayor Shep Harris, Golden Valley
Mayor Mary Hershberger Thu, Victoria
Mayor Kathi Hemken, New Hope
Mayor Tim Howe, Coon Rapids
Mayor Tim Hultmann, City of Long Lake
Mayor Jeff Jacobs, St. Louis Park
Mayor Marvin Johnson, Independence
Mayor Dean Johnston, Lake Elmo
Mayor Sandra Krebsbach, Mendota Heights
Mayor Peter Lindstrom, Falcon Heights
Mayor Alan Lindquist, Osseo
Mayor Scott Lund, Fridley
Mayor Jeffrey Lunde, Brooklyn Park
Mayor Judson Marshall, Mahtomedi
Mayor Gene Maxwell, Hopkins
Mayor Lili McMillan, Orono
Mayor Phil Rice, Anoka
Mayor Dan Roe, Roseville
Mayor Will Rossbach, Maplewood
Mayor Nick Ruehl, Excelsior
Mayor Tom Ryan, Blaine
Mayor R. T. Rybak, Minneapolis
Mayor Mark Steffenson, Maple Grove
Mayor John Sweeney, Maple Plain
Mayor Brad Tabke, Shakopee
Mayor George Tourville, Inver Grove Heights
Mayor Nancy Tyra-Lukens, Eden Prairie
Mayor Ken Willcox, Wayzata
Mayor Janet Williams, Savage
Mayor Gene Winstead, Savage

Contact ULI Minnesota:
81 S 9th Street #310
Minneapolis, MN 55402
612.338.1332
http://minnesota.uli.org

RCM / ULI Minnesota Contacts:
Caren Dewar
Executive Director
Caren.dewar@uli.org
612.759.1016
Katherine Anderson
Associate
Katherine.anderson@uli.org
612.338.1332
Putting the Twin Cities back on the radar

Article by: KEN POWELL and DOUG BAKER
November 14, 2010 - 3:01 PM

As the economy sputters back to life, how do we make sure that our region gets its fair share of job growth?

We know that job growth paves the way for better lives. And we know that even in tough times, we still have many strengths that fuel our economy: Competitive, high-performing companies; a well-educated workforce; innovation and investment across key industries; an engaged research community, and the work ethic and outstanding productivity that Minnesotans bring to their jobs every day.

But in these highly competitive times, our attributes aren't enough. To effectively create and retain jobs through new and existing employers, we need a regional economic development partnership.

We know this because the Itasca Project -- nearly 60 community leaders, including CEOs, the governor and several mayors - - spent months studying our region's position in the global marketplace, the increasing competition in economic development and the success others are having in attracting new employers to their regions.

What we've found is concerning. While we have had some job growth "wins," other regions have become increasingly competitive and have experienced greater success in retaining and growing jobs.

In Austin, Texas, for example, from 2004 to 2008, job growth efforts created 124,000 jobs, led to a $5.7 billion jump in overall payroll, and brought 144 corporations to the Austin area. That's not a misprint: 144.

And the Pittsburgh region created more than 10,000 jobs and retained more than 16,000 jobs in three years, with direct capital investment into the region of $2.2 billion.

How do things look for Minneapolis-St. Paul?

For years, the Twin Cities ranked above the national average in job growth rates, but since 2003 we have fallen to below-average status, according to the Bureau of Labor Statistics. Back in 2003, the Twin Cities ranked 20th in the Forbes ranking of the best places for business and careers, but by last year we had slid to 76th. And the Milken "Best Performing Cities" ranking -- which centers on job and wage growth -- saw us fall from 99th to 123rd in the same period.

The successful regions have made "business attractiveness" a priority, and they have created focus and energy by taking a regional approach. This model is powerful. Local governments work together to streamline regulation and speed the pace of approvals. Local universities partner with business sectors to train great employees and plant the seeds of entrepreneurial ventures. Successful regions also market themselves aggressively -- not only throughout the country, but also around the world.

"The Twin Cities stands out like a sore thumb for not having a regional program," one economic development expert told us. Another said, "I can't even remember the last time the Twin Cities was on the radar."

Ouch.

One answer is clear. We need to create a regional economic development partnership for our 13-county metro area that will bring together all the assets our region has to offer in one unified mission: To create and retain jobs through new and existing employers. This effort will complement the work already being done at city and county levels, and will uncover new opportunities that are going untapped because no one has responsibility for marketing our region on a national or global basis.

The Itasca Project's plan for creation of a regional economic development partnership isn't some pie-in-the-sky idea. It's part of a three-pronged job growth strategy that includes addressing the cost of doing business, as well as enhancing entrepreneurship and innovation.

And it's happening. Already, nearly a dozen major companies have made financial commitments, and more than a dozen cities and counties are putting their investment commitment to a vote as they plan their 2011 budgets. Bloomington and Scott County already are participating, and we applaud their leadership. Our goal is to raise the majority of the $2.8 million operating budget from the private sector, with the remainder coming from visionary communities that see the wisdom of working together to attract new employers, additional jobs and an expanded tax base.

America will no doubt face changes and challenges in the coming years -- and our region will as well. It is crucial that we work collectively to build on our strong base and shore up our weaknesses -- by growing jobs. Our actions will be our legacy.

© 2011 Star Tribune

http://www.startribune.com/printarticle/?id=107570693
TABLE OF CONTENTS

EXECUTIVE SUMMARY i

UNDERSTANDING THE MACRO ECONOMY 1
   Overview 1.1
   The Case for Change 1.1
   Challenges and Opportunities 1.2
   Local Initiatives 1.3
   Preliminary Framework 1.4

IDENTIFYING OPPORTUNITIES 2
   Overview 2.1
   Benchmarking Detroit and the Region 2.2
   Export Performance 2.3
   Next Steps 2.4

OVERVIEW OF THE WORKFORCE 3
   Overview of the Workforce 3.1
   Workforce Benchmark 3.2
   Identifying Opportunities 3.3

OVERVIEW OF CAPITAL MARKETS AND BUSINESS ENVIRONMENT 4
   Financial Infrastructure 4.1
   Business Environment 4.2

DEVELOPING AN INDUSTRIAL STRATEGY: NEXT STEPS 5
   Industrial Land Inventory 5.1
   Workforce Assessment and Matching 5.2
   Developing an Industrial Strategy 5.3
   Potential Blue Economy 5.4

PHASE ONE: RESEARCH AND PRIORITIES
POLICY AUDIT TOPIC: URBAN & REGIONAL ECONOMY
Executive Summary

STRENGTHENING DETROIT AS A REGIONAL JOB CENTER

✓ This report provides an inventory and preliminary evaluation of current labor, land and capital assets for the city of Detroit and its region.

✓ ICIC’s data reflect both quantitative and qualitative analysis. Quantitative methods range from compounded annualized growth rates to regression analyses; it also includes ratios such as location quotient and export intensity.

✓ Results of the Phase 1 Policy Audit capture an astonishingly asset-rich city and region that have fallen below national trends in most every category. However, Detroit’s “relative” weakness in labor, land and capital ratio’s do not reflect its “absolute” infrastructural strengths. In particular, comparative advantages that have been identified include: competitive traded clusters, surplus manufacturing assets, and untapped institutional investors.

✓ The key areas of strength will be extracted from the Phase 1 findings and developed into a viable holistic economic development strategy. Detroit can and must create an economic development strategy that offers opportunities for both current and future residents. This will not only create a viable long-term tax base for the city, it will increase the chances of success for every existing regional initiative.
### Overview

**PRIVATE & PUBLIC SECTOR EMPLOYMENT, 2008**

#### Detroit's Top Employers

1. Detroit Public Schools (13,800)
2. City of Detroit (13,200)
3. Detroit Medical Center (10,500)
4. Henry Ford Health System (8,500)
5. U.S. Government (6,300)
6. Wayne State University (5,000)
7. State of Michigan (4,900)
8. General Motors Corp. (4,700)
9. Chrysler Group LLC (4,500)
10. U.S. Postal Service (4,100)

#### Region's Top Employers

1. Ford (44,000)
2. University of MI (26,400)
3. General Motors Corp (20,800)
4. Chrysler Group (19,800)
5. Henry Ford Health System (18,300)
6. U.S. Government (16,700)
7. Beaumont Hospitals (15,300)
8. Detroit Public Schools (13,800)
9. City of Detroit (13,200)
10. U.S Postal Service (12,800)

---

**Source:** State of the Inner City Economies (SICE) database; ICIC analysis; Crain's; LEHD On The Map 4.0
1.2 Challenges and Opportunities

**CHALLENGE: JOB SPRAWL**

- A 2001 study of job sprawl identified the Detroit region as one of the country’s “extremely decentralized employment metros.”
- Detroit had the second-lowest share of employment within 3 miles of the CBD and the second-lowest share of employment within 10 miles. By these measures, Detroit had the worst case of job sprawl in the entire U.S.
- The hollowing out has continued: Detroit lost 20% of its job base between 1998 and 2008; and likely experienced substantial further job loss in the 2008-2010 downturn.
1.4 Preliminary Framework

MAJOR STATE AND REGIONAL INITIATIVES

NEW ECONOMY INITIATIVE

The New Economy Initiative of Southeast Michigan has identified five clusters as high opportunity for the Southeast Michigan economy:

• Supply Chain Management
• Advanced Manufacturing
• Defense and Homeland Security
• Advanced Energy
• Health Care

In addition, NEI supports local entrepreneurship.

Partners include the Detroit Regional Chamber, Michigan Manufacturing Technology Center, Macomb Community College, and Next Energy.

BROOKINGS INSTITUTION

Brookings has examined options for the revitalization of the economies of the Great Lakes. According to SOM, their recommendations can be summarized as:

• Use Global Trade Networks
• Capitalize on Clean Energy
• Leverage Innovation Infrastructure from Universities

Identified development opportunities include:

• Infrastructure
• Regional Innovation Clusters
• Advanced Manufacturing
• Regional Energy Research
• Green Development

MICHIGAN ECONOMIC DEVELOPMENT GROWTH CORPORATION (MEDC)

MEDC has identified the following as “Michigan Growth Sectors:”

• Alternative Energy
• Automotive Engineering
• Life Sciences
• Homeland Security/Defense
• Advanced Manufacturing
• Film Industry

MEDC has specialized business development managers in Alternative Energy, Advanced Manufacturing, Medical Devices, and Defense.
1.4 Preliminary Framework
OPPORTUNITIES: LEADING AND LEAP-FROGGING

NEW OPPORTUNITIES FOR RESIDENTS

Despite three decades of rising income inequality and declining wages for less-educated Americans, there have been few concerted efforts to improve the job prospects of these workers where they are.

Detroit can and must create an economic development strategy that offers opportunities for all residents. This strategy must complement traditional education and training strategies to identify sectors and career paths in which less-educated workers can succeed.

To create an opportunity economy, Detroit can exploit the fact that the key inputs to creating opportunity—job characteristics and location, residential patterns, and public transportation networks—are in flux. These can be configured to create opportunities for residents.

A NEW REGIONALISM

The difficult history and tepid present relationship between Detroit and its suburbs provide a unique opportunity: creating a national model for an urban-centered 21st century regionalism.

The new economic regionalism will be based on shared interests rather than proximity per se. It will be a flexible, competitive regionalism that aligns and re-aligns geography to leverage a wide range of opportunities; and uses competition to elicit cooperation.

This new regionalism could include an anchor cluster in Midtown Detroit, a “Knowledge Corridor” anchored by U of M and WSU; and a Transportation, Logistics, and Distribution cluster that spans Southeast Michigan, Ohio and Ontario.

THE NEW AMERICAN ECONOMY

It is widely accepted that the next American economy will have to be driven by the country’s productive capabilities rather than its appetite for consumption.

Detroit is poised to be a leader in this new economy. Detroit, the region, and the state of Michigan are major producers of products that are consumed across the country and the world. Detroit can build on this legacy with the creation of export corridors to facilitate the city’s and region’s strong connections with global markets.

The city must recognize, as well, its unique opportunity to merge uniquely urban assets—educational and medical facilities, world-class cultural offerings, and a highly-skilled daytime workforce—with the city’s vast industrial assets.

“'Leapfrogging' is the notion that areas which have poorly-developed technology or economic bases can move themselves forward rapidly through the adoption of modern systems without going through intermediary steps.” Jamais Cascio, 2004

SOURCE: ICIC

1.5
Executive Summary

From Competitive Disadvantage to Collaborative Advantage

Why are some regions more successful than others in global competition? While it is doubtlessly true that some regions are better endowed than others to compete in the global knowledge economy, the problem is rarely that the less successful regions lack sufficient assets. Instead, these regions seem to lack the ability to think, plan and act regionally. Acting regionally means proceeding with a strategy that is focused on the long range use of assets to enhance global competitiveness. Regardless of whether a region can bring the right people to the table or develop a strategic plan, the true test is whether that region can act effectively.

While there are many barriers to acting regionally in the United States, first among them is that economic regions and political jurisdictions are not coterminous. As a consequence, making effective decisions on a regional basis, regions acting like regions, is neither smooth nor orderly. There is no system for resolving the competing interests among cities, counties and towns. Regions, which are fundamentally labor markets, generally do not have the power of the purse and lack both identities and cultural traditions. Even where regions are demarcated—like water districts, transit authorities and planning districts—they rarely share common boundaries. These obstacles leave U.S. regions at a competitive disadvantage.

Despite these difficulties, there are regions around the country that have recognized the potential strength in their unity and have taken steps to achieve it, turning competitive disadvantage into collaborative advantage. The five case studies in chapter 2 describe the different approaches, issues and organizational forms that have characterized their work.

The research in this report demonstrates that the key to creating collaboration is effective regional leadership. Yet, very little is known about regional leadership. While the study of leadership has become a serious academic discipline, it centers on organizational leadership in the military, business enterprises, non-profits, et al. Regions, however, do not fit the mold. They lack established governance structures, boundaries and lines of authority.

To be effective, regional leadership must be a new kind of leadership. Like many of the new economy alliances that have emerged in the last decade, regional leadership bodies depend on consensus, not hierarchy. Their structures are more frequently networked than formalized. And, like pick-up basketball teams, the players move in and out depending on the issues involved. Unlike pick-up basketball teams, however, the players are in a league, and schedules need to be made, playoffs need organizing and rules need enforcing. The Council has found that effective regional leadership bodies rely on existing regional organizations that can set agendas, call meetings, recruit new leaders, etc. While these organizations can and do vary in form, they all serve as systems integrators and enablers of collaboration.
This new kind of leadership confronts a series of tasks that differ substantially from those of the old, local economic model, where the region next door was the competition and recruiting firms from elsewhere was the mission. New regional leadership must create a shared regional narrative, build consensus, institutionalize innovation and lead change.

The qualities required of individual regional leaders reflect the distinct tasks they face. For example, regional leaders need to be bridge builders, boundary crossers and conveners. But regional leaders are both made and born. Their primary task is to build regional awareness, since, as one wag put it, regionalism is an unnatural act among non-consenting adults. They especially need to be cultivated through leadership development programs such as those in Denver and Louisville. Effective regional leaders and potential regional leaders are defined as much by their commitment to continuous learning about new trends and practices in regionalism as they are by their individual qualities.

What can regions do to develop effective regional leadership? This study identifies seven habits of highly effective regional leadership. The term “habit” is used because it applies equally well to both specific actions and broader cultural tendencies. Habits consist of knowledge, skill and desire. Yet, all habits assume a basic underlying paradigm. In the case of regional leadership, the paradigm derives from the fact that regional collaboration is voluntary and consensus-driven.

The first and most crucial habit is be proactive, which means anticipating needs and creating strategies and the means to address them—leading events, not being led by them. Effective regional leadership is built through the common bonds and mutual trust that grow out of struggles for real change, such as removing the brown cloud that hung over Denver or consolidating city and county government as was done in Louisville.

This report is a practical attempt to fill the knowledge gap about effective regional leadership by using case studies, interviews and primary and secondary research. It is filled with examples and lessons to be learned. If its lessons can be summarized in one conclusion, it is that effective leadership can turn a regional competitive disadvantage into a regional collaborative advantage.
The Council has been working on regional economic development since it launched its Clusters of Innovation project in 1999 in cooperation with Harvard professor Michael Porter. As a leadership body, the Council focuses on those issues that increase U.S. productivity, innovative capacity and global competitiveness, the key elements that drive the Council’s mission of maintaining and increasing the living standards of U.S. citizens. The Council focuses on regions because the United States does not have a national economy, but is the sum of the regional economies. And as Porter puts it, “A region’s competitiveness and standard of living (wealth) is determined by the productivity with which it uses its human, capital and natural resources.”

“Why are some regions more successful than others in global competition?”

The question the Council consistently asks is why are some regions more successful than others in global competition? The early evidence from regions like San Diego, the Research Triangle and Greater Austin suggested that the ability to link innovation assets—people, institutions, capital and infrastructure—is decisive in generating robust, localized ecosystems that turbo-charge a region’s economy. These regions are successful precisely because they have connected the region’s basic innovation assets. For less successful and more disadvantaged regions, the problem is rarely that they lack sufficient assets. Instead, these regions seem to lack the ability to think, plan and act regionally.

Thinking and acting regionally strikes many economists, policy analysts and civic activists as just straightforward logic. The rules of engagement for international competition compel regional responses. Nations, states and cities matter, of course, but the region is the decisive, strategic platform for economic success and quality of life.

But what does it mean to “act regionally?” The term has two implications. One is that the region is the whole, and cities, towns and counties are the parts. The other is that the action is strategic, focused on the long range use of assets to enhance global competitiveness. As with most things, these abstractions are easier to digest through examples. A region is acting regionally when it does things like:

- In 1989, the Scientific and Cultural Facilities District (SCFD) of metropolitan Denver began to distribute funds from a voter-approved, region-wide 0.01 percent sales and use tax to build cultural facilities throughout the seven-county Denver metropolitan area. Most of the facilities were in downtown Denver, yet regional voters recognized that the reputation of the region and its ability
to attract the “creative class” and new-economy industries depended on whether Denver was perceived as a decaying downtown or an urban destination.

- The Dan River Region in Virginia, spearheaded by a group of Danville businessmen, used its combined regional influence with the legislature, governor and Congress to fund the creation of the Institute for Advanced Learning and Research (IALR), a technology-based economic development project. The IALR serves the region as a source of distributed research and education in partnership with Virginia Tech, an accelerator for products developed through their research, a test bed for existing technology companies and a provider of STEM education for regional students and teachers.

- The Greater Philadelphia Regional Compact for Science, Technology, Engineering and Mathematics Education (The Compact) is an agreement among institutions in the 13 counties in three states that comprise the greater Philadelphia region. The Compact’s vision is to expand the region’s capacity to develop a talented, robust and eclectic science, technology, engineering and mathematics (STEM) workforce capable of performing, adapting and thriving in a dynamic, knowledge-driven economy. More than 60 educational, business, economic and workforce development intermediaries in the region, including the public television station, are members.

These examples and the others in this report did not just materialize from thin air. They are a product of regional collaborations that would not have occurred but for effective leadership. The Council has observed how often effective regional leadership leverages assets and facilitates collaboration within the region. Its absence means that the silos (funding, programmatic and jurisdictional) that dominate regions will continue to produce one-shot events and overlapping, disconnected or incomplete initiatives.

Unlike many competitors around the world, the United States does not have economic regions that are coterminous with political jurisdictions. To turn this competitive disadvantage into a collaborative advantage is the theme of this report. As one of the founders of Joint Venture Silicon Valley Network, Tom Hayes, put it, “Our aim is to build a comparative advantage for the Silicon Valley by building a collaborative advantage…to transform Silicon Valley from a valley of entrepreneurs into an entrepreneurial valley.”

Despite the growing need for collaboration, regional action is still the exception rather than the rule. To paraphrase an old saying, regional collaboration remains an unnatural act between non-consenting adults. Existing jurisdictional boundaries, tax policies and cultural rivalries undermine regional action. Too many regions across the country act less like regions and more like rival high school teams under Friday

---

3 Doug Henton, et al., Preparing for the Next Silicon Valley: Opportunities and Choices (San Jose, CA: Joint Venture, June 2002).
night lights. Put simply, the nature of global economic competition requires that the Hatfields and McCoys join ranks if they want to compete successfully against the Chens and Mings and the Agarwals and Singh.

Yet, even as the economic development profession increasingly recognizes that multi-county areas are the appropriate unit for economic analysis and planning, the necessary collaboration across political and institutional boundaries has not kept pace. The question then becomes, how does collaboration become a reality in regions?

Chapter 1 discusses the challenge of regionalism in the United States and the three Cs of regional collaboration. The second chapter presents five case studies on which the Council bases many observations. The case studies were selected because they all feature regions that have implemented a regional approach, despite very different economic conditions and demographic characteristics. Chapter 3 describes the special tasks of effective regional leadership. Chapter 4 asks the question: Is regional leadership made or born? This section looks at the individual characteristics of regional leaders and the qualities they share. Chapter 5 is about the seven habits of highly effective regional leadership, and chapter 6 summarizes the lessons learned, called “takeaways,” in the process of writing this report.
Mastering the Metro

How Metro Regions Can Win Friends and Influence Economies

Story by BRUCE KATZ and JENNIFER BRADLEY
Illustration by ELEANOR GROSCH
For subscriptions, please visit www.americancity.org/subscribe.

While Next American City welcomes the submission of unsolicited work, we unfortunately may not be able to respond to each submission individually.

Please send work to ariella@americancity.org.

For additional information, please visit www.americancity.org.
In his 2012 TED talk, venture capitalist and LinkedIn co-founder Reid Hoffman extolled the power of “network literacy” which is, he said, “absolutely critical to how we’ll navigate the world.” He continued, “In a networked age, identity is not so simply determined. Your identity is actually multivariate, distributed and partly out of your control. Who you know shapes who you are.”

If networks are the new, fast and partly-out-of-your-control vehicles for individual career building, could they also be the vehicles for building stronger economies and more livable communities in metropolitan areas? Today’s metro networks are different from the cadre of business elites, elected officials and technocrats that arose in the mid-20th century. They are larger, looser and more diverse both in terms of membership and their geographic span.

In Greater Denver, a coalition of urban and suburban mayors, private sector leaders and grassroots transit advocates helped push through financing for the country’s largest buildout of a public transit system since the Washington, D.C. Metro. In Northeast Ohio, a network of economic development organizations and local governments are helping to retool traditional economic clusters and sectors. Even in Greater Detroit, a metropolis long and deeply divided by race, new collaborations among business incubators and community colleges are working to grow (and prepare workers for) better jobs.

Networks like these have been slowly rising for some time, but they have never been better suited to our current political and economic moment. The realities of economic restructuring, global competition, fiscal pressures, environmental imperatives, technological possibilities and a dysfunctional federal government require new models of collaboration within and among metropolitan regions.

In the past, shortsighted battles over a new headquarters or big-box development have precluded metropolitan leaders from working toward their long-term goals and strategies. When metropolitan leaders did manage to work together, their efforts were oriented inward: How to allocate public resources fairly across a region, and how to create a level playing field between old jurisdictions and new ones.

Over the last few years, the conversation has changed. Local elected officials and others are also looking outward and understanding the metropolitan role in the broader national and global economy. As Colorado Gov. (and former Denver mayor) John Hickenlooper is fond of saying, “Collaboration is the new competition.” That’s true not only because collaboration is replacing competition on important issues in many metros, but also because metros have to collaborate to compete in the global economy.

Those metros that have created successful networks have certain characteristics in common. They are smart about their goals and how to measure them; confident
enough to resist cookie-cutter strategies; sophisticated about their place in the global economy; clever about balancing short-term wins and long-term aspirations; and open to people representing a spectrum of groups, interests and sectors.

And while these are habits that any metro can adopt, there is, of course, an element of serendipity to their success. The most intriguing evolution of metropolitan leadership will happen via the application of new social technology — which is designed to create, inform and mobilize new, fluid and unpredictable networks. The result may be not only the crowdsourcing of innovative ideas, but the redefinition of “leadership” as a populist rather than elitist phenomenon.

WHY METROS NEED A NEW KIND OF LEADERSHIP — NOW

When you look at global economic performance you’ll see that the top 30 metro performers today are almost exclusively located in Asia and Latin America. The 30 worst metro performers are nearly all located in Europe, the United States and earthquake-ravaged Japan. In 2009, Brazil, India and China (the BICs) accounted for about a fifth of global GDP, surpassing the U.S. for the first time. By 2015, the BIC share will grow to more than 25 percent. These nations are growing because they are urbanizing and industrializing. The locus of economic power in the world is shifting. How will communities in the United States compete — not just for rankings, but for the jobs, people and resources that make them good places to live?

They have to go big or go home. Competition with the rising powers and mega cities of the world is prompting a reevaluation of the size and scale at which communities compete. In the face of Mumbai (19.2 million people), Sao Paulo (18.9 million) or Shanghai (16.7 million people), the focus on the differences between suburban municipalities of 25,000 residents seems wasteful, if not absurd. U.S. metro leaders must re-imagine the size, shape, structure and orientation of their economies. The metro scale, and even the multi-metro and regional scale in certain places, is now the entry ticket to global competition.

The Great Recession was a wake-up call to American metro leadership. At its onset, many U.S. cities and metropolitan areas found themselves engaged in low-road economic growth, pursuing mall developers and condo builders, as if housing and retail were drivers of the economy rather than derivative of the sectors that truly generate wealth: Manufacturing, innovation and the tradeable export industries.

This consumption economy was mostly zero-sum. A dollar spent (and taxed) or a house built (and taxed), or a business located (and taxed) in one jurisdiction was
lost to any other. So, in metropolis after metropolis, jurisdictions competed against each other for sources of tax revenue — usually commercial development and big employers — wasting scarce dollars on enticing businesses to move literally a few miles across artificial political borders. The result: Metros prioritized short-term speculation over long-term growth and sustainable development. They did this until the bubble popped.

The collapse of the consumption-driven, domestic-focused growth model is giving rise to new thinking about a next economy that is fuelled by innovation, powered by low-carbon processes and products, driven by exports and rich with opportunity.

These aspects of the next economy — particularly innovation — are the opposite of zero-sum. More innovation in one corner or sector of a metropolitan economy tends to yield more innovation, entrepreneurship and job creation throughout the metro. Metropolitan areas bring together people whose ideas intermix, recombine and explode in new directions. So metropolitan areas do not just produce more patents; the patents within metros tend to be cited and built on disproportionately by others in the same area.

Think about the film industry in L.A., or the computer and electronics sector in Portland. There are entire groups, or clusters, of related companies and institutions that benefit from the explosion of energy and innovation. A growing body of research suggests that being part of such an industry cluster is good for an individual firm; it makes any firm more innovative, and makes new firms more likely to survive. For example, clean-tech companies tend to grow much faster if they are in the same county as related businesses.

Just as being near productive people helps other people become more productive, proximity to clusters in one industry also tends to help other industry clusters get stronger. One study by Delgado, Porter and Stern finds that the relative strength of a U.S. region’s leading clusters contributes to the employment and patent growth of other clusters in the region. Another analysis, by Spencer and others, shows that metropolitan areas with a higher percentage of people employed in clusters have higher income levels and job growth overall than places with lower shares of workers in clusters.

It’s not only high-level workers within a particular industry who benefit from the industry’s growth. More innovation, from all these patents and clusters, leads to more exports — firms tend to export more after they innovate, because humdrum companies can’t compete on the global market. More exports lead to more jobs (often manufacturing jobs) that pay well for workers at a variety of skill levels.
Given the potential of metropolitan areas to use density as a tool for innovation, it's ridiculous for cities and suburbs to continue to fight over the next big-box store or industrial park instead of collaborating to marshal the power of their innovative institutions, their skilled and rising workers, and their metro-wide supply chains.

If a zero-sum economy is one hindrance to metropolitan collaboration, another is the perceived demographic and cultural gulf between city and suburbs. Cities were supposed to be diverse, poor and dangerous. Suburbs were supposed to be homogeneous, cozy and rich. But as the U.S. undergoes a massive demographic transformation, that neat dichotomy is melting.

Over the past several decades, racial, ethnic and income disparities between cities and suburbs have radically diminished. As of 2008, a majority of members of all racial and ethnic groups in metropolitan areas lived in suburbs, as did more than half of all immigrants nationwide. During this same period, the poverty gaps between cities and suburbs also narrowed because of the growing suburbanization of poverty. The suburban poor population grew by 25 percent between 1999 and 2008, almost five times the growth rate of the primary city poor in that time. As of 2008, suburbs were home to almost one-third of the country’s poor population, and 1.5 million more poor people than the nation's primary cities.

Similarly, the gap between city and suburban violent crime rates declined in nearly two-thirds of metro areas between 1990 and 2008. In most metro areas, city and suburban crime rates rose or fell together.
That shared fate does not stop with demographics and crime rates. The post-recession municipal fiscal crisis has pressured cities and suburban municipalities to tighten their belts. While unfortunate, the pressure has laid the foundation for more metropolitan collaboration. In 2008, there were 181 such shared public service arrangements in New York State, according to a report from Office of the State Comptroller in New York. And while once considered only by particularly small or financially distressed communities, the collaborations are becoming more common. This past March, the City of Santa Ana disbanded its fire department and began paying surrounding Orange County to provide fire prevention services, following similar agreements made in Sacramento and the cities of Newark and Union City in the San Francisco Bay Area. That came after the city of Maywood, Calif., in 2010, disbanded its police department (and cut many other government services, like parking enforcement, entirely) and turned over the responsibilities to neighboring Bell, Calif. (which is charging Maywood $50,000 a month, saving Maywood $164,000 a year). In Virginia, officials from the cities of Chesapeake, Norfolk and Virginia Beach are exploring the benefits of similar shared public service arrangements.

Metropolitan areas now have no choice but to use networks to recharge their economies and remake their places. With the federal government paralyzed by dysfunction, state legislatures becoming increasingly partisan and state coffers still battered by the recession, metropolitan areas have to innovate, whether they like it or not. No other level of government is going to ride to the rescue.

While Washington dithers and delays, metros are innovating in ways that build on their distinctive competitive assets and advantages. With federal innovation funding at risk, metros like New York are making sizable commitments to attract innovative research institutions, commercialize research and grow innovative firms. With the future of federal trade policy unclear, metros like Los Angeles and Minneapolis-St. Paul are reorienting their economic development strategies toward exports, foreign direct investment and skilled immigration. Undeterred by a lack of federal energy policy, metros like Seattle and Philadelphia are cementing their niches in energy-efficient technologies. And metros like Jacksonville and Savannah are modernizing their air, rail and sea freight hubs to position themselves for an expansion in global trade. These metros have figured out some of the keys to ensuring strong leadership in tough times. So how did they do it?
THE 5 HABITS OF HIGHLY EFFECTIVE NETWORKS

Highly effective metropolitan networks have characteristics, or habits, than can be cultivated and replicated across the country. Generally, these networks embrace curiosity and creativity and shun complacency or despair. And though it sounds like a paradox, highly effective metropolitan networks use their shared habits to become less alike in other ways, as each pursues a path based on their unique mix of assets and obstacles.

1. MEASURE WHAT MATTERS

Moneyball — Michael Lewis’ popular book and subsequent movie — documents the unique metrics developed by Oakland Athletics General Manager Billy Beane and his staff to assess offensive talent in baseball. The result: By using distinctive measures to assemble the right players, the lower-revenue Oakland A’s were able to successfully compete with the high-revenue, free-spending teams like the New York Yankees and Boston Red Sox.

This concept of measuring the “right” statistics applies equally well to successful regional economic development strategies as it does to baseball.

Cities and metros in the pre-recession era were measuring the wrong things: Speculation rather than innovation, parochial demand rather than global trade, real estate appreciation rather than productive returns. They were, in many cases, also measuring the same things: Housing starts, new commercial square footage and big-box store openings.

The post-recession period presents a historic opportunity to change how we measure growth and prosperity in metropolitan America and, by doing so, how we alter the trajectory of that growth. By measuring and gaining a more thorough understanding of their most important economic assets — through an analysis of export orientation, migration patterns, industry clusters, innovative capacity and human capital — metros will be better able to build on their strengths and compete in the global economy.

In a nice bit of geographic felicity, the Bay Area Council exemplifies the Moneyball approach to regional economic development. The Council is a business advocacy organization for the nine-county San Francisco Bay Area region. Its Economic Institute has developed comprehensive data and policy reports in seven areas critical to the region’s economic success: Competitiveness, economic development, infrastructure, trade and globalization, science and innovation, energy and governance.
On trade and globalization, for instance, the BAC Economic Institute has published a series of reports on the linkages between the Bay Area and emerging economies like India and China. These reports analyze connections of trade, tourism, international student exchange, transnational networks and foreign direct investments, and have become a foundation for respected, actionable, up-to-date information about what the metropolis trades, and with whom.

Sean Randolph, the president of the Council’s Economic Institute, points to specific examples of how governments and others have applied the Council’s work:

“Airports use it to support expanded air service, and state and local agencies use it when exploring new policy options. The business community may be the biggest user, drawing on the Institute's research to inform advocacy, develop opportunities (in China and India for example), and support strategic thinking at the firm level…. The key to the effectiveness of this process has been metrics, and the presentation of credible, fact-based analysis that can be used by a variety of constituencies.”

This is the right kind of data at the right geographic scale.

The traditional silo-driven, project-obsessed focus of economic development was flipped on its head.
2. DARE TO BE DIFFERENT

Exports, innovation and governance matter to all metros, but they matter in different ways. Detroit, for instance, has a different manufacturing and export profile than Denver. Pittsburgh has a different innovation ecosystem and entrepreneurial potential than Phoenix.

Over the past several years, colleagues at Brookings have worked with economic development consultant and RW Ventures President Bob Weissbourd, and a small number of metropolitan areas to invent a new practice for metropolitan economy building. We call them “metropolitan business plans.” Each business plan starts with an assessment of the same “levers” of economic activity: Concentrations of industries, functions and occupations; human capital; resources and institutions that support innovation and entrepreneurship; spatial efficiency; effective public and civic institutions; and information resources.

But the analysis of each of these elements leads to different conclusions about the directions different metros should take, and how they should achieve their goals. Northeast Ohio decided its business plan should focus on helping auto supply chain companies open up to new markets (such as medical devices and green energy). Minneapolis-St. Paul’s indicators showed that the region underperforms on entrepreneurship, so its business plan creates an entrepreneurial accelerator to provide networking, funding and mentor assistance to new businesses. The Puget Sound region aims to create labs and expertise to test and demonstrate new clean energy building technologies, based on data that showed strength in the clean sector and an opportunity to create an opportunity for workers in the region to gain additional skills.

Metropolitan business plans are not a vehicle for inventorying problems or writing “shelfware” strategies. Rather, they provide a way for metro leaders to act as an ongoing business enterprise, presenting prospectuses to invest in their regional economies. Similar thinking informs efforts elsewhere. New York State, for example, challenged 10 regional councils — public-private partnerships of corporate, civic, university, labor, environmental and local governmental leaders — to craft strategic economic development plans for their regions. The state made available $200 million in capital and tax credit funding and additional resources for particular projects were allocated via other state funding streams. In the end, a small review committee of senior government officials and outside experts selected the four best plans and gave them money to proceed.
With this, the traditional silo-driven, project-obsessed focus of economic development was flipped on its head. Local leaders got the responsibility to identify investment priorities that further the distinctive possibilities of their places. Then the state was tasked with getting behind the local strategies, crossing rule-bound bureaucracies and fragmented programs to get things done.

3. SEE THE WORLD
Throughout the past decade, the locus of economic power in the world has been shifting away from the U.S. and Western Europe to the rising nations and metros in Asia and Latin America. Given the rising demand abroad, U.S. metros must network globally to broaden the possibilities of trade and exchange, and cultivate sources of investment and talent. Metros will ally with a different mix of partners based on their distinctive clusters and assets.

Globalization theorist Saskia Sassen and others have done path-breaking work in drawing attention to and documenting many of these international webs. As Sassen notes, global cities “must inevitably engage each other in fulfilling their functions, as the new forms of growth in these cities party result from the proliferation of inter-urban networks.”

For example, metros with concentrations in financial services, like New York, are forming tight, interlocking networks for the continual transfer of knowledge, workers and capital with similarly focused metros around the world: London, Frankfurt, Paris, Shanghai, Tokyo, Sydney. Manufacturing supply chains tie Detroit to metros in both developed and rising nations: Monterrey, Sao Paulo, Buenos Aires, Cologne, Johannesburg, Chennai, Chongqing, Hanoi. Systems of global freight transport are increasingly interconnected, moving goods seamlessly across land, air and sea and linking up key U.S. freight hubs such as Los Angeles and Chicago with similar hubs such as Tianjin, Seoul, Hong Kong, Singapore, Dubai, Hamburg and Rotterdam.

These networks obviously start with firms that do business with each other, but over time they extend to supporting institutions — governments, universities, business associations — that provide support for companies at the leading edge of metropolitan economies. Eventually, these metros become less like fierce rivals, and more like a team with different specializations.

These metros, drawing on both their firms and supporting institutions, must build intentionally on these connections — not only as markets for their goods and services, but as sources of investment and talent.

One of the metros on the vanguard of broadening its global network is Seattle. The cities of Seattle, Tacoma, Bellevue and Everett, the Pierce and Snohomish county
governments, the ports of Seattle, Tacoma and Everett, and the Greater Seattle Chamber of Commerce have partnered to form the Trade Development Alliance of Greater Seattle to promote the region “as one of North America’s premier international gateways and commercial centers.”

The Trade Development Alliance promotes the Greater Seattle region in targeted world markets through publications, trade missions and benchmarking against other global cities. Bill Stafford, the organization’s former president, led trade missions for Seattle’s business and political leaders for the past 20 years to countries throughout Europe and Asia that are strategic trading partners for Greater Seattle and the state of Washington. These missions cement the personal relationships that are the foundation of business in many cultures. They not only have created export opportunities for Seattle-based firms, but have also helped attract direct foreign investment and even tourists. They are also a learning exercise for Seattle’s policymakers. According to Stafford, the Trade Development Alliance is helping Seattle “build the most internationally sophisticated leadership in the world.”

According to Benjamin Shobert, who runs a strategic consulting firm in Seattle, the Alliance’s trips lead to unexpected business opportunities. Describing a trip a few weeks ago, he said, “[W]hile my emphasis was on CleanTech, the exchange of ideas and networking has created two immediate opportunities to act on in an unrelated area. Taking the time to plug in and open yourself up to new opportunities is made easier and the opportunities broader through exchanges like this.”

**4. THINK LONG-TERM, ACT NEAR-TERM**

Many city governments, economic development groups or chambers of commerce have a long-term vision, but successful metropolitan areas also have clear milestones on which they can act along the way.

Some of the most visible of these milestones are major international events. Turin, Italy, which was devastated by the rapid decline of the Fiat company, started to debate a groundbreaking strategic plan for its region in 1998. One year later, it was named the site of the 2006 Winter Olympic Games. The strategic plan and a prior 1995 urban master plan gained powerful urgency as Turin hastened to build the infrastructure to support the games and position itself as a center for tourism and sports. As one Turin Chamber of Commerce representative put it, the Olympics gave Turin a timeline to “leave behind our ‘habit of mediocrity’ that we’d had since the decline of Fiat.”

The city and surrounding region continued the momentum by hosting events like the International Architectural Congress in 2007, the designation as World Design Capital in 2008, and a celebration of the 150th anniversary of the unification of Italy in 2011.
The point here is emphatically not that chasing high-profile events leads to a thriving metropolitan area. Rather, high-profile events can be powerful milestones to drive and mark metropolitan progress. A smart, realistic economic development strategy, based not on ribbon-cuttings but on real metrics, takes a lot of unglamorous work. Once the metrics are in place, the punctuation of big, feel-good undertakings helps keep people focused and committed to the larger plan.

5. Find Leaders That Reflect Who You Are Now, Not Who You Were 50 Years Ago

Successful metropolitan leadership networks have become more diverse, inclusive and representative of a broad range of constituencies. This represents a stark departure from the period immediately following World War II, where civic organizations in most metros were led by a small group of elite business leaders from the dominant firms in the region. During this period, many of these business-led organizations had transformative influence on the political and economic landscape of their cities and broader regions, but power remained concentrated among a few corporate elites. But, as corporations consolidated and moved, and manufacturing began to decline, metro economies, particularly in the Northeast and Midwest, began to shift and diversify. As a result, as Hal Wolman and Royce Hanson have written, “the power and influence of these organizations began to wane after the mid-1970s, as economic restructuring, deregulation, and suburbanization took hold and demographic changes shifted political leadership.”

In some metros, this led to a broader and more diverse set of leaders, as heads of non-profit and philanthropic organizations, such as hospitals, universities and foundations, have become more involved and exerted greater influence. Because these institutions tend to be more diverse themselves, the networks that they join become more representative of the diversity of metropolitan economies than a small clique of corporate elites that dominated during the mid-20th century.

The experience of the Greater Cleveland metropolis during the last four decades is a mirror image of this general trend. After several decades of bitter disagreement between City Hall and corporate leadership, around 50 of Cleveland’s major chief executives with strong ties to the region banded together to form an organization called Cleveland Tomorrow in the early 1980s, with the goal of spurring job creation and fostering economic growth in the region. During the next two decades, Cleveland Tomorrow focused on improving education, increasing funding for research and development, attracting new businesses to the region and strengthening the position of existing Cleveland firms in the globalizing economy. While the organization
was successful in helping to attract investment in Cleveland's downtown core and broaden the base of economic assets in the region, Cleveland Tomorrow continued to be adversely impacted as corporations — and thus their CEOs — moved out of Cleveland or consolidated with other firms outside the region.

The outcome, as Wolman and others found, was that “professional service firms and non-profit organizations, particularly hospitals and universities, became more important to both the regional economy and civic leadership.” The growing influence of leaders from this more diverse set of organizations led to the merging of Cleveland Tomorrow with two other regional business groups in 2004 to form the Greater Cleveland Partnership. Not only did the Greater Cleveland Partnership encompass a wider range of organizations, it also expanded the geographic range of the organization to include the Akron, Canton and Youngstown metropolitan areas in Northeast Ohio.

Today, the Greater Cleveland Partnership is part of an even larger regional network, which also includes non-profits like the Fund for Our Economic Future and other alliances of mayors and regional stakeholders. These regional organizations are critical to the long-term health and prosperity of Northeast Ohio, and in fact are starting to work on long-term competitiveness strategy for the region.

WHAT NEXT?
The new frontier in metropolitan networks is social networks, or the new technologies and platforms that connect people instantly and expansively. Mayor Cory Booker of Newark, N.J., for instance, has 1.1 million Twitter followers — more than four times the number of people who live in Newark.
In May 2011, the city of Philadelphia started a campaign to facilitate the safe coexistence of walkers, bicyclists and drivers on the city’s streets and sidewalks. Police officers gave warnings or citations to drivers and cyclists who had moving violations, and reminders to pedestrians who were too focused on their smartphones to pay attention to traffic. In July, the local CBS outlet mistakenly reported that anyone texting while walking would be ticketed and fined.

Even the wisest of crowds cannot grapple with complex policies in 140 characters.

This is exactly the kind of “you must be kidding” idea that would go viral, and it did, appearing first in Gawker and eventually in several other outlets including Time magazine’s Techland column.

But the advantage of social media is that the city could respond to the misperception almost as quickly as it spread originally. Mayor Michael Nutter, who had been on Twitter for about nine months at that point, quickly tweeted, “It is NOT illegal to text and walk in Philly. You will NOT be fined. You will NOT be ticketed.”

Texting while walking is hardly an earthshaking public policy matter, but as mayors take on more complicated and/or emotional issues, from public sector pensions to property taxes, social networking tools can help them make their policies better understood. People still may disagree with mayors’ decisions, but at least they are disagreeing with an actual policy, not a rumor.

In Newark, N.J., advisors to Mayor Booker are excited about the way that social media seems to be amplifying citizens’ sense of empowerment (the word comes up repeatedly in conversations with Matt Klapper, Booker’s senior policy advisor, and Matt Donnally, who advises Booker’s campaign on social media.) “There is a spillover effect of engagement,” says Klapper. “Bringing government closer can really have a profound effect.” For Booker, Twitter’s long arm helps with outreach programs, including an interactive public health and fitness campaign.

Perhaps most critically, the people reached by social media often belong to groups government has long struggled to touch. A report by the 2010 Pew Internet & American Life Project found that while social media engages broad and diverse
constituencies, blacks and English-speaking Latinos are more likely than whites to use social networking sites, and are more likely to check those sites daily. Blacks and Latinos were also much more likely than whites to say that government outreach via social media “helps people be more informed about what government is doing,” “makes government more accessible,” and that it is “very important” for government agencies to use social networking sites to share alerts and information.

The promise of social media is that eventually, metropolitan leaders can quickly assimilate the best ideas from other places and even use these diffuse social networks to crowd source solutions to difficult problems. We are not there yet — even the wisest of crowds cannot grapple with complex policies in 140 characters. But today’s tweets may be laying the groundwork for something bigger. Both Twitter and Facebook have units devoted exclusively to getting public officials to use their social media tools. These groups may devise the next breakthrough technology for a more thoughtful public debate. Booker’s team is experimenting with Quora because, as Donnally says, “it’s important to maintain a multi-platform social media strategy so you’re in a position to take advantage of changing trends and different communities to maximize your reach.”

There are ample reasons to be bullish about the trajectory of metropolitan networks in the United States. Competition, innovation and replication are powerful traits, and ones that can thrive in today’s digital age.

Metro collaboration is its own “idea virus,” tailor-made for replication. At a time of federal drift and dysfunction, these innovations send strong signals to metropolitan communities eager to grow, retool their economies and make the prerequisite transformative investments. The next decade will see a proliferation of new, enhanced metropolitan institutions and networks — as a result, new strategies and interventions on everything from transport to energy to competitiveness.
“Who you know determines who you are.” Reid Hoffman’s dictum is an imperative for metropolitan leaders. They have to know others across municipal borders and even global frontiers, across different economic sectors and social groups. They have to know their constituents, and be open to ideas coming to them from new technologies and new voices. That kind of networked and ever-evolving knowledge determines whether or not metro leaders — and the places they are building — will flourish in the coming age.
ABOUT THE AUTHORS

Bruce Katz is a vice president at the Brookings Institution and founding Director of the Brookings Metropolitan Policy Program, which aims to provide decision makers in the public, corporate and civic sectors with policy ideas for improving the health and prosperity of cities and metropolitans areas. Katz regularly advises federal, state, regional and municipal leaders on policy reforms that advance the competitiveness of metropolitan areas. He gives dozens of lectures and presentations annually in the United States and abroad before public, corporate, civic and university audiences. Mr. Katz is also a visiting Professor at the London School of Economics.

Before joining Brookings, Katz served as Chief of Staff to Henry G. Cisneros, former Secretary of the U.S. Department of Housing and Urban Development. Mr. Katz has also served as the staff director of the Senate Subcommittee on Housing and Urban Affairs. Katz is a graduate of Brown University and Yale Law School.

Jennifer Bradley is a fellow and co-director of the Great Lakes Economic Initiative (GLEI) at the Brookings Metropolitan Policy Program. Her work focuses on policy reforms at the federal, state, and metropolitan levels that can improve the economy of older industrial metropolitan areas. She also writes on governance issues and understanding how environmental, economic, and social trends affect America’s metropolitan areas.

She was previously the Federalism Project Director at Community Rights Counsel (now the Constitutional Accountability Center), where she co-authored Supreme Court briefs in major land use cases. Bradley began her career as a journalist, and has written for The New Republic, the Atlantic Monthly, the American Prospect, and Democracy: A Journal of Ideas.

Bradley graduated magna cum laude from Georgetown University Law Center, where she was a member of the Georgetown Law Review. She has a master’s degree from Oxford University, which she attended on a Rhodes Scholarship, and a bachelor’s degree from the University of Texas.
Regional Cooperation Agreements in Economic Development

By: Brett Common

Competition between countries, states, and cities for talent, jobs, and businesses can be a very healthy activity. It incentivizes governments to formulate policies that promote economic growth and improve local assets such as workforce development programs, quality of life enhancements, infrastructure investments, and efficient regulatory and tax structures.

But competition for jobs can also lead to inefficient policy choices, namely counterproductive intraregional competition, commonly referred to as “poaching.” In these situations, communities deploy some of their resources, usually in the form of finance or tax incentives, to lure companies away from jurisdictions next door. This type of behavior is also common with the attraction of new companies, where cities within the same region try to undercut their neighbors to make sure a business lands within their own respective borders.

Short-sighted competition between neighboring communities leads to a “silo effect” – a lack of communication and cooperation – where intraregional economic development becomes an unnecessary zero-sum game between players that should be on the same team. It ignores the regional nature of economies and results in merely a “reshuffling of the deck chairs,” or the shifting of jobs versus the creation of new ones. There are numerous examples of companies moving only a few miles into the suburbs to the detriment of urban employees. These transfers can go both ways, however.

Rather than continue unproductive local competition that can lead to detrimental economic and fiscal outcomes, cities, counties, economic development organizations, and other community stakeholders can commit to regional cooperation.

Developing a regional framework that focuses on a clear, cohesive, and unified economic development strategy projects a positive business environment to outside firms while encouraging the expansion and retention of existing businesses.

This publication will highlight proactive regional economic development programs and agreements designed to share information and promote integrity between regional jurisdictions. It will then conclude with key take-aways and an example of an agreement currently in operation.

Grants and Revenue Sharing
Perhaps one of the most well-known regional economic development agreements is the ED/GE, or “Edge,” program in Ohio’s Montgomery County, established in 1992. The ED/GE program combines two separate funding mechanisms that promote shared growth within the county. In 2011, the ED/GE program was renewed to run through 2019.

The ED (Economic Development) fund disburses grants to localities to finance economic development projects. The amount of funds available in the ED fund is determined annually by the Board of County Commissioners; in 2012, $3 million was available to be disbursed. The grants are awarded twice per year. Projects that take precedent in attracting ED funds strive to expand the local tax base, involve collaborative efforts involving two or more local communities, and provide infill growth, among other criteria. Furthermore, ED funding goes to projects that “discourage interjurisdictional relocation.”

In order to determine which communities will be awarded ED funds, fund administrators visit each community that has submitted an application for funds. Each applicant community is able to present its case for funding, and then the officials rank each project, with the top performers receiving grants. The funds are distributed through a reimbursement process, with strings attached to ensure that the projects create a certain percentage of jobs promised. The process takes approximately six weeks.

The GE (Government Equity) fund allows localities within Montgomery County to “share some of the economic benefits resulting from new economic development.” The fund is made up of contributions by localities based on a growth contribution formula that takes into account population and increased income and property tax revenues. Then funds are distributed to each community to be used to pursue economic development opportunities as well as to promote regional economic growth.

Every three years, there is a “settle-up” provision that accompanies the ED/GE program to ensure equitable fund distribution and revenue sharing. In short, “if the member jurisdictions’ contributions to the GE fund exceed the amounts it received from the ED fund, the jurisdiction is entitled to an allocation in the amount of such excess from the ED Fund balance.”

The ED/GE program fosters healthy competition and cooperation among the jurisdictions of Montgomery County using financial incentives to promote regional growth. While there are many locations where tax revenue sharing is not politically viable, Montgomery County demonstrates that it can be a bonding agent that ties an area’s growth to the region, not necessarily individual jurisdictions.

Through the ED/GE program, Montgomery County has attracted subsidiaries of companies such as Caterpillar, Payless Shoes, and General Electric.

**Code of Ethics**

Metro Denver, Colorado
Laura Brandt, Manager, Economic Development
The Metro Denver Economic Development Corporation (MDEDC) requires the totality of its members to sign a Code of Ethics that outlines rules to prevent unhealthy competition between Metro Denver communities. The Code was devised in 1987 by a group of eight economic developers (nicknamed the “Crazy 8” since regional cooperation was such a crazy idea at the time) led by Tom Clark, who now serves as the Chief Executive Officer of the MDEDC.

The catalyst that brought Denver communities together was the economic malaise of the 1980’s. At the time, the Denver area was strictly an oil and gas town, but when the sector entered a down cycle, the whole area struggled. The area needed to work together to bring businesses to the area that would help to diversify the regional economy. Thus, the Code of Ethics was born. The Code was paired with an unlikely enthusiasm for the idea since the whole region’s back was against the wall.

There is a strong commitment to regional cooperation throughout the Code of Ethics. Members of the MDEDC are strongly encouraged to “sell Metro Denver first and our individual communities and projects second.” Selling against other localities within the metro area in order to attract prospects is explicitly discouraged and members are forbidden to solicit another member’s prospects.

In the Code of Ethics, information sharing and transparency are paramount. If a company intends to move from one locality to another within the region, members are expected to contact the affected community and inform them of the potential move. This is not to be taken lightly, as a “violation of this commitment shall be viewed as the single most serious breach of our membership pledge.” Also, if individual members find that they are not able to meet the needs of a certain business prospect, they are encouraged to “communicate with our fellow members in an effort to meet the company’s needs elsewhere in the Metro Denver area.”

The response by prospective companies looking to do business in the Denver region has been tremendous. According to Laura Brandt of the MDEDC, Metro Denver’s regional-centric approach to economic development “blows companies away.” Companies and site selectors are consistently surprised that the region actually does operate regionally. They also appreciate having a single point of contact – the MDEDC – which allows one unified message to be portrayed to any business interested in the region.

Denver’s regional approach to business attraction and retention underscores the fact that companies are more likely to look at a metro region as a whole, as opposed to individual cities and municipalities. The method has set an example for other regions to follow. For example, after a trip to Denver, leaders from Northeast Indiana signed their own Code of Ethics in 2011.

The MDEDC currently counts 70 cities, counties, and economic development organizations as members.

**Retention and Anti-Poaching**
After a tumultuous period in the early 2000’s, Cuyahoga County became a charter government in 2009, and in 2010, Ed Fitzgerald was elected to become the first executive of the county. Prior to Fitzgerald becoming county executive, the communities within Cuyahoga County operated in silos, competing against one another for businesses in what turned out to be a zero sum game. To encourage regional cooperation within the jurisdictions of the county, Fitzgerald and his staff drafted the Cuyahoga County Business Attraction and Anti-Poaching Protocol.

Edward Jerse, the Director of Regional Collaboration, was tasked with visiting all of the county’s communities to sell them on the idea of regional cooperation. In order to reach a consensus, the county started with a relatively modest agreement to avoid any widespread discontent among the neighboring communities. The idea was that if small steps could be taken to get an agreement off the ground, it could open the door for more ambitious regional cooperation in the future. Cleveland came on board midway through the negotiations, which gave the agreement a big boost.

There was some initial hesitation to sign such an agreement in some of the county’s jurisdictions. Some communities feared they would lose their distinct identity within the region. Also, a rift between higher-income, outer-ring (Cleveland) suburbs and lower-income, core neighborhoods formed over the issue of a potential tax revenue sharing component to the agreement. Some of the lower income communities advocated a revenue sharing system; for the outer-ring suburbs, revenue sharing was a deal breaker. Revenue sharing was subsequently left off the Protocol, which incentivized more communities to sign on.

The Protocol became effective in September of 2011. Currently, fifty-four of fifty-nine communities have signed on to the agreement, which comprises 96% of the population of the county. There are four basic principles on which the Protocol lies:

1. “Facilitate interactions between the county and the communities to promote economic development;
2. Establish a county-based “one-stop shop” for businesses considering location or expansion on Cuyahoga County;
3. Express the commitment of the participating communities that they will not actively pursue the re-location of a business that has not indicated that it is considering a move from its current location in another participating community; and
4. In instances where a business is exploring a possible move, establish procedures to balance the interests of the business’ home community and other participating communities.”

With a $100 million economic development fund established this year combined with the cooperative Protocol, there has been much positive feedback emanating from the region recently.

http://www.nlc.org/find-city-solutions/center-for-research-and-innovation/economic-develo...
companies view the region more favorably as a business destination, and the area’s mayors have been pleasantly surprised with the level of information sharing taking place within the county

Guidelines for Economic Development Professionals and Organizations

East Bay, California
Scott Peterson, Deputy Director
East Bay Economic Development Alliance
scott@eastbayeda.org

The East Bay chapter of the California Association for Local Economic Development (CALED) developed a Code of Ethics, which the East Bay Economic Development Alliance (East Bay EDA) – a public/private partnership serving Alameda and Contra Costa counties – adapted to create guidelines for economic development professionals and organizations. The membership of the East Bay EDA includes the cities in Alameda and Contra Costa counties as well as businesses, universities & community colleges, and community groups.

The guidelines are designed to strengthen regional accountability between cities in the neighboring counties, explicitly stating “businesses will be much more willing to invest in a region that works together to retain and attract businesses.” There are two pillars on which the agreement rests:

1. “Responding to business inquiries/leads from businesses already in the East Bay; and
2. In-state/East Bay marketing programs”

As in the other examples highlighted in this publication, the first pillar of the East Bay guidelines encourages information sharing between communities. The guidelines not only attempt to retain companies in the region, but also the state: “If it is determined that the business cannot be retained in its resident city/region, the information should be passed on… to see if the business can be retained in the East Bay, then the Bay Area, Northern California and finally the State of California.” If the city cannot meet the requirements of the business, then federal or state funding can be introduced as an incentive.

The second pillar of the East Bay guidelines concerns keeping the peace when marketing your community to outside firms. Marketing materials should not highlight the negatives of other communities or jurisdictions within the region or the state: “mud throwing stains the thrower as well as the target and denotes a lack of professionalism.” The focus is on promoting the positives of the region, differentiating it from out-of-region or out-of-state locations.

The East Bay EDA shows that an existing regional cooperation framework can be tailored to fit the needs of a local region. Adapting already existing guidelines can reduce the administrative burden of creating an agreement from scratch. It also allows regions to shop around for an agreement that makes the most sense for its needs.

Key Take-Aways
The examples above are intended to serve as a snapshot of different approaches to regional economic development agreements that promote cooperation and regional integrity. As always, the examples are not one-size-fits-all. Each region has its own unique economic characteristics, which need to be accounted for when approaching regional agreements and cooperation.

While these examples may not be directly transferrable, we can infer some key ingredients of the agreements:

- **Information Sharing and Transparency are Paramount**

  One ingredient included in all of the regional agreements is either an explicit or implicit expectation of information sharing. This especially works well in Denver, which has a unique history of exemplary regionalism. Information sharing – while respecting individual prospect confidentiality – includes notifying an affected community if a company in its jurisdiction has expressed a desire to move. It also includes informing other communities within the region if a company would like to locate in your jurisdiction, but unfortunately your city or village doesn’t have the facilities or land to accommodate the firm. Giving other local communities a chance to land the company can continue to add to the vibrancy of the region.

- **Combine Anti-Poaching with Retention**

  When Cuyahoga County was developing its regional agreement, it was intended to be an “anti-poaching” document, designed to stem the pervasive competition between localities to steal companies from one another. Though this was a worthy goal, “anti-poaching” as a term didn’t sound too inviting, and mayors expressed reservations. Thus, the “anti-poaching” agreement was retooled as business attraction and retention agreement with an anti-poaching component. Attraction and retention practices should be the overall focus, and then adding policies that discourage competition in bad faith can be pursued.

- **Regional Agreements Should Endure**

  It is important that regional economic development agreements endure. This means that once a regional agreement is signed, it is binding even if there is turnover in participating city councils or mayoral positions. The Montgomery County agreement dictates that communities stay in the agreement until the current program runs its course, currently 2019. Communities can still join at any time, but they can’t get out. This is understandable in light of the revenue sharing component. Other agreements, such as the one in place in Cuyahoga County, allow individual communities to exit the agreement at their discretion, but the agreements do not expire as the council members and mayors that approved the agreements exit office.

- **Anchor City Involvement**

  The support by Dayton, Denver, Cleveland, and Oakland was crucial in moving the negotiation processes forward. There is bound to be an anchor city in your region. Whether it is as large as Denver or as small as Dayton, it is important to garner support from these centers of economic activity. Without their support, it severely hampers the region’s ability to lobby for a widespread buy-in from the region’s smaller communities. If the anchor city is not bound to act with integrity, it will be able to solicit bids and “poach” companies away from the other regional communities.

- **Adapt the Agreement to Best Fit the Region**

  In the Cleveland and Dayton, Ohio regions, an agreement at the county level was most effective. In the case of Metro Denver and California’s Bay Area, it made more sense to develop an agreement at the economic development organization-level. There is no wrong way to construct such an
agreement. It could be a bilateral agreement between two communities, an agreement within a whole county, or an agreement within the boundaries of a large city. As long as the agreement is committed to a healthy, cooperative region economically, it doesn’t matter at which level the agreement is devised. And, as a recurring theme of this publication has hammered home, buy-in on the part of participating communities is crucial.

- Start Slow

Regional cooperation is something that each community views with different opinions, some favorable and others hostile. This makes it vital that when formulating agreements, stakeholders walk before they run. Cuyahoga County is a perfect example. There was hesitation on the part of the individual communities, especially the different viewpoints of the outer-ring suburbs of Cleveland and core jurisdictions. Because of this, county officials crafted a modest agreement, where participating communities wouldn’t have to sacrifice too much policy sovereignty. This increased the chances of attracting a large percentage of the region’s cities and towns. Once an agreement gets off the starting blocks, discussions can continue to promote more integration, but in the beginning, a less formal and binding agreement may be needed.

Starting slowly may mean leaving revenue sharing on the shelf for a later time. The ED/GE program in Montgomery County is very unique in that it has a tax revenue sharing component to its regional focus. While it has been very successful in the context of the region where it operates, revenue sharing is not a requirement for regional agreements, nor is it realistic. Many communities would balk at any sort of revenue sharing component, particularly at the outset of a regional cooperation dialogue. No matter; as was discussed above, most regions will have to start modestly and erect an agreed upon regional agreement. Once it is in place, and more importantly, once it is in place and successful, then talks can begin on revenue sharing, if so desired.

Conclusion

When companies are choosing a place to do business, they usually don’t focus on a single city or jurisdiction; they usually target a region that has the components that make it the ideal fit, whether it is a highly educated workforce, a favorable tax environment, or some other combination of features. In a presentation to Milwaukee leaders, Tom Clark explained that “if you’ve got customers thinking of your region as a place, then you sell the region first and the individual place separate.”

Acting as a region first and individual communities second places a premium on having a single point of contact and an easy-to-understand process of finding the best place to do business. One of the most refreshing things cities or regions can offer to businesses is policy certainty, which is what these agreements offer. With the global economic environment as ambiguous and uncertain as ever, proactive regionalism might just be what the doctor ordered.

Brett Common is a research assistant for the Finance & Economic Development Program in the Center for Research and Innovation at the National League of Cities. He can be reached at common@nlc.org.

Thank you to Laura Brandt, Linda Gum, Edward Jerse, and Scott Peterson for providing additional information that supported the production of this publication.
How Portland Community-Sourced an Economic Development Plan

by ICMA

March 17 2011

In 2010, city leaders in Portland, Oregon, sought to produce an economic development plan that would create jobs to enhance the city and region's economy. Rather than using the typical model that relied on hiring a consulting company, however, Portland took a pioneering “community-sourcing” approach. Portland officials believe that this approach not only produced a more effective economic development plan for a lower cost, but also improved citizen engagement.

Leaders of this economic development initiative identified four local industry clusters: clean technology, athletic and outdoor, advanced manufacturing, and software. Because of the number of high-income jobs it produces and its ties to the other clusters, leaders decided to focus on creating jobs specifically in the local software industry.

Portland, the third most populous city in the Pacific Northwest, is not only known for being one of the most environmentally friendly cities, but also for being home to a large software industry. One thousand five hundred software companies are located in the metro area, more than half of those companies are based in the city itself, including Webtrends, Mentor Graphics, WebMD, and McAfee.

Creating a plan for the development of Portland’s software industry required a collaboration among business, nonprofit, and government representatives, including municipal officials, the Portland Development Commission, survey specialist FUSE Insight, PR and ad firm McClenahan Bruer, network service provider ViaWest, and the Software Association of Oregon. Working together, this team created a community survey and subsequent economic development plan.

The “community-sourcing” process included systematically getting feedback from over 500 individuals via Internet surveys. Project leaders developed a system in which they first compiled survey results from the community to understand the needs being expressed, then held a town hall meeting to discuss these findings, and finally conducted an updated online survey. This process was completed a total of three times and provided a clear focus to project leaders. The surveys culminated in a large, standing-room-only meeting with 250 attendees at city hall in early December. Based on the information gathered, project leaders tapped three networks of resources: user groups, financing for companies, and mentoring. According to Thompson Morrison, CEO of FUSE Insight and leader of this project, the “community-sourcing” phenomenon was able to “unleash creative initiatives.”

Morrison noted that the use of “community-sourcing” generated many measureable benefits as opposed to hiring a consultant, such as keeping the costs lower by avoiding costly focus groups and gathering more opinions through online...
surveys than they would have through focus groups.

Morrison also asserted that the initiative improved citizen relations. Before this initiative, the project team used Net Promoter Score, a tool commonly used by industries to quantify the relationship between customers and companies, to measure the relationship between citizens and the government. In this initial evaluation, individuals reported that Portland’s software plan would be ineffective because education and the city government did not align with the actual needs of the community. When measured again six months later, not only did those polled raise Portland’s overall rating significantly, but also said that based on the listening process in this initiative, the city government and education system was in complete alignment with the needs of the city. Citizens also went from seeing a scarcity of resources in the area to an abundance of resources based on these communications.

Through the “community-sourcing” process, Morrison found that a key challenge to overcome was the disconnect citizens felt about their role in public policy development. He asserted that in order to be successful, they had to create a “validating and inclusive process” to overcome the lack of trust individuals had in the government, often based on feelings of being marginalized. Morrison and his team attempted to create a process where each citizen’s voice was heard in relationship to all other opinions. “Leadership needed humility and to listen, reflect, and guide to gain trust.”

For more information on Portland’s experience community-sourcing economic development, visit:

http://www.pdc.us/new/releases/2010/news-release-2010-12-03.asp. and

Economic Development in Hard Times

by ICMA

July 5 2012

One of the greatest challenges to state and local economic developers is to be tasked with developing their communities in times of economic recession. As large companies lay off workers, small businesses close, and money for investment becomes tight, tax receipts dwindle as well. This causes government to tend to use its remaining resources to ensure the continuation of basic services rather than expending them on development efforts. . . However, there are actions that can and should be taken:

**Engage in Economic Development Strategic Planning**

One of the main functions of strategic planning is to help organizations achieve their goals within the limitations of the resources available to them. Thus, an economic recession is a prime time for engaging in economic development planning. It not only can help the community weather the storm but also takes advantage of the slack time created by a slowdown to prepare for times of economic boom ahead.

**Find Partners and Build Networks**

Each community is part of a regional economy. Each regional economy is a component of the national economy, which in turn is a player in the global economy. This suggests that communities that share boundaries and economic realities and build social capital among themselves can benefit from what Brandenburger and Nalebuff call "co-opetition," or collaborating to compete. . .

Mutual benefit can be reached only when each party knows what it wants and why and can express that clearly to the other parties in the partnership. This becomes the basis for negotiating an agreement that is effective and will last the lifetime of the partnership.

**Invest in Entrepreneurship**

Entrepreneurship can be a low-cost, bottom-up strategy for fostering economic development. It is economically sustainable because it is small scale, draws largely on local resources, and produces home-grown businesses that tend to be loyal to the community in which they were spawned. These qualities help make entrepreneurship assistance, or enterprise development, an attractive economic development strategy for hard times.

**Engage in Bootstrapping**

Entrepreneurs not only can help build economies but also can be role models for how to do more with less. In the world of entrepreneurship, this is called *bootstrapping*. . .

Bootstrapping involves a variety of techniques for attracting and utilizing other people’s resources to help entrepreneurs accomplish their goals.

For example, a small rural community in the Midwest wanted to start a kitchen business incubator, but the community could not afford to buy a building and outfit it with the kitchen equipment . . . Community planners negotiated with the local high school to give their clients access to the school’s home economics lab when school was not in session.

**Make Investments in Economic Good Times with Foresight**

Rather than waiting until the economy takes a turn for the worse and reacting to that, it is far better to look forward in
good times and make the kinds of investments that will cushion the blow of a recession. . . . Of course, this requires the kind of long-range anticipation that only planning can provide, which brings us full circle. Planning ahead is absolutely the best way to manage hard economic times.


Get the full picture on strategies for economic development by checking out ICMA’s *Economic Development: Strategies for State and Local Practice* at ICMA.org/press.
America’s Metro Regions Take Center Stage

8 Reasons Why

Regions Refine Federalism:
Analysis by the Citistates Group
With Reflections from a Pocantico Conference

April 2012
America’s Metro Regions Take Center Stage

Introduction

METROPOLITAN REGIONS are the dominant demographic and physical form, the citistates of the 21st century. They’re the critical base for the globalized economy. In a world of expanding trade flows and borderless economies, they represent a framework—flexible, organic, creative—that makes practical sense.

Some metros are far larger in population than entire states (or even nations). Yet because of their relative compactness, metros—even those with millions of population—offer more opportunities for direct connections, to deal pragmatically with shared challenges, than either states or nation states. Face-to-face contact makes it possible for metro economies, universities, transportation, environmental systems to work in tandem. Metros can bring many sectors to the table and forge widely supported agendas. They are arenas to build relationships and trust—respect, empathy, inclusiveness—in stark contrast with the divisive partisanship and ideologies that easily paralyze decision-making at the level of states and nations.

Collectively, metros now represent an overwhelming share (the largest 100 alone are 66 percent) of the United States’ population—and even more of its economy. They’re home to all but a few corporate headquarters and financial institutions. They’re centers of innovation, the site of most of the nation’s great universities, the 21st century’s hotbeds of innovation and talent building. Without them, the United States would be a pale shadow of its present self.

But—metros are also well described as “messy.” Regional problem-solving is usually complicated, difficult, frustrating and full of surprises. Each multi-jurisdictional issue has its own scale and scope, its own “region”—sometimes the same as, sometimes quite different from regions designated by state governments. Many challenges are made all the more complex when the physical region actually spreads across state lines. (There are actually 30 such regions in the U.S. today). Regional accords don’t always come easily—they’re more often the fruit of grit and public interest vision. They’re about working through competing interests and values, dealing with disagreements but also searching out new synergies, compatible goals. An essential component: broad-minded regional leadership—political, business, university, foundation or other, that can see beyond differences to mutual gain.
A vibrant federal system is critical to the well-being and progress of the American nation and all its people. But there’s a serious disconnect as metropolitan citistate regions become the focal point of the nation’s population and lead players in its economy. Federal policy is barely catching up with their needs and priorities. And state governments, which hold vast (in fact absolute) legal power over the splintered governance, often support their urban regions even less.

Aware of the disparities, the Citistates Group—an informal association of journalists and other professionals concerned about viable 21st century regions—undertook a fresh analysis of the problem, partnering with the Community Growth Education Fund of the American Chamber of Commerce Executives. The initial focus was on state-region relations and the clear lack of regional autonomy.

But generous support from the Rockefeller Brothers Fund to hold a conference at its Pocantico estate on the Hudson River provided an opportunity to tap the thinking of a distinguished cross-section of close observers and operational veterans of metropolitan affairs and governance. And the discussions, at an October 2011 session, yielded a surprise. The panelists found metro regions on an upward swing—increasingly recognized and influential.

The result was less focus on problematic rules and regulations of the state and federal governments (though those issues haven’t gone away). Rather, the conferees concentrated on the ways that many regions are starting to assert themselves where it really counts today: as economic forces important not just to themselves, but to the entire nation, and as players on the world stage. The clear conclusion: a more expansive range of more supportive policies, both at the state or federal levels, could yield critically important results for the nation as a whole.

While this report reflects and builds on many of the ideas raised at the Pocantico sessions—the authors “take” on many of the themes that were introduced—it’s definitely not a formal group report. Several of the attendees did follow up with essays expressing their individual views, which can be seen at the Citistates Group’s website (www.citiwire.com).

In addition to the Rockefeller Brothers Fund, support for this project was contributed by the William Penn Foundation and the Carnegie Corporation. The authors are most grateful to all, but hasten to note that the viewpoints expressed do not necessarily reflect those of the foundations or their staffs.
Economics Now Reign

As domestic consumerism falters and the United States faces increasingly strong competition on every front from manufacturing to specialized higher education, smart metropolitan economic clusters become more vital than ever. Regions that can’t craft clear development strategies, distinctive domestically or globally but preferably both, face bleak prospects. The challenge requires having “all hands on deck”—each region’s metropolitan chambers of commerce, universities, lead corporations and community foundations, working collaboratively to define and then create the conditions that invite investment and prepare people with the knowledge and skills they need to participate.

This doesn’t mean that the existing issues of metropolitan region’s governance, the ties and conflicts among cities, counties, regions and states, have disappeared. But they’re not getting the headlines they once did. Hit by the economic downturn of recent years, regions across the United States have placed priority, more than ever, on the bottom line—developing industries, creating jobs, fighting off decline. And in one sense regions should be well positioned because they’re more coherent as economic entities than either their entire states or their individual cities or suburbs.

Economic competitiveness has emerged as a great unifier for regions, a rallying point for individuals with different political affiliations and groups with different agendas. What’s evolving is a set of visions, varied methods, by which regions at various points of development grasp the idea of collaborative economic strategies—not unlike the mix of strategies and approaches that emerged from the Progressive good government movement a century ago. Collaboration is the key, but leadership remains critical.

Seeing the world
An increasing number of regions, looking for markets, are focusing more efforts globally and are following the lead of such citistates as New York, Los Angeles, Dallas and Seattle, which early on worked to bolster their international trade position by capitalizing on their seaports and airports. Combined agendas of financing, marketing, and goods distribution are all part of the picture.

These regions recognized earlier than most that the entire world is now the operative platform for imagining things, designing new products and services, plus manufacturing, sales and distribution. Today nearly everything can be done from nearly everywhere. For example, even the term “outsourcing” is fast fading; there is no more “out,” only sourcing.
A prime example of this foresight is the 21-year old Trade Development Alliance of Greater Seattle, a joint effort involving all of the region’s counties, major cities, ports and unions coordinated by the Greater Seattle Chamber of Commerce. The rationale was clear in the organization’s tag line: “recognition that new local partnerships are necessary to retain our region’s future competitiveness in a rapidly changing global economy.” In addition to extensive international trade and study tours, the Alliance has a marketing kit in 18 languages, focused on research, manufacturing, environment and global health. Globally connected corporations such as Boeing and Microsoft are involved.

Former long-time Alliance head Bill Stafford often described their international visits as a way to introduce his region to the world (and leaders in other major international citistates to the Puget Sound region), building cultural as well as economic understanding and forging relationships.

**Achieving serious political coherence**

Anything more ambitious than ordinary logistics demands a heightened regional coherence. A prime example was the effort that went into constructing the Alameda Corridor project, a 20-mile freight expressway to move goods from the Ports of Los Angeles and Long Beach through the region. The effort involved removing blockages and lawsuits that were threatening the development of the ports.

Negotiated by the Southern California Association of Governments, the resolution involved painstaking negotiations among a mind-boggling list of regional agencies, big railway corporations, local governments and businesses, transit agencies, and community groups. Benefits ranged from expedited traffic to public health (reduction of noxious emissions), while undergirding Los Angeles’ competitive position to handle trade shipments pouring in from Asia and Latin America. A brand new organization was formed to make the deal succeed—the Alameda Corridor Authority. A federal loan accelerated the development of the project, but the leadership came from within.

But will the trade focus of the U.S., the Alameda Corridors of the future, help the country turn around its high trade deficit, creating goods and services with the quality, the inventiveness, and the price points to compete more robustly on an international scale? And to compete even when many foreign governments unabashedly subsidize individual firms and technologies, and invest in ambitious infrastructure (high-speed rail, for example) in ways that the U.S. political culture resists? The answer may lie less in Washington or state capitals (though their help is needed) than in the ingenuity and cohesion of America’s metros.
That ingenuity must include a heavy dose of transformation-level thinking, while hewing to the central challenge to create the conditions that prepare people, preserve the environment, and foster investment both private and public. It means gearing up angel and venture capital. It means a struggle for environmental quality, clean air and water, and quality of place. It means building a qualified workforce, with strong regional support for higher learning—a base of strong community colleges but also universities with research laboratories that can create new, improved, and potentially marketable technologies.

Looking forward it may involve frontiers regional organizations have rarely if ever addressed. One notable example would be K-12 educational quality—a serious commitment to apply American-style ingenuity and innovation to the chronic challenges in inner cities and struggling suburbs that have the lowest tax base availability yet highest preponderance of behind-grade students.

Economic competitiveness has emerged as a great unifier for regions.
Reason 3

Regions on Their Own

However contradictory it may sound, in today’s politics of regions, no one’s in charge and everyone is responsible. No longer able to look to the federal government for much assistance, leaders in regions now have to design their own new models for fending off trouble and addressing their challenges. Inside the regional boundary, the fiery partisan debates that spark national headlines and blogs each day matter very little. The metropolitan regions in the United States are entering, however cautiously, a critical intersection. Some will figure out a formula to coalesce around common interests and find a way to thrive in the new realities. Others will not, and will see their economic prospects wither.

First steps are obvious: wake up and see how much has changed. Public budgets—federal, state and local—are seriously constrained. The performance of the nation’s education system now lags that of international competitors. The state of the nation’s basic infrastructure is slip-sliding toward third-world conditions. Individuals and families living in poverty now reside more outside central cities than within. And other nations around the world are catching up, pushing hard and fast to be competitive places.

All that said, there’s a case to be made that America has a bright future. It still has immense resources and a population culturally conditioned to rise to challenges. But in each metropolitan region, where most Americans live and work, the nation has decided by default to make these challenges local. And that means regional, because no city in a metropolitan region can do what needs to be done all by itself.

This explains the emergence of new governance arrangements. Over the past decade mayors have been organizing themselves into coalitions—notably in Chicago, Denver, Philadelphia, and Minneapolis Saint Paul. These arrangements are not official but they are quite serious; where they’ve emerged they are platforms where elected officials voluntarily confess that there are problems and opportunities that surpass their city’s capacity, that they need help from around the region to be successful.

It is notable to see how much these informal governance arrangements not only have an impact on regional policy, but reduce the likelihood of intraregional “friendly fire” negating the economic prospects of participating cities.

Reason 3 continues on page 11.
See sidebar on page 10.
The Denver and Atlanta Stories

East or West—compelling ideas can crash through political walls

Whether it’s a heritage of a more ambitious cultural DNA or the work of the gods of serendipity, some regions seem exceptionally willing to step out first, take a risk, and confront a major problem head-on. Examples from Denver and Atlanta help to tell the story.

In 2004, Denver region voters decided, 57 percent to 42 percent, to back FasTracks—a $4.7 billion initiative to build some 122 miles of light rail and commuter rail, plus another 18 miles of bus rapid transit. It would be an authentically regional system reaching out as far as Boulder and the Denver airport. Gov. Bill Owens, conservative think tanks, and auto dealers opposed FasTracks. But they were rolled over by a previously unthinkable alliance of then-Mayor John Hickenlooper of Denver, supported by 30 of his fellow mayors across the region—plus environmentalists, real estate development organizations, and the Greater Denver Chamber of Commerce. (A light rail proposal four years earlier, lacking the broad base of support, had failed).

Fifty-one of the 57 stations originally envisioned along Denver’s FasTracks lines were expected to pose major opportunities for transit-oriented development (TODs)—compact new, transit-served communities in which people can live, work, dine or shop in urban settings with significantly reduced auto needs.

Citing the FasTracks experience, Hickenlooper, now Colorado’s governor, notes: Regionwide “collaboration is like a muscle: the more you use it, the stronger it gets.” Among regions today, he said in 2011, “collaboration is the new competition.”

Another example: Atlanta. Expanding at dizzying speed in recent decades (though now in early 2012 leading the nation in declining housing values), metropolitan Atlanta found itself over a decade ago convulsed by world-class traffic congestion, its existing road and anemic public transportation systems increasingly inadequate. The situation threatened to trigger some corporate defections and represented a red flag for potential new employers. Alarmed, the Metro Atlanta Chamber of Commerce began a multi-year campaign to persuade the Georgia legislature to let Atlanta the counties of the Atlanta region hold a referendum on a one-cent sales tax increase to pay for roadway and transit improvements.

Yet, even though the extra penny sales tax would be paid only by Atlanta region residents, resistance in the legislature proved difficult to overcome, reflecting a state history of deep rural and small town antipathy to the capital city. (Nationally state governments provide about 15 percent of their cities’ operating budgets, but for Georgia cities the figure is just 5 percent. And for Atlanta it’s 2 percent.) Among many sticking points, one was who would decide on the expenditures if a referendum succeeded. Atlanta’s leadership was not willing to let Georgia’s historically powerful state Department of Transportation make the decisions. Yet, over time the Chamber and its allies gained support, partly by letting it be known that candidates for state office who didn’t support the measure might see their campaign contributions from Atlanta-area donors imperiled.

But prospects remained uncertain until Gov. Sonny Perdue, a conservative Republican, stepped into the debate in early 2010. His proposal was simple, and radical: Let the proposal to go forward, with its possible 1-cent sales tax for transportation. But authorize the process not just for metro Atlanta, but for all 12 Georgia regions.

Incorporating that compromise, the bill passed in 2010. The 12 districts were defined as be those of existing regional commissions. Each region was to be required to hold a “roundtable” including mayors and county representatives, with an executive committee including area legislators. The roundtable would produce an investment list of transportation projects—including highways, rail or public transit—which would be coordinated across jurisdictional boundaries. The Georgia Department of Transportation would offer advice on projects’ feasibility. The list of projects would require voter approval, district by district (starting with initial votes in 2012). The tax, if approved, would be imposed for 10 years, with the regional commissions’ continuing oversight of approved projects.

Reason 3 continues on page 11.
Like many American phenomena that had origins in the creative juices of the Silicon Valley, this tendency to voluntarily get organized as a region was pioneered by Joint Venture Silicon Valley, a network of political, business, civic, and academic leaders that formed in the early ’90s to help assure the continued competitiveness of the region.

An early achievement, however modest, was on a core issue of metropolitan efficiency: a “Smart Permit” exercise of getting 25 local cities together, agreeing to a streamlining of their building codes, and making the codes standard across the region. Another is the yearly publication of a Silicon Valley Index that tracks the Valley’s progress and challenges based on tough analysis, realistic numbers, released and discussed before an audience of more than 1,000 local stakeholders.

Often regions gain coherence by focusing on difficult challenges. One example of long standing is the Oregon Business Council an organization of CEOs focused on a relevant civic agenda. In St. Louis, the Regional Commerce and Growth Association was able to catalyze a long string of significant regional initiatives. Denver and Atlanta made breakthroughs with civic environmentalists, chambers of commerce and committed local governments. (For a description of the Denver and Atlanta regions’ campaigns, see box on “Landmark Regional Breakthroughs, p. 10)

The bottom line is clear: Regions that organize, assemble broad support coalitions, can break through historic resistance and register advances. Even smaller regions, utilizing today’s advanced information technology, now have the means to develop sophisticated development plans. It’s a matter of will, intelligence, strategy—and building strong coalitions, a “networked governance” model for the times.
Economics, wealth, productivity. How do regions leverage their skills and resources? How do they position themselves to get into the World Series of job competition?

“Business plans” and “cities” or “regions” are terms not normally seen in the same sentence. Almost always, when there is regional agreement on anything, it results from political compromise, some deal made that trades off benefits and risks. Rarely is there an actual underlying strategy, agreed to by the cities in the region, used as a roadmap for leaders to do their work.

But this may be changing. The Brookings Institution is a key change agent on this agenda. By sponsoring the development of what they called ‘business plans’ in selected regional markets, Brookings has pushed a change in the way the challenge is framed. Regional business plans were initially developed, from Brookings support, in three test markets—Seattle, Minneapolis-Saint Paul, and Northeast Ohio.

Minneapolis-Saint Paul is a useful example. It’s a region that still has the nation’s largest number (now at 20) of Fortune 500 headquarters per capita. That number used to be much higher, before mergers and acquisitions took their toll. Still, what American region would not envy this base of large enterprises?

So in this region new models have emerged. One is the Itasca Project, a coalition of some 50 CEOs who are focused on the regional civic agenda. With Brookings’ guidance, the Minnesota chapter of the Urban Land Institute (ULI) produced a business plan in 2011 that focused on how to leverage the advantages of the existing economic clusters of the region. This is an area that for decades took a regional approach to a wide range of challenges—from better treatment of wastewater to transit to land use planning. But these efforts rarely connected to how the regional economy was performing, and were never rooted in anything resembling formalized strategy. With the support of Brookings and ULI, a rather sophisticated strategy—called a “business plan,” was articulated and publicly embraced.

For the first time, otherwise competing mayors and county commissioners of a 14-county, 187-city region agreed to underwrite one economic development office: the Greater MSP. Even five years ago, no one in the region would have predicted that there could be this degree of coalescence.
But regions are on their own in this regard, and they need to get organized for the challenge. Meanwhile, the need is immense, says Bruce Katz, director of the Brookings Institution’s Metropolitan Policy Program, a lead advocate of the concept. To survive in the new global economy, he suggests, each metro needs to mobilize its array of wealth, human talent, and special assets—to be “purposeful, deliberate, collaborative, pragmatic.”

Another regional business planning effort has been underway in Northeast Ohio—the region of Cleveland and its sister cities of Akron and Youngstown, erstwhile continental champions in steel, rubber, chemicals, and auto assembly that were thrown onto the economic ropes by the decline of U.S. manufacturing in recent decades. Here, a strong initiative has been advanced by, among other actors, the “Fund for Our Economic Future,” a consortium of more than 50 regional foundations with an unprecedented collection of the area’s local government, business, civic, and academic leaders. Aimed at boosting the productivity of the region’s 1,600 small to mid-sized manufacturing firms, the new initiative is working firm by firm with a select group of the region’s small- and medium-sized enterprises to help transition more of them into higher-value, growing lines of production.

**Regional business plans start to proliferate**

Through firm-by-firm consulting, the new strategy focuses on areas of growth opportunity such as manufacture of wind turbine parts. But more generally, to tap the collaboration’s new business planning, marketing insights and analysis, capitalizing on ties to the region’s university labs and lending institutions. The idea, as one supporter puts it, is to spark creativity and growth by such innovations as taking “a Rolls Royce facility in fuel cells in North Canton, hooking up with Case Western Reserve University in Cleveland, with polymer technology in Akron, and materials and metal strength in Youngstown.”

And for the Seattle-Puget Sound region—Seattle, Tacoma, Bellevue and their neighbors—a new energy efficiency applications testing center and network has been developed with the goal of turning the region’s enviable cluster of building-control software and energy efficiency firms into a major global exporter. The idea is to seize on the massive export opportunity implicit in the growing national and global market for the latest technologies and services to boost the energy efficiency of buildings.

Similarly, the Central Indiana Corporate Partnership, which includes higher education leaders as well as business leaders, has developed a blueprint for economic progress over recent years. It is focused on key clusters of advanced manufacturing, the life sciences, distribution logistics, and information technology, with a strong emphasis on entrepreneurship and economic diversity.
On a parallel track, the Climate Prosperity Project has worked with four regions—Denver, St. Louis, Portland and Silicon Valley—to help corporations (as well as local governments, universities and other groups) create “greenprints” to help them save money and increase their efficiency and competitiveness. A broad array of related strategies—led by green building standards, renewable energy, efficient water use and reuse, alternative fuel vehicles—are employed.

In St. Louis, nearly 70 firms responded to the St. Louis Green Business Challenge inspired and coordinated by the St. Louis Regional Commerce and Growth Association. Sports teams, corporations and NGOs showcased their advances in technology, energy efficiency, and waste reduction, in effect challenging each other to show progress. Corporations promised to make significant energy use reductions, partly through the creation of internal “green teams.” Nearly two-thirds of the firms adopted a green purchasing policy and more than half pledged to reduce waste by 25 percent.
Successful and resilient regions “get it that economic success involves more than smart companies. Critical factors:

**Equity**—
A new premium is on regions that are open and friendly to all classes and races, combined with fair, shared access to opportunity. Research by Manuel Pastor and Chris Benner shows that more equitable cities grow faster—whether the breakdown is by race, by income or center city poverty contrasted to levels of poverty in suburbs. This relation between equity and growth also seems to be stronger in slow-growing or declining regions than in fast growing ones, which suggests that a focus on equity is not simply a luxury limited to more prosperous regions but perhaps a critical component to jump-starting growth in down economies.

One regional route to equity is building and rebuilding public infrastructure in a way that connects workers to jobs, increases business efficiency, and revitalizes distressed neighborhoods. An example: community workforce agreements that let Los Angeles public works, schools and community college districts create more than 30,000 jobs for low-income neighborhood residents in building and rebuilding city schools, community colleges, and other infrastructure.

In the Minneapolis Saint Paul region, a $1 billion light rail project includes three stations in especially poor neighborhoods, linking residents to job opportunities and enlivening prospects for businesses of color. The Kansas City region, acting through its Mid-America Regional Council, took funding from the 2009 federal stimulus fund package and focused it on a newly dubbed “Green Impact Zone,” a 150-block area of the inner city long plagued by poverty, violence, abandonment and joblessness. The goal: nothing less than turning around every negative indicator in an area that’s long been a glaring exception to the Kansas City region’s general prosperity—notwithstanding its proximity to major roads and a major health sciences cluster. Top agenda items ran from weatherizing every home that needs it to a bus rapid transit system, community policing, and a home-by-home outreach effort that included job training and placement.
REASON 5: But Business Means More Than Business

Long-term collaborative regional alliances—efforts to share understanding of issues among diverse constituencies—appear to yield significant benefits, according to the Banner and Pastor research. In Jacksonville, Florida, for example, a highly effective and long-lasting community council has been working since the early 1970s, creating collaborative community processes to determine public policy responses to the region’s social and economic challenges, and helping to weave together a shared sense of regional destiny.

In Nashville, it’s a business-catalyzed leadership development program that has been working since the early 1970s to develop cross-constituency civic leadership with deliberate efforts to bring growth and equity perspectives together in long-range collaborative learning processes. Such initiatives seem to suggest it’s not just what you know, but who you know it with that makes a difference. In our contemporary world of segmented television news markets, filtered social media networks, and seemingly intractable political conflicts between the major political parties, more efforts to rebuild our collaborative civic infrastructure at this regional scale seem especially important.

Quality of place

In today’s economy, dull development patterns—from tired streetscapes to roadways of cookie-cutter franchises—are serious downers, especially in employee recruitment. The premium, instead, is on livability: attractive open spaces, inviting streets, well-kept parks, enticing cultural and entertainment facilities. All are increasingly seen as keys to retaining high talent and to drawing footloose young professionals to settle in, seek employment, start enterprises in a region.

Air and water quality are key to competitiveness as well. Regions leading on lowered greenhouse gas emissions—for example New York, Seattle and Chicago—are also positioning themselves for more secure futures.

Chattanooga, dubbed America’s most “heavily polluted” city in 1969 by the U.S. Department of Health, Education and Welfare, provides a prime example of environmental resilience leading to economic transformation. Through the work of both public and private sectors, the Chattanooga region implemented voluntary emission reduction measures to meet all EPA targets before 2008. Civic action led to handsome development of the city’s Tennessee River waterfront. Billions of dollars of investment flowed to the region, both in tourism and through such victories as landing Volkswagen AG’s first U.S. manufacturing facility.
**Reason 5: But Business Means More Than Business**

**Infrastructure**

Most American regions have serious infrastructure deficiencies, ranging from decayed roads and parks to waterfronts, plus antiquated water supply and discharge systems. But efforts to fix and upgrade are not only tickets against future decay and emergencies: they signal a region on the top of its game, reliable and a good target for investments.

Imagine a New York City that hadn’t cleaned up its subways, a Washington, D.C., without its Metro, or a Portland without its quality network of light rail and streetcars. Timely, smart investment does matter.
Reason 6

**States Moving from Paternalism to Partnership**

The history of state recognition and empowerment of metro regions is mediocre at best. But there are encouraging recent signs related directly to metropolitan economic development—a new model to work on.

A shift is long overdue. Constitutionally, state governments hold all the legal cards; in fact many of their constitutions don’t recognize the existence of cities, much less metro areas. Rationally, 21st century state governments would prize metro regions as immense economic assets, the “cash cows” that fill state coffers and subsidize rural areas. They’d be well-advised, like smart corporations dealing with subsidiaries, to give regions autonomy and demand performance.

Instead, the states have routinely left metro regions fragmented into thousands of local units—cities, townships, villages, boroughs (a 50 state total of roughly 39,000). Some states allow inter-local agreements, but few encourage them.

State governments have often defined major sub-state regions, but rarely granted them much autonomy. There have been exceptions. Minnesota and Oregon authorized the creation, respectively, of the Metropolitan Council of the Twin Cities area and the Metro Portland regional government. Indiana allowed the creation of “Unigov” for the Indianapolis region. Jackson, Nashville and Louisville have all achieved, with state consent, a degree of metro-wide governance. State governments, through interstate agreement in 1921, formed the Port Authority of New York and New Jersey, the agency that builds and operates the critical bridges, tunnels, and airports of the New York City region. Interstate agreement in the Washington, D.C., region formed the Washington Metropolitan Transit Authority, the agency that runs regional bus lines and the area’s Metro rail system, second in size only to New York City’s.

But such actions, compared to the hundreds of major metros in the U.S., remain the exceptions, not the rule. Just one example: the Charlotte region, which covers 14 counties in two states. Although there have been examples of regional cooperation—more than can be said for many other metros—the region is fragmented among a half-dozen regional transportation planning agencies and three regional councils of government. That lack of structural cohesion almost guarantees splintered and incoherent government decision-making. There’s an
active and assertive Charlotte Chamber and a truly regional body of business leaders in the Charlotte Regional Partnership. But no one asks them to weigh in on regional quality-of-life issues, and there are few connecting points between business and governmental organizations. That no consensus has been built, no plan designed for the entire regions land use or transportation, comes as no surprise. Meanwhile, growth, staggered but not stopped by the 2008 financial meltdown, continues.

In the words of Lavea Brachman, executive director of the Greater Ohio Policy Center: “State laws, regulations and policies establish the rules for what cities can and cannot do and set the stage for how and where development occurs.” And all too often, they’ve “stacked the deck against central cities” by “perpetuating fragmented local governance, encouraging cities to compete with cities for business and economic development”—in effect “incentivizing greenfield development over the reuse of urban sites.”

A 2012 report from the American Assembly, “Rebuilding America’s Legacy Cities,” suggests a turnaround: to give center cities, especially areas around the economic anchors of universities and medical complexes, strong preference in state funding for transportation, sewer and water facilities. The report also recommends making local city-suburb government mergers much easier, and encouraging regional revolving loan funds for infrastructure and development projects.

Sometimes states simply quash valuable initiatives “bubbling up” from their cities and regions. A prime example: the refusal of the New York State government, in 2008, to permit implementation of a New York City-designed system of congestion pricing to follow London, Singapore and Stockholm examples through fees imposed on vehicles in downtown streets during business hours. The intent was to relieve some of the excruciatingly slow city traffic, estimated to cost 50,000 jobs and $13 billion in lost annual productivity, not to mention the unbooked cost of damage to air quality.

The revenue from the fees was to upgrade the city’s clogged massive public transit system. The effort was a key part of PlaNYC, the city’s advanced sustainability program for the 21st century. But the proposal required State Legislature approval and slammed into a wall of opposition from suburban and outer borough residents driving into the city—and was compounded by Albany politics. Result: America’s lead city, a top global competitor, was denied the right to make a basic decision to enhance its environment, economy, and quality of life.
REASON 6: States Moving from Paternalism to Partnership

But there’s no question that today’s national and global economic challenges set the stage for a shift in state government policies from indifference and opposition to leadership. Better and more economical performance by local governments is becoming a pressing state need. Smart states would take action to incentivize, spell out legal and acceptable ways, for regional groups of local governments to merge (or closely collaborate) services ranging from public safety to accounting, waste disposal to economic development. And to simplify, to rationalize local government procurement rules in the process.

New information technologies, enabling networking, coordinated operations and heightened efficiencies, could be brought applied, along with more robust and relevant data systems. Often today’s 20- and 30-somethings are asking: Why aren’t we using up-to-date information technology to pinpoint concentrations of jobs, of poverty, across entire regions, and then build corrective strategies around them?

A first dramatic recognition of the policy performance potential of regions was provided by California when it decided, some years ago, to allocate the lion’s share of its federal transportation funding directly to its regions (MPOs) rather than leaving the funding decisions to the discretion of the state Department of Transportation. Then, in 2008, a landmark California measure (SB 375) tied state transportation money to regional smart growth plans to cut back on vehicle emissions, requiring that regions direct dollars toward infill locations and transit-oriented development projects.

States can also provide direct service as regional coordinators. In Maryland, for example, the state Department of Transportation is providing strong support—supplementing efforts of the Greater Baltimore Committee and local council of governments—to construct a four-county regional transit system linking such facilities as the Baltimore-Washington International Airport, the Johns Hopkins Hospital complex, and upper regions of suburban Baltimore County. The state is also the lead force and official applicant for federal funding for a proposed Washington area Metro line to connect Montgomery and Prince Georges County.

The Colorado initiative, devised under Gov. John Hickenlooper in 2011, engaged citizen-business groups in all the state’s counties, then focused in 14 regions covering the state, in a “bottom-up” (rather than the familiar “top-down”) process to design a statewide economic growth plan. Industry clusters, alignment of local and regional infrastructure, and paths to engaging industries were all included.
In New York, Gov. Andrew Cuomo designated 10 regional economic development councils covering the state. Each was co-chaired by a business and academic community person. This was a deliberate break with what Cuomo called the “one-size-fits-all” approach of the past. The regions, in a competitive process to win a larger share of a $200 million pool of funds, were encouraged to identify and develop their own unique strengths to foster growth. Each was asked to work with a diverse mix of regional leaders from major local industries, small businesses, higher education, community organizations, and labor. And Cuomo frankly told regions such as Western New York, anchored by Buffalo, that it was time for them to lay aside internal rivalries and “parochialism” to produce their unified economic development plans.

To significant degree, Cuomo’s message clearly caught on. The region surrounding Albany was not a winner of the top funds. But Shirley Ann Jackson, president of Rensselaer Polytechnic Institute and a local co-chair, said “This is a tremendous start in our effort to nurture a Capital Region economic ecosystem that is locally collaborative, globally competitive, and economically vibrant... a process that has brought focus to the extraordinary assets, resources and potential in the region.”

Likewise, in Tennessee, Gov. Bill Haslam created a “Jobs4TN” plan aiming to unleash entrepreneurial emerges and align state resources to support regional initiatives. Part of the plan was to establish regional “jobs base camps” to support coordination and fund a regional business accelerator in each.

And most recently, recession-blasted Nevada embraced “bottom up” strategies in a new state plan for economic development that positions the state as a catalyst—and supporter--of regional initiatives.

The significance of the Colorado, New York, Tennessee and Nevada initiatives: State leaders of diverse political stripe are starting to recognize that their economies need to be built from the base of effective regional economies. It’s fresh and overdue insight in many states where politics has often forced investment in the economy of rural areas which have far fewer supporting resources.