REGIONAL POWER

IEDC Hopes to Provide Economic Boost

By Matt Ottinger

Indiana continues to earn accolades as a business-friendly state. But will this "friendliness" alone result in marked, statewide economic development in the near future?

Forbes magazine ranks the state 15th in its Best Places for Businesses and Careers feature. A healthy standing to be sure – but the study dings Indiana with a dismal 45th in its category of "labor supply." The state's below average ranking of 38th in per capita income, according to the Bureau of Economic Analysis, is also clearly a target for improvement.

Indiana has experienced slow population growth (primarily due to more births than deaths instead of people moving to the state) compared to the national average. While Evansville, Fort Wayne, Indianapolis and South Bend did see significant increases over the past three years, Lake County lost over 1,600 people in 2013, and rural counties like Fountain, Ohio, Fulton and Martin experienced the highest percentages of decline.

Purdue University's Center for Rural Development contends that slow population increases, or outright declines, make it difficult to attract and retain businesses. The problem can be compounded as more people then leave the area to pursue jobs.

Enter the Regional Cities Initiative. A study (conducted by Fourth Economy Consulting after legislation passed in the 2014 Indiana General Assembly session) was completed in October. Through the project, the Indiana Economic Development Corporation (IEDC) sought to examine 11 communities of varying sizes nationwide – all of which had cultivated successful economic development efforts. The IEDC now hopes to spread the ideas behind those achievements throughout the Hoosier state.

"What the Governor and the Legislature wanted to do was benchmark communities that led the nation in economic development since 1990 in key categories, like educational attainment, population growth, wage growth," reveals Eric Doden, IEDC president.

Officials considered 78 indices to determine economic leaders in three population "weight classes": less than 100,000; 100,000-1 million; and 1 million plus.

Region race

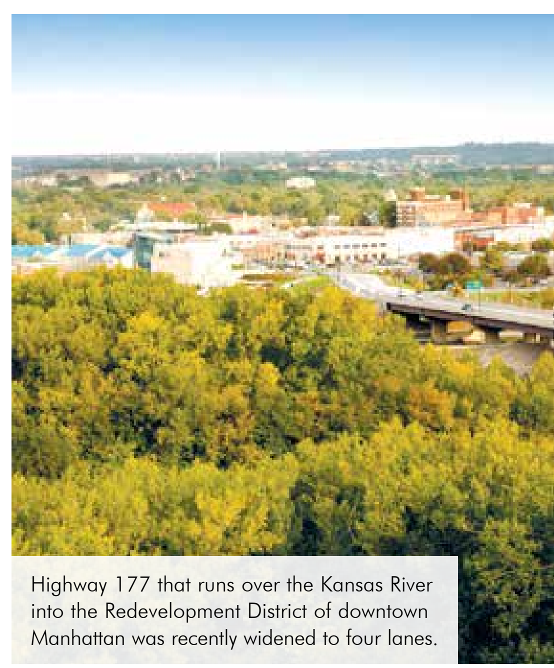
Doden and IEDC team members conducted forums in each region of the state in late October to communicate their findings to citizens and civic leaders.

"The main purpose behind the forums was to step them through these nine principles (see list on Page 72)," he says.

Feedback was positive, he reports, although he was often asked to clarify terminology used in the analysis, such as "quality of place," "broad civic infrastructure" and "tenacious leadership."

Doden asserts that for the sake of economic development, local leaders should define their exact regions. He does add, however, the case studies revealed that enhancing a region's core city helps lift the surrounding area.


Manhattan, Kansas has used a variety of initiatives to enhance its downtown with mixed-use developments.


Highway 177 that runs over the Kansas River into the Redevelopment District of downtown Manhattan was recently widened to four lanes.

IEDC President Eric Doden (left) and Policy Director Eric Shields discuss the possibilities of the Regional Cities Initiative with Indiana Chamber President and CEO Kevin Brinegar.

"As the regional city grows, it will strengthen the region," he contends. "We talked to people in rural communities in a 50-mile radius around Austin, Texas, for example. We asked if Austin's rise to national prominence helped or hurt them. They very directly said it helped them, (stating) 'We got more deals, more opportunities, more businesses to locate within our space.'

"They also had population and wage growth in many cases. … The core city needs the population for a workforce; there's a symbiotic relationship. That's why regionalism is so important."

Building the foundation

Regional initiatives will stem from local planning. At this time, it's unclear exactly what role the state will play – or what, if any, matching funds may be provided by the Legislature.

"There will be a process to determine what part the state should play in this," Doden notes. "And we've encouraged the locals to think in terms of a billion dollars of transactions over eight years, then looking at what percent within your region needs to be public and private. We've suggested that in the beginning they look at 60% private, 40% public money (adding that the private percentage would likely increase over time). But in some regions, they may be able to do more private money.

"And we're encouraging each region to come up with a specific, investable plan – specific projects that will improve their quality of place to attract and retain their talent and businesses," he clarifies.

The specific funding mechanisms for projects and developments will be left up to each region as well. The communities featured in the report used varied approaches.

"The penny tax (a term used for a 1% sales tax) was one that was used – generally with some kind of referendum process. Denver, for example, basically has a referendum on everything. So that creates a challenging environment for them – but they also use TIF (tax increment financing)."

The report notes Denver's economic emergence since the 1980s, stemming – at least in part – from regionally-supported cultural amenities and stadiums that transformed its downtown from a "ghost town" into a bustling hub, as well as investments in light rail and the Denver International Airport.

"They were multi-faceted and each region had a different approach," Doden declares. "We tried to look for trends, but it was one of those things where we realized there are many different kinds of tools to be used. We discovered these communities are very aware of all the tools available to them and how to use them effectively to get things done."

The Manhattan, Kansas area attracted $200 million in new investment in the past 10 years as it worked to retain retail dollars, successfully reversing a trend of losing 30 cents of each $1 spent to outside the region. Measures included enhancing the downtown area with commercial and residential developments and leveraging its downtown mall.

"Even though we're not a major metro, we wanted to make sure our downtown area was mixed use so people could live, work and play – and never have to get in their car," offers Lyle Butler, Manhattan Area Chamber of Commerce president and CEO. "So housing was a key component in development of the retail improvement."

These enhancements were largely funded through sales tax referendums, and the community had to be sold on the ideas.

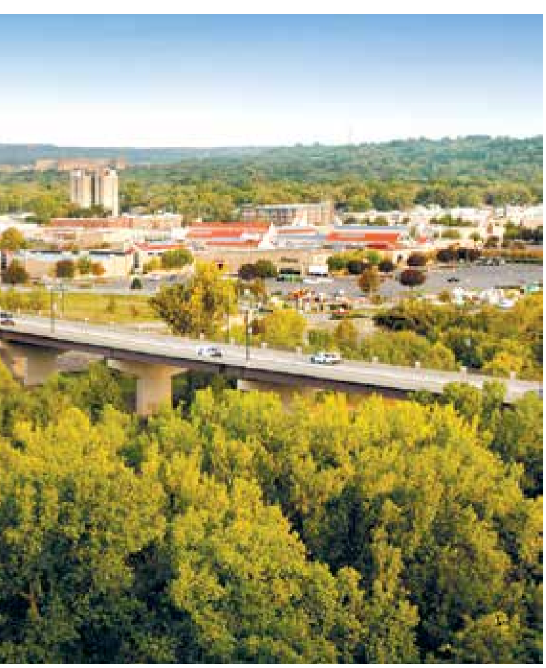
"I won't say any of those campaigns were easy wins," Butler recalls. "And in the latest half-cent sales tax we passed a couple years ago, a third of the money is being used to reduce the property tax level for the city. Two-thirds goes to economic development and one-third goes to property tax reduction. This helps to flatten a potential property tax increase in the community, so it passed (with 70% of voters in favor)."

The Manhattan area has also invested in education throughout the community.

"We put a lot of emphasis on improving our schools," Butler notes. "We recently had a $100 million bond issue to improve technology in our existing schools and that passed overwhelmingly. We also passed another sales tax initiative that built a zoo education building and new city water parks. People wanted to improve the quality of place."

The plans should be a collective effort by all who would be impacted, Doden maintains.

"We saw that (officials) really engaged the entire community. One large community had over 100 town hall meetings to get feedback on the plan and the strategy. Think about that effort; in a short period of time, that's incredible. So we saw a lot of creative things being done to engage people, and even using the Internet to do that."



Cities and Themes

The areas studied in the Regional Cities Initiative include:

- Population over 1 million (Austin, Raleigh, Denver, Nashville)
- Population between 100,000 and 1 million (Durham, North Carolina; Fayetteville, Arkansas; Boise, Idaho; Waterloo, Iowa; Cedar Falls, Iowa)
- Population less than 100,000 (Manhattan, Kansas; Brookings, South Dakota).

IEDC reveals these nine themes that were consistent in most of the areas studied:

- A bold vision, tenacious leadership and a broad civic infrastructure
- A region rallies around its city
- Engage and strengthen industry in a whole new way
- Regional investment supports quality of place
- Plans must be visionary, market based and action oriented to guide regional transformation
- Private sector investment responds to business climate and talent base
- Financing regional transformation requires a multi-faceted approach
- Long-term partnership requires non-partisan thinking
- Higher education partners are critical for regional transformation

Schooling together

Indiana's legion of esteemed public and private colleges and universities could also be a major asset for regional growth, according to Doden.

"Truth is, I think each Indiana region has the potential to leverage this. For example, look at higher education. Each region has really compelling higher education institutions. Not just at a big level like Purdue or Indiana, but even at the independent colleges we have all over the state – Huntington University, Indiana Wesleyan, Taylor University – I could go on and on," he asserts.

Back to Manhattan.

Kansas State University is a public institution with an enrollment nearing 25,000 students, and Manhattan was notably ranked in the *Princeton Review's* "Top 10 Happiest College Communities" in 2013.

Butler says the growth of the school actually helped mitigate population losses in the 1990s when the area's Fort Riley military base had to relocate its troops to Germany. Now, he notes the land grant school not only helps with Kansas' agricultural development, but it's made a major push to enhance local enterprise.

"When we study our own community, we see some of the most successful businesses are Kansas State graduates who started their own companies," he relays. "Our largest private sector employer is a K-State graduate in his early 40s. His company has over 950 full-time employees."

Butler adds, "As a community, we're continuing to work and help identify individuals who want to start their own company. And Kansas State has developed an entrepreneurial major and minor, with a full department for entrepreneurship. That's getting college students interested in the next big thing."

In order to fully leverage access to academia, there needs to be a healthy relationship between the schools and their communities, Doden contends. A contributing factor to Manhattan's high happiness ranking was its success in the "best town-gown relations" category.

"We found (school and community leaders) had each other's cell phones and called each other regularly – monthly or more often," he says of the areas that were studied. "There's a natural tension in many communities called 'town vs. gown.' But these communities said, 'We're town *and* gown.' It was very intentional and they solved problems together. They had joint strategies and also co-invested with each other."

With purpose

The IEDC hopes this initiative will spur each region to maximize its potential, allowing the state to succeed as a whole.

"We do about 260 deals per year, and on average 53 of those deals are attraction projects," Doden quantifies. "We feel like that's not enough in the long term. While we want to maintain the expansion projects of our current employers, we want to attract more business to Indiana. To do that, you have to retain your talent – and population trends show people are moving south and west due to quality of place."

The Census Bureau, in fact, reveals the largest population gains in 2013 were in Texas, California, Florida, North Carolina and Colorado.

According to Butler, Indiana is wise to pursue such an initiative now, rather than waiting for an economic crisis of some sort.

"It's so easy to be focused on the day-to-day, but you have to have a vision of where you want to take the community," he concludes. "And you need business and civic leaders who can objectively look at the community and see where opportunities lie. To change it overnight is an impossibility, but if you lose your way for five to 10 years, it can take 15 to 20 years to get back on track."

IEDC staff visited officials in Raleigh-Durham, North Carolina in August to discuss the region's economic success.

RESOURCES: Regional Cities Initiative at www.indianaregionalcities.com | Eric Doden, Indiana Economic Development Corporation, at www.iedc.in.gov | Lyle Butler, Manhattan Area Chamber of Commerce, at www.manhattan.org