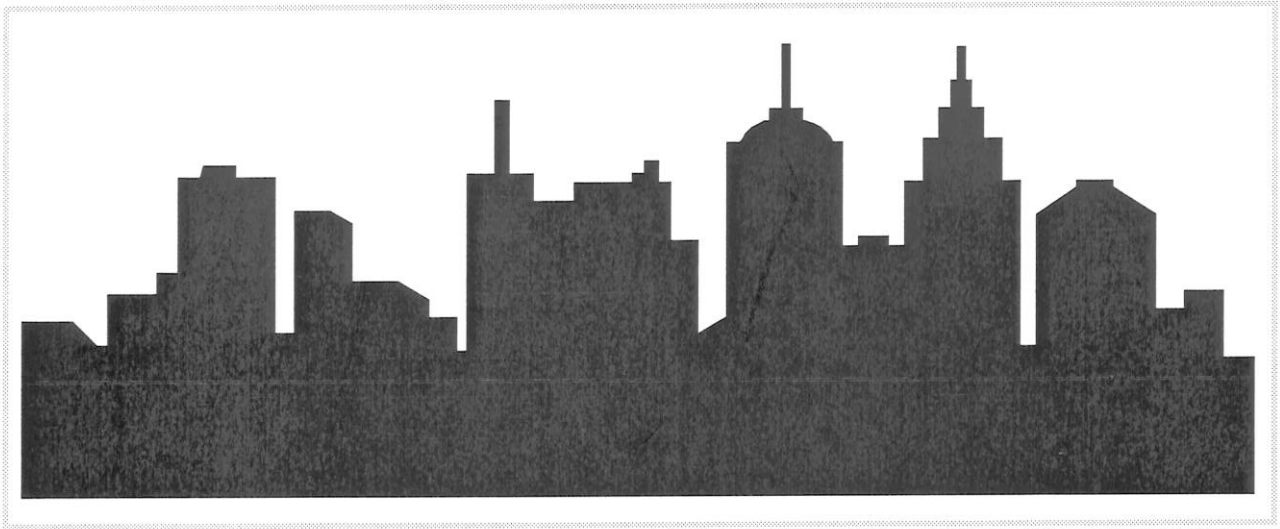


*Economic Development:*

# **Models for Success**



**Onondaga Citizens League**

*Report 20*  
*1999*



**Economic development**

“Talk economic development, think it, live it, and it will happen. Leads and business growth just happen in everyday life, and if attention is brought to it, if the intent to grow is there, then growth will happen.”

- Ken Green, Saratoga

**Incentives**

“If the only reason a business locates with you is the incentive, what happens when the incentive is over and the novelty wears off? Incentives are the weakest link, although they sometimes serve as tiebreakers.”

- Skip Stitt, Indianapolis

**Consolidation**

“There were 15 different governments operating by different rules. Now it’s almost uniform, so business knows what to expect if they choose to locate anywhere in the valley.”

- Bill Claggett, San Jose—Silicon Valley

**Taxes and services**

“Reject the notion that your only choice is to cut services or raise taxes. It is possible to have improved services while keeping spending below the rate of inflation. ... It isn’t easy, but you can’t do it at all if you don’t believe it’s possible. Government has to be as productive as the private sector.”

- David Riemer, Milwaukee

**Labor-management relations**

“There has been a 90 percent reduction in labor grievances, an 85 percent reduction in accidents, pay and benefits have increased and customer satisfaction is on the rise. One of the great myths is that labor and management can’t get along - not true. You can have better services and lower taxes.”

- Skip Stitt

**Diversity**

“All stakeholders need to be at the table in powerful ways. Investors see return, it’s easy to see, measure and achieve. Residents’ interests are not so easily quantified. They cannot be brought to the table, they must be supported in getting there on their own ... Don’t be afraid of the anger you’ll see or of the significance of genuine differences.”

- Avis Ransom, Baltimore

**Loving cities**

“Although it might sound goofy, if you want to make a city better, you have to love cities. ... Transforming a city, making a city thrive, is to some extent an act of love. It’s a lot of work and conflict to overcome. You get battle scars. It’s an intense emotional process that doesn’t work unless you disentrall yourself of the notion that cities are bad, or even that cities are neutral. You have to believe in cities.”

- David Riemer



Economic Development  
*Models for Success*

---

**1999 Study Report  
Onondaga Citizens League**

## OCL Board of Directors

---

Russell Andrews  
Sandra Barrett  
Cicero Bernales  
Rose Bernthal  
Charles Chappell Jr.  
Helen Crouch  
David Duerr  
Carol Dwyer  
Fred Fiske  
Bethaida Gonzalez  
Linda Hall  
Melissa Hall  
Dennis Lerner  
Dean Lesinski  
Neil Thomas Letham  
Minchin Lewis  
Tore Mita  
Marcos Morales  
John Murray  
Clyde Ohl  
Harvey Pearl  
Beth Rougeux  
Patricia Schmidt  
David Shomar  
Levi Smith  
Joseph Vargo  
Fanny Villarreal de Canavan  
Carol Wixson

## 1999 Study Advisory Committee

---

Shiu-Kai Chin

Dennis Connors

Susan Crossett

Fred Fiske

Frank Forte

Timothy Frateschi

Robert Geraci

Marcia Harrington

Neil Thomas Letham

Minchin Lewis

George Mango

Vivian Moore

Adelaide Silvia

## 1999 Community Leadership Conference

Co-Chairs

Russell Andrews

Dennis Lerner

# The Speakers

---

## Linda Ard

Ard is Executive Director, AFSCME Council 62, Indianapolis Indiana. A native of Connecticut, she holds a B.S. degree from the University of Bridgeport. Her career includes employment with the state of Connecticut, and she began her involvement with the American Federation of State, County and Municipal Employees (AFSCME) in 1980 as an International Union Representative. She was a primary member of the team that negotiated the privatization of Indianapolis' city services, representing the interests of organized labor.

## William Claggett

Claggett is Executive Director of the Community Economic Development Agency for the City of Oakland. His agency is responsible for economic development, redevelopment, planning and zoning, building services, and housing and community development. From 1986-1993, Mr. Claggett was Director of Economic Development for the City of San Jose. Mr. Claggett has had a long career in management and economic development consulting. He spent 10 years with Arthur D. Little, Inc., five years managing Real Estate Research Corporation's Western offices and public affairs consulting, and four years with his own firm, Claggett Wolfe Associates just prior to joining the City of Oakland. Previously, he was Special Assistant to the Secretary of Commerce in the Carter Administration. Mr. Claggett is Chairman of the Silicon Valley Forum, a public affairs organization and a member of the Board of Governors of the Commonwealth Club of California. He is also a past member of the Board of Directors of the Council for Urban Economic Development. Mr. Claggett holds an A.B. degree from Harvard College and postgraduate work at Harvard University in both economics and planning. For five years he was a tenured professor of political economy at the University of Texas at Dallas.

## Irwin L. Davis

Davis is Executive Vice President of the Metropolitan Development Association, president of the University Hill Corp., and Executive Director of the Downtown Committee of Syracuse Inc. He received a B.S. degree from Cornell and completed graduate studies in Urban Development and Public Administration at American University. Additionally, Davis serves as the president of the New York State Urban Council, member of the Syracuse Industrial Development Agency, member of the New York State Fair Advisory Board, member of the National Council on Urban Economic Development, And member of the Policy Committee of the Syracuse Metropolitan Transportation Council. Past involvements include Consultant to the Commissioner of Urban Improvement, Co-Chair of the New York State delegation to the White House Conference on National Growth and Economic Development, two-term Chair of the International Downtown Association, and Co-Chair of the New York State Jobs Bond Act initiative.



## Ken Green

Green is president of the Saratoga Economic Development Council (SEDC). He holds a Bachelor's degree from Missouri Western State College and is a graduate of the Economic Development Institute, University of Oklahoma. In addition to attracting new business and industry to Saratoga County, in his 12 years as SEDC's president he has led the SEDC's development of an economic development plan that includes an export development program, in-house financial services, community development, marketing initiatives, and business retention. He developed the Export Development Program and received the Governor's Award in Export Service. He is past-president of the New York State Economic Development Council.

## Darlene Kerr

Kerr is executive Vice President / Chief Operating Officer of the Energy Delivery business for Niagara Mohawk Power Corporation. She is a Syracuse native, graduate of State University at New York, Potsdam, and holds an M.B.A. degree from Syracuse University. She is a board member of Niagara Mohawk, Chair of the Greater Syracuse Chamber of Commerce, Director of the Central New York Regional Compact, Director of the Greater Syracuse Economic Growth Council, and member of the Syracuse University Thursday Morning Roundtable. In 1991 she was selected as a "Woman of Achievement" by the Syracuse Post-Standard, honored by Governor Pataki in 1998 as a "Woman of Achievement" and recognized in 1999 by the National Women's Hall of Fame as an Extraordinary Woman on the Wall of Fame. She is past president and board member of the Onondaga Citizens League.

## Avis L. H. Ransom

Ransom is Co-Chair of Baltimoreans United In Leadership Development (BUIILD) and is Principle and Senior Consultant in the consulting firm R&B Unlimited. She holds B.S. in Chemistry from Morgan State University and an M.B.A. from Loyola College. She has experience as an engineer for the local Department of Defense Contractors, Westinghouse Electronic Systems, and Bendix Environmental Systems (now Environmental Technologies Group) and serves on the Mayor's Advisory Commission on Military Spending. She was involved in the creation of the NAACP's Academic Olympic Program and is a member of the Baltimore American Friends Service Committee and a member of the Call to Community Project (an interfaith action for racial justice).

## David R. Reimer

Reimer is Chief of Staff of the Office of Mayor, Milwaukee WI. He holds A.B. and J.D. degrees from Harvard. He has held the positions of Legal Advisor to the Governor of Wisconsin, Counsel to the State of Wisconsin Department of Health and Human Services, U.S. Senate Subcommittee on Health and Scientific Research, Staff Director for Human Resources for the National Conference of State Legislatures, and Counsel with the Wisconsin Legislative Fiscal Bureau. In addition to his present position with the city of Milwaukee he has held the positions of Director of Budget and Management and Director of Administration for the City. He is author of the book, *The Prisoners of Welfare* and is a member of the board of the New Hope Project, a 600 person, \$21 million project organized on the principles outlined in the book.

## Skip Stitt

Stitt is founder of Competitive Government Strategies, an Indianapolis-based strategic consulting firm that works with cities, counties, and states on managed competition and similar reform issues. He holds a B.S. in Agriculture from Southern Illinois University and a J.D. from University of Illinois College of Law. He joined the administration of Indianapolis Mayor Steve Goldsmith, served as the city's Director of Enterprise Development and later as Senior Deputy Mayor and chief operating officer. During his tenure with the city, he was responsible for its managed competition and regulatory reform initiatives. These efforts helped generate \$400 million in savings, improved public services, helped fund \$1 billion in infrastructure investment, and resulted in three reductions in the property tax rate.

# Executive Summary

---

## Introduction

The 1999 Onondaga Citizens League study, “Economic Development: Models for Success”, looked at the activities of five communities—Saratoga, Milwaukee, Indianapolis, Silicon Valley and Baltimore—known for the success of their economic development efforts. Speakers from those cities, as well as representatives of economic development organizations in Central New York, presented a picture of the status of economic development strategies in our area, and provided possible approaches to specific aspects of community and economic development that might be applicable to our community.

## Overall Findings

### **Important strategies that were common practices in successful communities:**

- Take a regional approach.
- Value unique local strengths and build on them.
- Invest in good planning, good data, and good staff.
- Retain the current base of businesses.
- Collaborate widely on economic development efforts.
- Use a team approach to site development and site visits, and create opportunities that are “shovel ready.”

### **Conditions that must be met for economic development efforts to be fully successful:**

- Success must include all stakeholders.
- The city, the core of our region, must flourish.
- The role of government in economic development is to create the fertile ground in which the private sector can flourish.
- The people of our region must be recognized and developed as our greatest asset.
- Exemplary leadership must flow from the civic sector in ways that connect effectively at all levels.
- We must develop community understanding to create confidence and sustainable vision.

## Acknowledgements

---

The co-chairs would like to acknowledge the invaluable involvement of the Advisory Committee—from assisting in the development of the study plan and format, recommending and securing speakers, to critiquing the final manuscript.

Marcia Harrington's writing skills, as well as her thorough understanding of the study's subject matter, were invaluable to the project's completion.

*Shiu-Kai Chin*

*Susan Crossett*

*Tom Letham*

# Table of Contents

---

<i>Preface</i> .....	viii
<i>Acknowledgments</i> .....	ix
<i>Executive Summary</i> .....	x
Chapter 1: Introduction .....	1
Methodology .....	1
Report Structure .....	1
Overview .....	2
The Study Sessions .....	3
<i>Irwin Davis, MDA, Onondaga County</i> .....	3
<i>Ken Green, Saratoga</i> .....	4
<i>Darlene Kerr, Growth Council, Onondaga County</i> .....	5
<i>David Reimer, Milwaukee</i> .....	7
<i>William Claggett, Silicon Valley</i> .....	9
<i>Avis Ransom, Baltimore</i> .....	10
<i>Skip Stitt and Linda Ard, Indianapolis</i> .....	12
Consistent Themes and Strategies .....	14
Chapter 2: Subjects of Debate .....	17
Are high airfares preventing growth? .....	17
Are we continuing to lose jobs, especially good jobs? .....	18
Must we choose between higher taxes and lower services? .....	18
Do we have to provide incentives to attract new business? .....	20
Should we try to identify and direct our support to future leadership industries? .....	21
Chapter 3: Virtuous Cycles .....	22
Success must be balanced for all stakeholders .....	23
The city, the core of our region must flourish .....	24
Good government must create the fertile ground in which the private sector can flourish .....	25
Develop the people of our region as our greatest asset .....	27
Exemplary leadership will flow from the civic sector and connect effectively at all levels .....	28
Well-developed community understanding will create confidence and sustainable vision .....	29
Chapter 4: Recommendations .....	30
Create Fertile Ground for Private Sector Growth through Good Government Practices .....	30
Think and Act Regionally and Collaboratively .....	31
Invest in Data Collection and the Establishment of Benchmarks that Measure our Progress Toward Community Goals .....	32
<i>Appendix 1: Study Session Minutes</i> .....	35
<i>Appendix 2: Community Leadership Conference at Minnowbrook</i> .....	75
<i>Appendix 3: List of Previous Studies</i> .....	79

## Preface

---

For over 20 years, the Onondaga Citizens League has represented an outstanding example of citizen participation in public affairs in Central New York. Founded in 1977 and incorporated in 1979, OCL is an independent not-for-profit organization that encourages citizen education and involvement in public issues. The OCL's annual study on a topic of community-wide relevance culminates in a report designed to help citizens comprehend the issue and its implications, and give decision-makers suggestions for action.

This year's study, OCL's twentieth, departed from previous years' formats in two significant ways. First, several of the study sessions featured speakers from outside Central New York, in order to obtain a fresh perspective on the issues. Secondly, the speakers made presentations at Syracuse University's Thursday Morning Roundtable, to which all members of the community were invited, followed by the traditional OCL panel discussions. This format broadened the audience for each session, including Sunday afternoon public radio broadcasts of TMR.

As a newcomer to the Citizens League, I was impressed by the dedication of those involved in the study, all of whom sustained a remarkable level of commitment and enthusiasm throughout the process.

Special thanks are extended to the individual and corporate members who support the work of the League through their membership dues and donations, and to Syracuse University Continuing Education, which provides substantial administrative assistance to the Citizens League and the study.

*Sandra Barrett*  
Executive Vice President

## General Recommendations

### **1. Create fertile ground for private sector growth through good government practices**

- Improve the efficiency of government services through consolidation, privatization, outsourcing, employee incentives and other means to lower the cost of government, reduce taxes, improve services and create a more attractive business climate.
- Hold government and government-supported agencies accountable through measurable standards of performance.

### **2. Think and act regionally and collaboratively**

- Link economic development to community development by having economic development practitioners work with community development leaders and other stakeholders so that community needs and assets and character are reflected in economic development goals and projects and vice versa.
- Businesses, working with schools and other training providers should take the lead in workforce development.
- Institutions of higher education need to take a full, collaborative role in economic development in the community.

### **3. Invest in data collection and the establishment of benchmarks that measure our progress toward community goals**

- Set goals collaboratively, determine current status of goal indicators (government performance, workforce development, available jobs, etc.), and invest in systems for ongoing measurement of performance.
- Assess our status in these areas on a regular schedule and publish the results.





# Chapter 1: Introduction

---

## Methodology

This year's study, *Economic Development: Models for Success*, was a significant departure from previous studies.<sup>1</sup> For twenty years the Onondaga Citizens League (OCL) has annually explored a major regional issue through a series of panel discussions that featured local experts and community leaders. For the first time, this year's study featured speakers from outside Onondaga County. The study advisory committee selected the speakers from communities known for success of their economic development efforts. These five other communities: Saratoga, Milwaukee, Indianapolis, Silicon Valley, and Baltimore, had much to teach us about our own area. The individual speakers were also chosen for their specific expertise in areas such as privatization of public services, urban revitalization, and development of diverse constituencies as part of effective economic development.

The study balanced these "outsider" views with reports from two major economic development efforts within Onondaga County: the Metropolitan Development Agency (MDA), and the Economic Growth Council. Additionally, the Community Leadership Conference at Minnowbrook offered members of Thursday Morning Roundtable (TMR), OCL, and other community leaders a chance to hear a summary of the major findings of the study. The conference was attended by a broad spectrum of community leaders and began with the videotaped commentary of more than a dozen area business leaders on the state of local economic conditions, public sector leadership, and obstacles to growth. Organizers concluded the conference with a visioning session to identify areas where the assembled individuals, and the groups they represent, will focus their efforts to improve our region's capacity to compete for jobs and economic growth.

In another departure, this year's study was conducted on two tracks that brought together the Onondaga Citizens League with the University's Thursday Morning Roundtable. The first track featured presentations to the TMR assembly by each of the speakers. The second track was, in the tradition of OCL, a series of panel discussions that included the featured speaker and a group of local experts.

## Report Structure

The structure of an OCL report is as much art as science. Each annual study collects information based on the knowledge and experience of multiple experts and provides counterpoint perspective from active citizens and community leaders. The views of the speakers and panelists,

---

<sup>1</sup> A list of previous studies is attached at the end of this report.

and the specific information they provide during their presentations, is the primary substance of the report. The findings and recommendations of the report are derived from these presentations and the expressed views of the study panelists, then developed and refined by the study advisory committee, and finally reviewed and approved by the OCL board.

As part of this first chapter we include a synopsis of each session<sup>2</sup> and a short description of the common best practices of economic development to serve as a background for the reader. In Chapter 2 we note points of argument and areas of potential misunderstanding that influence discussion of the issues. We summarize in Chapter 3 with guiding principles and conclude in Chapter 4 with specific recommendations for action.

A final draft of this report will be sent to local leaders for review. Their insights on the implications of our recommendations will be collected and made available through the OCL office<sup>3</sup>.

## Overview

This study gave OCL the opportunity to compare local economic development efforts with those of other communities. Locally, we are already doing many of the things other, more successful, communities are doing. But while no two of the communities we studied have like-structured economic development efforts, they have in common a clarity of purpose and well-structured system of responsibility that we seem to lack. We have a number of economic development entities and initiatives that are often redundant and strapped for the resources and community support required to make them successful. The overlap of economic development groups also makes it difficult to assess the success or failure of any one initiative or entity, to understand the reasons for this success or failure, or to effectively direct recommendations for change.

Reflecting the view from successful communities, there is a need for a collaborative approach that develops a congruence of goals among multiple and diverse constituencies and directs economic development toward purposeful action with systematic accountability. The Economic Growth Council is an example of collaborative effort, but it is clear that there is much more to be done to develop a stakeholder-oriented focus with a broader vision. This includes expanding our definition of “stakeholder” to be more inclusive, integrating the interests of these stakeholders into our efforts and providing opportunities for their participation in both decision making and benefit sharing; improving the quality of service to customers; and creating benchmarks and measurement systems to track and guide our efforts.

Stakeholders include the city, county, and state government; the Economic Growth Council, MDA, and other economic development entities; primary, secondary, and higher education as well as training and retraining efforts; neighborhood, planning, and environmental groups; organized labor; and the non-profits. We specifically need to include the interests of those who have not benefited from the growing economy, the urban and rural poor and those whose skills

---

<sup>2</sup> The complete minutes from these sessions are included as Appendix 1 of this report

<sup>3</sup> To receive a copy of these comments contact the Onondaga Citizen’s League at Syracuse University Continuing Education.

have become outdated. We will enhance our ability to emerge as a vibrant community in the next decade by familiarizing all our diverse stakeholder groups with the each other's needs, by recognizing the impact of our decisions on each group, and by creating a shared identity and sense of promise. To do this will require a forthright assessment of how we currently make decisions and who needs to be included in these decisions in the future, and an investment in the process of creating inclusion so that this inclusion enhances our current efforts—not derails them.

## The Study Sessions

The seven study sessions were conducted from mid-March to mid-June. A summary of the TMR presentation by each featured speaker is included in this section. The details, and many additional interesting questions, have been included for the dedicated reader in Appendix 1.

MARCH 11

**Irwin Davis**, *Executive Vice President of the Metropolitan Development Association (MDA) of Syracuse and Central New York.*

The MDA was created 40 years ago by the business community for the sole purpose of economic development. It represents a limited membership of 60 CEOs from the region and works cooperatively with government and others on economic development activity. Davis provided an update on the status of the 2010 plan and the regional economy.

The 2010 plan was developed by the Stanford Research Institute (SRI), a nationally recognized consulting firm, to develop a regional economic development strategy. The plan outlines our current conditions and a strategy for moving forward.

Recent activity reported by the MDA in the area of business retention and expansion:

- Five local major employers have made \$50 million in new investment and created 650 new jobs.
- Electronics Park has been redeveloped with the help of the state.
- The Hancock Airbase is now designated as a state Economic Development Zone (EDZ).
- Crouse Hospital and Community General have formed a major new business alliance.

In the area of business attraction and high tech:

- An Entrepreneurial Development Fund has been established to nurture high tech business.
- A New Venture Fund is in development to provide seed money from local investors to initiate projects that can subsequently attract additional venture capital from other parts of the country.
- A high tech incubator has been started that will be run by one the first major tenants of the incubator.

In the area of new / expanding markets:

- A committee on tourism has been initiated.
- Leaders of our globally-competitive environmental and electric technology fields are collaborating to advance our market position in the areas of municipal water, waste water, and hazardous waste; indoor air quality; sensors and information technology; and power and energy.

Davis expressed confidence in the local economy and provided statistics to demonstrate improvement. He identified our need for a workplace-ready labor force as the number-one challenge we face.

APRIL 8

**Ken Green**, *President, Saratoga Economic Development Corp. (SEDC), Saratoga, NY*

Green described himself as a “minister for jobs” and advised, “talk economic development, think it, live it, and it will happen. Leads and business growth just happen in everyday life and if attention is brought to it, if the intent to grow is there, then growth will happen.”

Since 1978, the economy of Saratoga has developed from a one-month, boom cycle economy with intense activity in the August racing season and high unemployment the rest of the year, to a year-round economy that is diverse and vibrant with a level tax base and low unemployment.

The SEDC is organized as a public / private partnership under contract to the city with a \$500,000 operating budget and five full- and two part-time staff people. The contract is renewed annually, which, Green noted, keeps the staff focused. The private sector contracts for SEDC services, supported with a dollar for dollar match from the city.

The SEDC divides responsibilities with the local Chamber of Commerce. The Chamber is responsible for convention and tourism, downtown and small-retail development; while the SEDC is responsible for large-scale industrial, manufacturing, and technology development. The SEDC also partners with local towns to develop long-term plans in a participatory planning process.

In Saratoga they have concentrated on business retention by offering financing to existing large and small business, and business attraction by providing location opportunities that are “shovel ready.”

To attract new business, a community needs to have a professional team and the ability to bring all the necessary players together for each part of the site-selection process. When a business considers options for expansion or relocation, they often settle on three or four states and ask for information from government and the major utilities. Subsequently, a series of site visits are conducted to measure the physical details, community quality of life, and labor capacity. At each visit it’s possible to “fall off the table” so it’s essential that the right team is assembled and prepared at each stage. To create a world-class proposal can mean having the generic environmental impact statement already done, current information from all the players (utilities etc.) and enough space to open up immediately.

In closing Green advised that it is essential to recognize local assets, collaborate regionally and prepare to compete globally.

APRIL 22

**Darlene D. Kerr**, *Executive Vice President and Chief Operating Officer, Energy Delivery, Niagara Mohawk Power Corp., Syracuse NY; Chair, Economic Growth Council*

Also on speaking at this session was **David Cordeau**, *President of the Greater Syracuse Chamber of Commerce*; **Vito Sciscioli**, *City of Syracuse Commissioner of Economic and Community Development*; **Joe Russo** and **Connie Maute**, *Chamber of Commerce*; and **Frank Lazarski** from the *Private Industry Council (PIC)*.

Kerr noted that Syracuse has seen a recent reversal of the pattern of job loss. Expansion Management Magazine named Syracuse one of the 50 hottest cities in America for job expansion and relocation, the only city in New York State to receive that recognition and one of only two in the entire Northeast. She outlined the ingredients to this success:

- First, the business climate changes enacted by the Pataki administration and the legislature have arrested business flight from the state and encouraged new investment.
- Second, our local companies are not only survivors, they are toughened, capable competitors growing their own success stories.
- Third, the Chamber created the Economic Growth Council in partnership with County Executive Nick Pirro to raise the standards and effectiveness of this area's economic development activity. The success of its efforts is well documented.
- Fourth, our return to the national marketplace as a competitive, creative community has brought us jobs—and attention.

Our community's ad hoc system of economic development organizations was formalized two years ago into an economic development team, the Economic Growth Council that brings together all the economic development organizations to work toward common goals.

The structure of the council includes a steering committee of business leaders, a twenty-five member council comprised of stakeholder organizations, and working partners who conduct day-to-day economic development activities. The council established five critical components for success:

- An intranet for tracking and sharing prospects. Members have passwords that allow them to review the status of each prospect.
- Marketing materials, including a CD, that has all the information a site consultant or corporate real estate manager would need to consider Syracuse.
- A full-time sales person, employed in partnership by the Chamber and the County, to lead and coordinate efforts.
- Active "on the road" interaction with the marketplace.
- A strategic sales plan with five priorities:

**SITE CONSULTING.** Site consultants now make decisions for companies that were once made in-house. Monthly visits to site consultants in targeted communities is the number-one priority of the plan.

**EMERGING TRENDS.** To be prepared when trends lead to jobs requires advance activity. The council subscribes to trend newsletters and brings in trend consultants to look for trends that really make sense for this community.

**SECTOR MARKETING.** This is about understanding your niche strengthens and building on them. It presupposes there will be growth and attempts to direct growth our way. The MDA's Vision 2010 has a large dose of sector marketing. The Growth Council supports these efforts but will not be doing any sector marketing of its own.

**GEOGRAPHIC ADVANTAGE.** By capitalizing on advantages based on our location we can bring in new business. We can now demonstrate cost advantages over New York City, especially for back offices and support systems; and labor advantages over Boston.

**GOVERNMENT.** The government is growing—one in seven new jobs in America is a government job. It's a growing segment that provides good-paying jobs with benefits, and they tend to be lasting. We have not been aggressive enough with our elected officials to get these jobs placed here.

**FINANCING.** Successful communities must also be able to provide financing—there's no such thing as a simple deal. Financing of businesses, especially high-tech business and those involved in international trade, requires complex problem solving that traditional lenders are not always equipped to handle. It needs a collaborative approach bringing together the SBA, Chamber, local lenders, and city and county programs. Information is essential, and ease of access is equally important.

**LABOR.** The other essential component in the equation is labor, and there are three points to remember about workforce development:

1. We need to collaborate to recruit, train, and prepare for new opportunities.
2. We are being forced by market pressures to put our resources in one area, to streamline and provide universal access to training and to provide accountability in the form of real jobs.
3. We need to think regionally. The Central New York Regional Compact is working to provide a better system and expand our labor pool. It is both an attempt to consolidate efforts and expand our definition of "local."

APRIL 29

**David Riemer**, *Chief of Staff, Office of the Mayor, Milwaukee, WI*

Like many cities in the northeast, Milwaukee suffered in the 1970's from declines in population and property values coupled with high unemployment rates. Today, through initiatives like the Milwaukee Employer Accord, an agreement between government and large, private-sector businesses to ensure the hiring of minorities and women so that they are not left out of Milwaukee's economic recovery, the city has a stable and rising population, increased property values in even the poorest city neighborhoods, and unemployment below the national average.

Reimer noted several philosophical premises that underlie his prescriptions.

- Accept local realities and understand that differences are not the same as weaknesses. Weaknesses are realities that can change—things like taxes, polluted water, and racial tensions. Realities are those things that define a community’s physical and spiritual character. Reimer recommends that communities measure important indicators to track realities, from things like broad economic numbers and labor statistics to details about school achievement and what skills are need to fill current job openings. Milwaukee conducts a survey through the university every six months to answer these questions so they can see the big picture.
- To make a city better, you need to love cities. You have to believe that cities are wonderful things and see that you have to have large numbers of people getting together to have bowling or ballet, a symphony—or a Citizens League.
- Pinpoint three to five things government can do in its relationship with the market so that government is adding value to the economy without getting in the way—a tricky balance. Most cities fail because they fail to strike the right balance in one of two directions: they either have too much government regulation that suppresses the market or drives the market out; or the government does too little so the vital role it has to play vis-à-vis the market, to improve its productivity and effectiveness, doesn’t happen. He outlined five things that formed the foundation of what he prescribes:
  1. Urban policy needs to cause cities to concentrate. Cities undid themselves in the ’60s by loosening the core of concentration that was their strength. The single greatest thing we can do to invigorate the city is to physically bring the city back together.
  2. Reject the notion that your only choice is to cut services or raise taxes. It is possible to have improved service at a better price. Government has to be as productive as the private sector. You need clear outcome measures. If you want to reduce crime, you need to measure crime and set goals for improvement. After goals are set you need to assign achievement of the goals to a person. And if they don’t do it, find someone else who can.
  3. Completely redefine the meaning of public education and determine who the “public” is in public education. There is a public interest in leveling-up the quality of education. Schools need to meet public standards and produce acceptable outcomes.
  4. To make a city thrive, its markets must thrive. Let the market drive consumption, rather than have management by central planners. Undo policies that wreck the market, like massive subsidies for transportation or housing, rather than letting people pay for what they use. Lower taxes and end subsidies. Government’s role should be to avoid externalities that keep it from its core function, while concentrating on things like protecting the environment and workers in the workplace. Knowing there is always a risk of over regulation, government needs to set the general rules but allow markets to function. Government shouldn’t be in the business of allocating resources. People, with their own money, should decide what they want. End the massive over-subsidy of massive multi-lane highways. User fees, in the form of a gas tax, should pay for highways. The massive subsidy for upper-income housing through the mortgage interest deduction and property tax deduction

rewards people for buying a house they couldn't otherwise afford to buy. Policies that distort the market and overtax the urban population should be ended.

5. End the welfare system and move to a work-based system. In Milwaukee they have gone from 50,000 recipients down to 8,000 and those 8,000 are almost all working in community service jobs. To support this change there has been an expansion in both child and health care.

The government adds value when it addresses general problems rather than subsidizing for individual firms. Government shouldn't be in the game of picking winners and losers. It does better when it helps all successful firms remain successful. It is one thing to promote or encourage but quite another thing to provide incentives that come from taxes—someone has to pay for the preferential treatment. Government is better at focusing on general things that add value such as public safety, fire safety, education—the traditional and simple things government must do well. While it is politically difficult to stop lending to business altogether, it is prudent to practice “dumb lending,” or deficit lending to businesses that already have lending from another source. As a rule of thumb, don't lend to people banks won't lend to.

Like New York, Wisconsin is also a high-tax, state but it has been successful in attracting growth. Milwaukee reduced taxes as part of a reorganization of government, not a quick fix to attract business. Business wants a good quality of life, good education, a good commute, places to play, and tax stability rather than unpredictably quirky drops and rises. It is not wise to be tax-obsessed. Corporate decision making is far more complex than that.

The reasons why people choose to live, or not live, in the city are complex. The main approach to bringing people back to the city is by dealing with crime, taxes and schools. Two groups of people are moving back to downtown: young people without children and seniors who want convenience. Cities should also look at zoning, things like mixed use. A surprising number of people like to live in lofts. It pays to look for regulatory change that can fix things easily.

Strategies that have worked in Milwaukee:

- In Milwaukee the broad strokes are in place: Increased governmental productivity, lower taxes, an end to welfare, a connection between workers and the labor market, improved choice in education have helped Milwaukee become a more thriving city.
- To encourage reinvestment, the city helped provide some land cheaply in the early stages and now they are doing lighting. Early entrepreneurs did well and private sector profits provided real incentives. This kind of development creates a virtuous cycle. Plan projects so this is a goal—or at least a possible outcome.
- In Milwaukee today, some firms cannot meet customer requests because they need trained workers. There has been a job shift back to the city to meet employer needs for manufacturing jobs that require less skill—and that pay lower wages—than the suburban labor market supports. These suburban jobs were physically inaccessible by public transportation to city workers so the jobs were moved into the city where the labor market was appropriate and success was built for both employer and employees.
- In Milwaukee they too walk a fine line between who does and who does not have to pay taxes. Milwaukee has tried to shift the burden back through user fees and the not-for-



profits have not fought this. But the biggest part of the solution has been the state equalization of responsibility for tax-exempt non-profits, hospitals and museums, etc., that serve an area larger than the city. In the absence of an ability to prevent suburban communities from zoning out the poor and not-for-profits, the state acts to even out the burden.

MAY 20

**William Claggett**, *Silicon Valley*

When people ask Claggett how to do what Silicon Valley did he cautions, beware of mottoes and quick fixes. Today, high tech is ubiquitous in Silicon Valley and while it was happenstance how it all got started, growth has been deliberate. From the beginning, failure was an integral part of success. Today the “dot-com” companies can hit a billion dollars in a matter of months, but a sizeable proportion of these do not succeed.

Four sectors—government, private, university, and civic—must function interdependently. The civic infrastructure is the glue that holds it all together. Eastern Europe has no civic sector and suffers from this as it tries to modernize. Alexis deToqueville spoke of this, an essentially American tradition.

Silicon Valley came about over many decades, but it wouldn't have happened without dollars from federal defense contractors. People in Silicon Valley don't like to talk about it today, but the flow of federal dollars was essential. Once companies became established and looked to spin off new businesses they needed more money, which grew the need for venture capital flow — now \$7 billion annually.

Universities played a large role in the success of Silicon Valley. Stanford played an especially large role, but it was also the California State system that facilitated the transfer of knowledge and enabled faculty to move between the academy and business. San Jose State provided the “brawn,” the engineering talent needed by the growing high-tech industry. There was also a civic infrastructure that supported this transfer, the Stanford Research Institute (SRI) that helped commercialize ideas. The private sector then added value to these ideas through product development. The sectors worked together to create success.

The government has been a key player at all levels. At the federal level, business went to the government when significant market share of the computer chip industry was lost to the Japanese. They needed better equipment to compete and got \$500 million match with the federal government. In Silicon Valley, local government acted to streamline the permitting process. While once there were 15 different governments operating by different rules, now there is an almost uniform system that enables business to know what to expect if they choose to locate anywhere in the valley.

Public education is another critical factor. Developing the workforce we need for the future requires us to work back to the K-12 level to ensure people leave the public schools job-ready. High tech needs trained technicians and the level of expertise in the local workforce is a key component of its ability to compete for jobs.

JUNE 3

**Avis L. H. Ransom**, *Principal and Senior Consultant, R & B Unlimited, Inc.; co-founder of BUILD.*

Baltimoreans United in Leadership Development (BUILD) is an organization representing 40 churches, a number of grassroots community organizations, and labor unions. BUILD is the largest not-for-profit builder of low-income homes in Baltimore. The organization is also a member of the Call to Community Project, an interfaith group working to achieve racial justice, that brings people together from Baltimore and the five surrounding counties to discuss and make plans to dismantle institutionalized racism.

Ransom challenged the outside view of Baltimore as a glamorous place, highly developed and representing significant investment by the state, the sports industry, and private investors. While the economic strategy the city has employed for the past thirty years has created success, and fortunes have been made, many neighborhoods in Baltimore are in decline. Have these tax-supported opportunities benefited residents or investors? At Camden Yards people from the suburbs go to the game while city residents sell the hotdogs and clean up. Remember, Ransom cautioned, this came at a \$200 million price tag to the people of the city.

In Baltimore the Uptown area features poverty, joblessness, family instability, welfare dependency, significant community dis-investment, and physical blight including a high number of vacant properties. The population has declined from just over a million residents to around 700,000, representing not just white flight but general middle class flight. The high school drop out rate is alarmingly high—nearly 60 percent. One major high school recently reported that of 1,200 entering freshmen, 200-300 graduate and only 30 go on to four-year college. There is a high rate of involvement with the criminal justice system—mostly young, African-American males. Baltimore's manufacturing base has eroded and they are now an information / service-based economy. There has been a significant investment in high-tech that it was hoped would lead the area toward prosperity, but this investment has so far resulted in a number of Ph.D.'s working in that area but no mid- or lower level jobs that could create the economic momentum to change conditions for city residents.

Meanwhile, the state of Maryland is experiencing great success, with continuing and projected surpluses. The economic development strategy the state has employed is the attraction and retention of large businesses, competing with surrounding states by offering significant tax benefits and incentives. But many middle class people—not just poor people—are losing.

BUILD is a direct-action grassroots organization that is a coalition of faith-based and community groups. BUILD is affiliated with the Industrial Areas Foundation, founded by Saul Alinsky, and through this has been able to affect political and social policy. A cornerstone of its activity is the one-on-one meeting, where the fabric of social cohesion is woven and trust is built at a very personal level. Through the one-on-one process, concerns are shared, goals are formed, and accountability is developed. It is the process of engaging the community in its own transformation. This is very different from the traditional process by which policy makers, agency executives and technocrats create schemes for changing communities without the engagement of residents. That missing step is so critically important, Ransom believes, that if

listeners remember nothing else from her words, that one point must be brought home. Organizing residents, listening to them, and having them at the table as decisions are made is critical to success. For change to work in the community it must be focused on the community—not externalities. The jobs that have been created in downtown Baltimore through the economic development efforts to date have been entry-level, low wage jobs. The higher wage jobs have gone to those who do not live in the city and therefore do not contribute to the tax base of the city. The key to grassroots organizing is the recognition and strengthening of community institutions. BUILD's primary objective is the development of leaders. They identify individuals with leadership potential and develop it.

Maryland developed the "Joseph Plan" that set aside an indemnified fund to protect poverty programs from cuts during leaner times. Similar funds already existed—a "sunny day fund" for continued economic development activity and a "rainy day fund" to protect agency operations.

There have been successes, including a worker-owned temporary employment agency. This model is not widely used, but it is powerful. It not only addresses the issue of ownership—which is powerful in itself and brings with it a changed attitude, a willingness to put oneself on the line and to do what it takes to succeed—it also addresses the issue of equity. A cooperative under IRS allows members to receive year-end surplus before taxes. So at the end of the year, surplus profit can be distributed to members in the form of dividends before the corporation is taxed. When there are problems with performance the group decides what action to take. It's exactly the kind of team spirit big corporations spend a lot of money trying to develop.

Within months of startup, BUILD secured the two largest catering contracts in the city, not because they were the cheapest, but because they were good and because the workers wanted to be part of a team of excellence. There's no way you can teach that into people, no way you can punish that into people. There must be a personal incentive, the power of ownership. BUILD is a firm believer in entrepreneurship, ownership, equity strategies, and understanding your own value in the marketplace so you can get what you need—be it money, programs or political power.

Communities need to operate from a position of strength not weakness, from knowledge not supposition. In Baltimore they discovered that there are 3 people in need of work for every entry / low-level job. There is a lack of jobs at the mid-level, jobs that pay living wages and require skills but not a college degree. Many of the jobs are not where the people are, and many high (bachelors level) level jobs go unfilled because there is not the support available to move people from low-level jobs to more advanced positions. Money is going into job development, economic development and transportation without looking at what's happening for the people who need the services.

JUNE 10

**Skip Stitt**, *President, Competitive Government Strategies, LLC, Indianapolis, IN*; and  
**Linda Ard**, *Executive Director AFSCME Council 62, Indianapolis, IN*

Stitt began by addressing two key points.

- What is managed competition? Managed competition, as developed in Indianapolis, asks public sector employees to compete with private sector employees to provide services.
- Why is it relevant to economic development? It's important because cities, communities and regions are changing. There is competition all over for jobs, economic development, and opportunity. Businesses are very mobile, more than at any previous time in history. If they are not satisfied with local services or the cost of those services, they will leave. Controlling the cost of government, and the quality of services is critically important.

Indianapolis became a "unigov" city in 1969 which made the city / county boundary coterminous. This achieved some economies of scale, changed the demographics of the community, expanded the areas for growth as well as the tax base, and changed the political dynamic as well. Unigov has been successful at making suburban residents into stakeholders in the urban downtown. You probably could not do this in 1999, suburban folks would perceive this to be a subsidy of inefficient city government. Indianapolis still has over 40 taxing districts, nine fire departments, two police departments, nine school corporations.

In 1991 the mayor ran on a platform of downsizing government by 25 percent, in a place where government was already very lean. The challenge therefore was to rally support for an agenda that no one saw as really necessary. Indianapolis looked good compared with Chicago or Los Angeles. But in reality, the city doesn't compete with those cities for jobs as much as it does with its own suburbs. There were problems, however, with unfunded infrastructure liabilities such as a combined sewer overflow project at a cost of \$230 million. The month before the mayor was elected, the city signed with United Airlines to build an unfunded \$219 million maintenance hub. The police and firemen's pension had a \$50 million deficit. This totaled a 1.5 billion dollar tax drain over ten years against annual revenues of \$450 million.

Competition became the strategy for change. The administration began by setting up a commission, SELTIC, Service Efficiency for Lower Taxes in Indianapolis County, that was composed of nine entrepreneurs, over 100 volunteers and charged with finding what businesses the city should be in or not in, relying on market forces to drive down prices and drive up quality. It had only two rules: no reports, no sacred cows. The commission found that Indianapolis was in 250 businesses and knew it was very hard to run so many business effectively.

The Mayor began by making corrections to small areas where efficiency could be found quickly. By outsourcing the microfilm department they now save \$1,000 a day. They have now replicated that process over 100 times in the last few years. There can be no change without innovation and risk. It is also critically important to understand costs—when the process started no one could say how much it cost to fill a simple pothole—so you can benchmark improvement. But the most important thing to do is to get good people. For this you need good leadership, including the chief executive. It also takes strong support from the business community. And it is essential to have excellent leadership at the employee level.

Lessons learned: There must be a congruence of goals among employees and between labor and management, and you must break down fiefdoms. People must be rewarded when they succeed and they must also be held accountable for a lack of success.

Indianapolis has a robust incentive plan—if goals are achieved, employees take home 25 percent of the savings. In the first year of the incentive plan \$14 million was left in the budget at the end of the year and the city has underspent its budget every year since then. In 1992 the city's budget was \$462 million and last year it was \$438 million. Within that reduced number, they have added \$40 million to the police and fire department's budget. They have a \$101 million in reserves and have lowered property taxes three times. They completed their infrastructure work and their debt service level is lower than ever in the past. They have funded CSOs and the United Airlines project. Police and fire pensions are funded and have generated about \$420 million in savings.

Although they had a very rocky start with labor, no union employees have been laid off. There has been a 90 percent reduction in labor grievances, an 85 percent reduction in accidents, pay and benefits have increased and customer satisfaction is on the rise. One of the great myths is that labor and management can't get along—not true. And, you can have better services and lower taxes.

At the beginning, the relationship was strained and the union, in Ard's words, "did everything it could to see that Goldsmith was not elected." The message of privatization signified a loss of jobs and the union fought against it. After a long, bitter struggle they lost the privatization battle but won the seniority rights that included a safety-net agreement which said that any employee who was not hired by the new operator of the plant would be given a temporary job at the same pay, until an equivalent level job opened up. At that time the employee had the option of taking the job or leaving city employment. That safety net stayed in place until all employees were permanently placed or left (two did leave).

After the city guaranteed union members job security and agreed to train them for competitive bidding during work time, the union agreed to show how to best do the job by entering into the competition themselves. When the bidding process started, employees knew how to do the work, but not how much it cost to do it. Now they can tell you how much it costs to fill a pothole to the penny.

There really has been a three-way win in Indianapolis. The mayor has accomplished his goals. The employees and the union have won—they have not lost one union job to downsizing, in fact the number has gone up. They have brought in some work that has allowed them to increase the number of jobs. And the citizens have obviously won—taxes are lower, the infrastructure is stabilized, and services are better. There is great pride in Indianapolis.

Indianapolis is one of the strongest mayoral systems in the country. Indianapolis also has one of the strongest public / private partnerships in the country that has been going on for thirty years. The mayor can pick up the phone and call 25 CEOs today and probably get 25 of them committed short term on any project. It's a community where people go back and forth between the public and private sector a great deal and they are very generous with their time. But mayors don't create jobs, they create environments where jobs are created. Once the public sector gets its act together, the private sector will follow. Meaningful investment is important, but no silly deals. Business moves to where it's wanted. Speak in the language of business and understand that they read meaning into things like zoning.

Indianapolis benchmarks over 200 things and Stitt noted for benchmarks to be effective, government must have an absolute commitment to saving money, to be clear about what things need to be done, and to understand the costs. In Indianapolis, every dollar spent on getting good numbers saved \$100 in costs. The blue collar union workers now bring laptops with them to meetings to review costs. The training that went into building that capacity cost money, but was extremely important.

## Consistent Themes and Strategies

From these presentations we found a number of important strategies that were common practices in successful communities.

- **Collaborate on economic development efforts.**

Collaborative efforts are often examples of the whole being greater than the sum of its parts. All the panelists, including those from our own area, agreed that collaboration is an essential component of professional economic development practice. The need to include related professions and people of diverse gender, race and economic status was a common theme. Collaborations need to happen between stakeholder groups as regional strategies are developed, in areas where public and private interests overlap, and as part of the site selection / site visit process. Collaborations are also essential between our various economic development entities, to establish areas of responsibility, share leads, reduce redundancy, and build on separate strengths.

We are moving in the direction of effective collaboration, although the question of whether all the necessary stakeholders are included, remains. Ed Kearney commented that, “Syracuse has a history of attempts at collaboration in the areas of economic development—but not a successful one. The development of a group effort [Economic Growth Council] to promote the local economy is one of the most positive steps our leaders have taken in recent years.”

- **Take a regional approach and know who is *not* your competition.**

Ken Green spoke to this with an analogy, “Competition today comes from around the world is and it’s increasingly important to view ‘local’ more regionally because the competition is global. Think of gas stations surrounding one corner. They are mistaken if they view each other as the competition, instead, the real competition is on the *next* corner. Regional thinking means we develop our ‘corner’ and know when to direct business to our neighbor. It also means recognizing that if your neighbor is in trouble, so are you. We need to develop our own resources, but share them and cross-pollinate. With this thinking, Syracuse and Saratoga are not in competition with each other, they are together in competition with Atlanta, the Rhine Valley and Singapore.”

- **“Close the back door.” Retention of business base is critical for success.**

It’s important to keep what we already have. It is essential to understand the needs of existing businesses. The MDA has a team that regularly works with local major employers to know what is happening and to try to keep ahead of any problems. Panelists noted that it is difficult to track all businesses, and that if a business wants to keep its plans to move confidential, it probably will succeed. Ken Green explained, “We go out to businesses in the county in a systematic visitation effort. We try to have multiple contacts at each company but we still get surprised. There’s not much we can do if they don’t want us to know what they’re doing.”

Adopting a routine, systematic approach to gain an understanding of what businesses in the community need is basic good practice. And as a number of presenters noted, it is every bit as important to offer existing business the same sort of tax deferrals and creative finance options as are used to entice new business to a community.

- **Create “shovel ready” site development and a team approach to site visits.**

Professional site developers look at the product a community offers and often want opportunities that are “shovel ready.” This means having much of the work done before the first site visit happens and bringing together the right team for each visit. Darlene Kerr noted: “Expansion Management Magazine named Syracuse one of the 50 hottest cities in America for job expansion and relocation (based on factors including pro-business climate, quality of labor, taxes, incentives and quality of life), the only city in New York State to receive that recognition and one of only two in the entire northeast. They said ‘these 50 cities are in a league of their own, and go the extra mile to land their client’s business’.” This is a direct result of the pro-active approach the Growth Council and others are taking to building relationships with site developers in target communities around the country.

- **Value unique local strengths and build on them.**

It is important to be realistic about the essential qualities of the community. There are characteristics of our local area that set us apart from competing communities. We enjoy advantages including short commute times, low housing costs, scenic beauty, historic architecture, a diverse population, and a wealth of educational, civic and cultural institutions. It is essential to build on our strengths rather than attempt to become something that we cannot.

- **Invest in good planning, good data, and good staff.**

Several speakers mentioned the investment their communities have made in the areas of capturing useful data on the cost of providing services, setting goals, and implementing outcome measurement systems. These ingredients are intrinsically linked: administration and staff need good information for good management, goals need to be grounded in local realities, and accountability needs to be tied to accurate measurement of outcomes. Leadership is necessary to set the tone and direction. In successful communities, this prescription has been applied not only

to economic development activities, but to the function of government as well. In many cases, the successful communities we studied took creative approaches and developed shared resources with other entities—the state or federal government, universities, or private industry.

These behind-the-scenes investments can be costly to implement and are not easy to present as priorities to taxpayers. Again and again we heard that making investments in these areas requires true leadership. Improved systems, like the work of economic development itself, is a means to an end—the improvement of quality of life in a community. To maximize the number of people who can productively participate in the process requires us to tie together our efforts to improve our community and to engage in meaningful public discussion of community priorities, including economic development priorities. In Chapter two we discuss popular assumptions that may be at odds with the ideas embraced by successful communities.



## Chapter 2: Subjects of Debate

---

As with many important issues, economic development is subject to professional disagreement. Additionally, there are areas of widespread misinformation about economic conditions, where we in some cases discovered that the reality is better than what we believe. Even though, as Fred Fiske described, “Our region has a cantankerous reputation, and we do not suffer from illusions about ourselves,” we still need to look carefully at areas where we are too quick to believe the worst because this adds to our general sense of malaise, and because it may misdirect our energy toward problems that don’t exist.

During the study, some panelists expressed views that contradicted a number of commonly held, even axiomatic, beliefs. These contradictions may result from the different perspective on economic development necessities as viewed from a city that is thriving economically, compared with the view from our own, less rosy circumstances. It may be easy to say that financial incentives are unnecessary when companies are flocking to your door, but that may not be sound advice to a city that is losing market share. However, these contradictions serve to open debate about the way any community bent on success should do business.

Five issues illustrate these debates:

- *High airfares are preventing growth.*
- *We continue to lose jobs, especially good jobs.*
- *We must choose between higher taxes or lower services.*
- *We must provide financial incentives to attract new business.*
- *We must identify and direct our support to future leadership industries.*

### Are high airfares preventing growth?

A recent local headline story focused on the issue of our exorbitantly high airfares and the detrimental effect this has on business attraction. The chair of Onondaga County’s Economic Growth Council, Darlene Kerr, was asked about this issue and the idea of attracting a low-fare carrier to improve the situation through competition. Kerr argued that, “It’s a misconception that rates drop [when a low-fare carrier moves in]. With the exception of rates to the hub city where there may be a drop due to frequency of flights, history shows little change overall. More important, studies prove that this [airfares] is not a priority for most businesses.”

The narrow issue of airfares is undoubtedly more important to some businesses than others, for a small number perhaps critically so, but the widespread perception of airfares as a problem is instructive. All the speakers were in agreement that businesses choose to locate or expand for highly complex reasons, so that in very few cases would airfare costs make or break a high-level negotiation. What an issue like airfares does, is offer an easy target for complaint, and seemingly,

a quick-fix opportunity for improvement. But it would be unfortunate if we spent significant resources solving a problem that is not at the core of creating success.

### Are we continuing to lose jobs, especially good jobs?

Many people believe the economic picture for the Onondaga County region is grim, that we are still losing jobs and that manufacturing jobs have all but disappeared. The facts are surprising. Darlene Kerr reported, “As of last month we have regained all the jobs we lost in the early '90s and now have more jobs than ever. ... Chase Bank has identified Syracuse as the Pacesetter for upstate job growth, with growth in numbers of jobs and income. Surprising to some, manufacturing jobs have led the way.”

A related belief is that our region cannot compete with less developed states in the arena of labor costs. Kerr contradicted this also, “It’s not true that all the jobs that left were high pay, and all the new jobs are low pay—far from it. Charles Schumer’s study just found that our cost of labor just dropped below that of North Carolina.”

Irwin Davis reported that “the Labor Department announced 7,000 new jobs have been created in the past two years, 3,800 in 1998 alone, and in increase in real wages of 2.4 percent.... The number one issue, the number one problem and opportunity we face, is the field of education and training. Every employment sector in our region has job openings: manufacturing, customer service, high tech, etc. We lost so many people in the early 90’s it has been hard to recover the workforce we lost.”

If we’re doing so much better, why doesn’t it feel better? Vito Sciscioli explained part of the reason, “The scope of the Syracuse area economy is \$24 billion—bigger than the entire economy of Cuba. Our economy is in the top 50 in the United States in size and with respect to growth in export products. We have tremendous assets but we’re still losing population and that affects our domestic situation. That means we’re not selling as many cars or houses or groceries so it feels like we’re not prospering.”

In this case the widespread misperception is supported by other conditions. Many people still do not have access to living-wage employment and many middle-class workers have seen their wages stagnate while their home’s property value has declined. In cases like these, only when we address the reality will we make the facts believable.

### Must we choose between higher taxes and lower services?

As citizens we are often presented with the conundrum of either increasing taxes or lowering services. In many instances this is the only choice presented to voters. But successful cities have been able to have it both ways—lower taxes and improved services.

David Reimer spoke directly to this point: “Reject the notion that your only choice is to cut services or raise taxes. It is possible to have improved service at a better price. In Milwaukee they have maintained, and in some cases expanded, services while keeping spending below the

rate of inflation. They have simultaneously driven down the tax levy in real dollars by about 30 percent, in nominal dollars the taxes are flat. They have had eleven straight years of property tax reduction. It isn't easy, but you can't do it at all if you don't believe it's possible. Government has to be as productive as the private sector."

Locally we have made some progress in this area. Frank Forte explained, "How many people want to pay more taxes? How many people want less in services? This frames the dilemma between keeping taxes down and providing improved service. Under the leadership of Nick Pirro, we have done just that. We have formed a partnership for excellence in public service. We will continue to need to change to grow. Indianapolis is an excellent model of successful collaboration and innovation."

The model Forte mentions is a successful example of labor – management collaboration in Indianapolis. They have achieved efficiency through privatization of many municipal services. In some cases the union bid on, and won, the contract with the city. In other cases the contract was awarded to private companies that were required to use the union staff already in place. Skip Stitt described what happened in Indianapolis: "There has been a 90 percent reduction in labor grievances, an 85 percent reduction in accidents, pay and benefits have increased and customer satisfaction is on the rise. One of the great myths is that labor and management can't get along—not true. You can have better services and lower taxes."

Linda Ard described the process and benefits of privatization in Indianapolis from the labor perspective. At the outset, the union employees had the knowledge of how to do the work well, areas where efficiencies could be obtained and areas where there was unnecessary staff, or "excess management." They needed help learning how to craft a bid and how to estimate costs. The city agreed to train them, at city expense and during working hours. As part of labor's bid, they made decisions that kept wages flat until cost savings were achieved. Then they shared in the savings they helped create. Labor succeeded in their goal of competitively winning the contract while not losing any jobs, and can now expertly track costs. Ard reported that labor also takes great pride in saving taxpayers money and doing a job really well.

The idea of not having to choose between higher taxes and lower services is one that most people are ready to embrace, but not quite sure they can believe. This lack of public confidence results in part from our inability to accurately assess conditions, assign responsibility, and achieve accountability.

The actual changes required are rather dull, they do not inspire great public interest and they offer few photo opportunities. If asked, most voters would vaguely remember that this has been promised before, but without any real results. They would also remember being threatened with monstrous consequences if, as taxpayers, they stood in the way of increases. And we have all heard that there are layers of fat that can be trimmed with a clean tax cut. Political rhetoric inflames the discussion and there seems to be little political will to do the actual work that is required. While it would be hard to campaign on a platform of better data collection and more efficient microfilm processing, it is true leadership to accomplish the public good even if it does not result in immediate political gain.

## Do we have to provide incentives to attract new business?

A number of panelists challenged the popularly held belief that businesses locate where the incentive pot is sweetest. Panelists noted that the public cost of providing these incentives is substantial and the game of incentive brinkmanship can be self-perpetuating. In our study, economically successful cities used financial incentives minimally. These cities offered other incentives that were more attractive, including the compelling appeal of their successfulness.

Ken Green spoke to the importance of financial incentives at some length. “In terms of relative importance, consultants used to advise companies to move based on water, sewers, power, etc. Now the quality of the labor force is number-one, followed by quality of life at number-two, and incentives running about number twenty-five. Companies locate where the principals want to live. Selling toys is not enough. But words from other companies that like it [in your area] can be a good sales tool. ... You can't buy economic development, you can only level the playing field.”

Skip Stitt explained that in Indianapolis, “If you want to know what economic incentives there are to move to Indianapolis, you'll know in 24 hours. Period. The answer is probably no, by the way, because there is essentially a negative unemployment rate.” He summarized, “The basics of attraction go much deeper. If the only reason a business locates with you is the incentive, what happens when the incentive is over and the novelty wears off? Incentives are the weakest link, although they sometimes serve as tiebreakers.”

The cost of incentives is not always returned to those who foot the bill. When it is not, the value of the benefit is rightly questioned. The idea of subsidizing private investment with resources taken by tax from working- and lower-class citizens was challenged by Avis Ransom, discussing Baltimore's renowned success at rehabilitating its inner harbor. “Yes, city image is important, as are things like business friendly policies ... but city residents are not prepared to take part in the prosperity embodied by the inner harbor, etc. So far, people have been able to run away from the problems of our cities while still enjoying the benefits. People move to the suburbs rather than deal with people they fear. At Camden Yards it's people from the suburbs who go to the game while city residents sell the hotdogs and clean up. Remember, this came at a \$200 million price tag to the people of the city.”

As a community we have the right to question the use of public dollars to benefit private business. We have the responsibility to make sure that the public benefits and the lines of accountability are clear.

## Should we try to identify and direct our support to future leadership industries?

Some people believe the job of economic development is to survey the current business landscape, identify the likely leaders, and support them. Sector marketing has strong support in many quarters and it has been a successful strategy in many cases. Darlene Kerr explained the approach: “This is traditional economic development and it’s still valid. This is about understanding your niche strengths and building on them. It’s about picking the industries you want and ‘marrying’ them—know them, court them, keep close to them. It presupposes there will be growth and attempts to direct growth our way. The MDA’s Vision 2010 has a large dose of sector marketing. Niagara Mohawk looks for potential high energy-use customers as sector marketing.”

Irwin Davis noted local potential growth sectors: “Our region is globally competitive—and potentially a world leader—in the environmental and electric technology fields. In the environmental area Neil Murphy of O’Brien and Gere companies, and Jim Brissenden of Leybold Inficon have taken on the challenge of creating growth in that area and have created four sub-committees, municipal water, waste water, and hazardous waste; indoor air quality; sensors and information technology; and power and energy.”

But like incentives, some panelists did not think it wise to have government involved in favoring one group at the expense of another. David Reimer said: “Government shouldn’t be in the game of picking winners and losers. It does better when it helps all successful firms remain successful. The government is not always aware of real trends—Silicon Valley didn’t know it was going to become what it became. It is one thing to promote or encourage but quite another thing to provide incentives that come from taxes. Someone has to pay for the preferential treatment.”

Similarly, Ken Green noted that the ultimate leader is not always obvious. Describing the current mix of new business in Saratoga, he said: “The new businesses are diverse, from insurance to warehousing. There’s no way we could have known it, but surprisingly, the warehouse industry has become a local employment leader.”

Bill Claggett remembered “Twenty years ago San Jose area was known as ‘The Valley of Heart’s Delight. It was a city of flowers and a good climate. High tech is now ubiquitous in Silicon Valley. While it was happenstance how it all got started, growth has been deliberate.”

We need to ask if it is the correct approach to try to predetermine who will succeed in our area. We need to ask who is doing the predicting and what we are using as a crystal ball.

The issues in this chapter serve to demonstrate how varied is the discussion of economic development, how fundamental the questions we must ask. The next two chapters will outline a view of success that we hope can be a model for action.

## Chapter 3: Virtuous cycles

---

The idea of “virtuous cycles” is very appealing. The phrase was introduced to us by David Reimer, discussing the support provided by the city of Milwaukee to initiate improvement projects in distressed areas of the city. He explained, “In the early stages the city did help provide some land cheaply and now they are doing lighting. Early entrepreneurs did well, and private sector profits provide real incentives. This kind of development creates a virtuous cycle. Plan projects so this is a goal—or at least a possible outcome.”

In a broader context, virtuous cycles can be defined as judicious actions taken to create self-sustaining good. It implies that there are other, more “sullied” alternatives, and indeed there can be. As a community we have, with all good intent, made attempts to create public good with results that have led us to deeper problems. With 20/20 hindsight we can see that flawed strategies have plowed public money into civic improvement projects that failed for a variety of reasons. Like many other communities, we have provided tax-funded incentives with questionable public benefit. Just as residents of Baltimore question the benefit of their tax contribution to the Inner Harbor projects, local taxpayers question the projects we fund. As a result, this community is weary and wary of those waving banners of change. But, as a community we have also learned the hard, valuable lesson of what success *does not* look like.

One of the key ingredients to creating virtuous cycles is our ability to understand, respect, and take pride in, our own true character. Reimer spoke to this well. “Begin with the understanding that it is essential to understand and accept local realities. In Syracuse the snow will fall, we will be a city of a certain size, the city is of a certain style and age. To wish to be London or New York is foolish. Differences are not the same as weaknesses. Weaknesses are realities that can change. Things like taxes, polluted water, racial tensions are things that can be changed. Realities are those things that define a community’s physical and spiritual character. ‘You are what you are, and you ain’t what you ain’t.’ In Syracuse, like Milwaukee, people need to accept their community’s strengths as well as the weaknesses. Syracuse has a lot going for it: a world-class university, a diverse economic base, some beautiful old buildings, and a ‘customer-based’ economy—unlike Albany or Madison, Wisconsin, where money comes in through taxes—and a lot of civic organizations.”

Equipped with an understanding and appreciation of what we are, of what we know doesn’t work, and of what we want to become, we are well positioned to define our own success. The consensus of opinion derived from the study indicates that the following conditions must be met:

- Success must be balanced for all stakeholders.
- The city, the core of our region, must flourish.
- Good government must create the fertile ground in which the private sector can flourish.
- The people of our region will become our greatest assets.

- Exemplary leadership must flow from the civic sector in ways that connect effectively at all levels.
- We must develop community understanding to create confidence and sustainable vision.

## Success must be balanced for all stakeholders.

Economic development includes activity at all levels. For many residents, especially city residents, community development and economic development are intrinsically linked. Active retail and growth in small business signify that economic development is happening, and happening for them. The conditions of their neighborhoods, their access to employment, the opportunities for a better future for their children, are part of economic development. The absence of services, a decayed urban infrastructure, and schools that graduate only half their students are all indications of economic ill-health. To argue in the abstract that conditions have improved does not ring true to lower- and middle-class residents of the city of Syracuse.

The economic development professionals, however, often do not see activity at this level as part of their sphere. Many specialize in just one area of development. Irwin Davis was asked to compare the emphasis on major projects to economic development on a small scale—“Martin Marietta vs. corner deli.” He explained, “The city and county are involved through community development funds. . . . The Regional Planning Board has operated a loan program for many years, but many people don’t know what’s happening. It’s important to address economic development for all socio-economic levels.”

Ed Kochian was asked about the lack of public and private investment in city neighborhoods. He replied, “To increase the personal wealth in these neighborhoods, people need jobs. The Economic Growth Council is about creating jobs, the pre-condition to creating change. To create the necessary partnership, the council tries to broker between all stakeholders. We need to devote time and resources to ensure that opportunities reach across the entire community. The economic development zone strategy has been successful—there is concrete evidence of that.”

But Carol Perry responded strongly to assertions that the local economy was much better than people understood: “It is outrageous to say things are good behind the scenes when schools like McKinley are hell-holes. Today, . . . [the city announced] it had \$200,000 to spend on community gardens. This, at a time when children on the south and west sides of town have serious health issues. It’s no coincidence that the video [from the Economic Growth Council] didn’t show the south and west side neighborhoods. It doesn’t show people who are so disconnected they won’t move aside for fire trucks. It doesn’t show food in the pantries dumped on the floor for people to pick up like beggars. The video shows how advanced we are but doesn’t show that the city branches of the libraries don’t have computers.”

Avis Ransom spoke at length about this topic. “The outside world often sees Baltimore as a glamorous place, highly developed and representing significant investment by the state, the sports industry, and private investors. It’s all very impressive if you don’t live uptown. While the economic strategy the city has employed for the past 30 years has created success, fortunes have been made...but who made these fortunes and what riches have gone to the residents of city

neighborhoods? It's the same challenge other cities face—is this to benefit the life of residents or an investment opportunity? ... For change to work in the community it must be focused on the community—not externalities. The jobs that have been created in downtown Baltimore through the economic development efforts to date have been entry-level, low wage jobs. The higher-wage jobs have gone to those who do not live in the city and therefore do not contribute to the tax base of the city. ... All stakeholders need to be at the table in powerful ways. Investors see return, it's easy to see, measure, and achieve. Residents' interests are not so easily quantified. They cannot be brought to the table, they must be supported in getting there on their own....don't be afraid of the anger you'll see or of the significance of genuine differences.”

Carl Spencer, former budget director for the city of Syracuse, noted: “The importance of understanding who benefits from economic development activity and investment is an important consideration. It is difficult to bring everyone to the table—investors, residents, businesses, tourists, etc. When I worked in the city, its ‘people’ were often viewed as a collection of neighborhoods, each unique in its needs and strengths. Even at that level it was difficult to bring so much diversity together.”

It is clear that the very notion of what constitutes economic development is open for debate. It is also clear that our efforts to date have not made a satisfactory difference in the lives of many thousands. To achieve success in this area we need to integrate our community development and economic development efforts.

### The city, the core of our region, must flourish.

David Reimer spoke to this eloquently: “Although it might sound goofy, if you want to make a city better, you have to love cities. You have to believe in what cities are about. If you approach this in a clinical, analytical way— too much like a doctor—it isn't going to work. Transforming a city, making a city thrive, is to some extent an act of love. It's a lot of work and conflict to overcome. You get battle scars. It's an intense emotional process that doesn't work unless you disenthral yourself of the notion that cities are bad, or even that cities are neutral. You have to believe in cities.

“I'm here to tell you that cities are wonderful things, they are the source of almost everything that's good in society, whether that's American society or any other. This is not to disparage rural life, or attack the suburbs. To love cities doesn't mean you can't love pastoral beauty or the house on a lake, but you have to have large numbers of people getting together to have bowling or ballet, a symphony or a Citizens League. ... It is not a coincidence that the root word for city is the same as the root word for civilization—civitas.

“The struggle to improve Syracuse or Los Angeles is not just about making a particular place at a particular time more comfortable, it's a struggle to make civilization better. It is not possible to sustain the things we care most deeply about: our ability to work together, to come together, to create art and music, and bowling and pinochle leagues unless you have a dense concentration of people living together and thriving. There's a mission here. I'm on a mission. Cities tap talent. Density stimulates ideas. Concentration unleashes creativity. The Athens that produced the



greatest thinkers and writers was probably not much bigger than Syracuse. That may not be to say Syracuse will be Athens in its golden era, but who is to say it's not?"

We need to invest in the City of Syracuse and make it a place that county residents are proud to be affiliated with, a place that can attract new business because it offers a superb quality of life, and a place that keeps recent college graduates with opportunities to build a career and a family. We need to create a city with a high quality of life for all who live in it. The idea of quality of life can mean many things to many people, but at its most basic it demands that we set minimum standards for the quality of our neighborhoods and public spaces. And it also means we will value and protect the things that create the character of our area. Specifically this means we must preserve and protect our historic city neighborhoods as well as the outstanding natural beauty of our outlying townships and countryside.

Reimer said, "It's important for urban policy to stop dispersing cities. Rather it should cause cities to concentrate. Cities undid themselves in the '60s by loosening the core of concentration that was their strength. Specifically this means stop building freeways, adding more lanes. Consider tearing down freeways if possible without being too disruptive. Slow down. In the central part of town you don't want the transportation system to disperse the strength of the local economy. Look at single-use zoning and consider combining uses—it's okay for apartments to be on top of a store. Bring things closer together, bring them up to the road. Put parking on the side or behind the building, not between the street and the building. The single greatest thing we can do to invigorate the city is to physically bring the city back together. ... The reasons why people choose to live, or not live, in the city are complex—safety, taxes, etc. The single most often cited reason is the schools, but there is a racial tinge to that rationale. The main approach to bringing people back to the city is by dealing with crime, taxes and schools."

Rebuilding the quality of life in the city will have a direct effect on the economic prosperity of the region. With a weak center we will be unable to compete with cities that have already reinvested in themselves and rebuilt their neighborhoods. But to do this we must demonstrate that it is in the best interests of all residents, both urban and suburban, to invest in the city. We cannot wait for the tide of prosperity to lift these boats, we must act decisively and quickly to stop decline in the city.

**Good government must create the fertile ground in which the private sector can flourish.**

Government must establish a balance between market forces and regulatory efficiency. David Reimer spoke to this: "While different cities can learn different lessons, ... it's important to pinpoint things government can do in its relationship with the market so that government is adding value to the economy without getting in the way—a tricky balance. Most cities fail because they fail to strike the right balance in one of two directions: they either have too much government regulation that suppresses the market or drives the market out; or the government does too little so the vital role it has to play vis-à-vis the market, to improve its productivity and effectiveness, doesn't happen."

He continued: "Government's role should be to avoid exernalities that keep it from its core function, while concentrating on things like protecting the environment and workers in the workplace. Knowing there is always a risk of over-regulation, government needs to set the general rules but allow markets to function. Government shouldn't be in the business of allocating resources. People, with their own money, should decide what they want. This would be especially beneficial for cities, because most of the government over-taxing of the population and shifting of resources has been harmful to cities."

Ken Green, when asked about the impact of inefficient government structures on the retention and attraction of business, responded: "The link is not a direct one. The sales of penicillin are not influenced by the accreditation of the police force. The cost to development comes from taxes, quality of life, and the cost of living. The site visit often brings this out and can kill a project."

In the view of the speakers, it is clearly the responsibility of government to manage the systems that support the quality of life in a community. This includes investing in good data and efficiently managing systems to create predictably good service.

Skip Stitt summarized the positive results of investing in information: "It's remarkable what happens when you measure something, and it's remarkable what happens when you tell people you're going to measure things. It's even more remarkable when you begin to measure it and then publish the results to the mayor, the council and on the internet every month. People pay attention." Stitt also cautioned: "There is competition all over for jobs, economic development, and opportunity. Businesses are very mobile, more than at any previous time in history. If they are not satisfied with local services or the cost of those services, they will leave. Controlling the cost of government, and the quality of services is critically important."

Investing in good information and management systems allows a community to do good planning. This can be done collaboratively. Reimer explained: "There are simple ways to see local strengths clearly. Labor statistics are available that tell the broad economic numbers, but it is also important to know the details. How many jobs are available at a given time? Are they full- or part-time? Do they offer benefits? What do they pay? What skills do they require? Milwaukee conducts a survey through the university every six months to answer these questions. So in Milwaukee they can see the big picture. The federal government was so impressed with this that they directed the Labor Department to do more of these. It's possible that through the local Private Industry Council (PIC) you could probably get federal funds to do this type of study. It's a powerful tool to facilitate planning."

Bill Clagett described a small change that had a major impact on business attraction in his area, "One thing government did in Silicon Valley was to streamline the permitting process. There were 15 different governments operating by different rules. Now it's almost uniform, business knows what to expect if they choose to locate anywhere in the valley."

Reimer summarized how it was possible to have improved service at a better price: "It isn't easy, but you can't do it at all if you don't believe it's possible. Government has to be as productive as the private sector. You need clear outcome measures. If you want to reduce crime, you need to

measure crime and set goals for improvement. After goals are set you need to assign achievement of the goals to a person. And if they don't do it, find someone else who can."

## Develop the people of our region as our greatest asset.

The Community Leadership Conference at Minnowbrook identified the need for improved training and education opportunities as the number-one priority for our community. Irwin Davis also concluded that this is our greatest challenge. Ken Green note that the quality of the labor force is the number-one measure valued by site developers. The challenge of creating a skilled and work-ready labor force has become the primary field of competition in economic development. But like the need for efficient government, this falls outside the traditional purview of the economic development profession. In the recent past however, business has become increasingly engaged in workforce development.

Workforce development includes everything from improving the quality of public education, to retaining the best and brightest from our local colleges and universities, to providing retraining to allow workers the opportunity to improve their positions. Bill Clagett explained that the economic boom in Silicon Valley was supported by its access to education and an educated workforce. Stanford and San Jose State provide a steady stream of qualified, high-skill workers for the technology industries. But even in Silicon Valley, he noted, there is a need for improved education. "We need to work back to the K-12 level to have people coming out of the public schools job-ready. We need trained technicians. Manufacturing has a critical cost factor. In the recent past it has been cheaper to send work to Singapore, but some parity has been reached. This could have a real impact during the next decade."

Locally we graduate a surprising number of young people, but most of them move on to other parts of the country to find careers. Irwin Davis provided some surprising information: "If we count the number of college grads available to us by going an hour and a half in any direction it is the third largest number of graduates in the nation. The question is what are we doing with them?"

Ken Green proposed that the first education needs to be for businesses: "First, [we need] education for business. The local software companies came together [in Saratoga] as a coalition to keep good students in the area. The local companies need to be as aggressive as IBM and Intel in recruiting good graduates. In areas like upstate New York we need to look at the alumni lists and mine them for talent and opportunity. They often have fond memories of their school years and are willing to locate a satellite facility back in the college town. Also, after five years those who left for the lure of the big city are often disillusioned with that lifestyle and can be lured back with their skills—and their businesses—in hand."

At the retraining level there is much we need to do to spread the wealth of opportunity to people who have been left out of the economic good-times of the nineties. Avis Ransom spoke to this point: "People need training to reach the middle-level jobs that get them from one tier to another. Without support, people lose hope. The answer is in shared power, and unless you've been involved in grassroots action it's a hard concept to understand. Power is shared but not given."

You must bring your own power to the table. The people in power need to see their own self-interest served when the ‘have-nots’ succeed. The ‘haves’ suffer when this is ignored. The deterioration of the social fabric affects everyone’s quality of life.”

Exemplary leadership will flow from the civic sector and connect effectively at all levels.

Bill Clagett identified the need for leadership and collaboration: He recognizes that four community sectors—government, private, university, and civic—must function interdependently, and believes that a well-functioning civic infrastructure is essential to connect these parts. In other parts of the world, notably Eastern Europe, the lack of a civic sector hinders attempts to modernize.

A powerful feature of the Silicon Valley success story is leadership mobility that facilitates movement of ideas and supports between sectors. Universities—Stanford and the California State system—facilitated the transfer of knowledge and enabled faculty to move between the academy and business and Stanford Research Institute (SRI) worked with the civic sector to translate innovative science into innovative product ideas. Private businesses brought these ideas to the marketplace through product development. The sectors collaborated throughout the lifecycle from concept to final product and created success for all sectors.

Active collaboration between business and government has benefited other communities. Indianapolis also has one strong public / private partnerships thanks in part to the powerful connections the mayor has to key business leaders. He is able to ask for, and receive, help from the business community when he needs it. In Indianapolis people routinely transfer between the public and private sector.

David Reimer articulated the need for multiple forms of leadership: “The political leader sets the strategy while others implement it. Leadership needs that nexus. It can be seen in the relationship between FDR and Harry Hopkins, between Reagan and David Stockman. To work, we need to have both articulated strategy and effective implementation.”

He also noted the importance of collaborative leadership to solve the social problems that keep communities from success for all stakeholders: “Milwaukee also has a declining unemployment rate that is now below the national level. This, in a city of primarily low-income people, is a clear indicator of economic health. It’s important to note that many of these new jobs have been filled by minorities. The Milwaukee Employer Accord was formed as an agreement between government and large, private-sector businesses. The agreement is a commitment to hiring minorities and women to ensure that they are not left out of Milwaukee’s economic recovery.

... There has been a particularly vicious history of race discrimination in Milwaukee. The most obvious discrimination was ended but a lot of subtle things remained. Many businesses were just doing business as usual and they weren’t reaching out to very talented potential employees based on race and gender. Some knew they needed to do something about it. Several major corporations got together in an organized way to get minorities and women into jobs at the major

employers in town. They used peer pressure to get others to join. When one employer was hiring minorities for equivalent-level work at a 30 percent rate while another was hiring at a 2 percent rate, it couldn't be argued that this was because 'they weren't out there.' The excuses start dropping. It is not a substitute for the legal framework of anti-discrimination, but it's a powerful tool."

The speakers attributed the success of each of their respective home communities to true leadership. While in many cases there was an individual, often a mayor, who represented this excellence, they described communities where leadership is a pervasive force that exists throughout the community.

## Well-developed community understanding will create confidence and sustainable vision.

Gary Lim had a wish for our area: "Embrace risk-taking and see it as healthy. Embrace the learning experience itself. We don't often celebrate our failures but they add up to experience on a resume. In more risk-friendly environments the focus is on what you will do next. Celebrate start-ups and failures, they are both part of the fabric of success." He also believes that part of the success of high tech in Silicon Valley results from the "high-level community dialogue, awareness, and interest in high tech discussion." The idea of ubiquitousness was echoed by Ken Green who said, "talk economic development, think it, live it, and it will happen."

Communities that have been successful have created climates of success where people act on the belief that what they desire will happen. Their confidence is a self-fulfilling, virtuous cycle. In the pages above we list the key ingredients for creating a virtuous cycle of sustainable change. They demand a significant investment in human capital and good management. But these are not showy, they will not result in monuments to those who create the change.

Skip Stitt described what happened when Mayor Goldsmith ran for higher office after creating resounding success for the City of Indianapolis: "The mayor ran for governor and was defeated. There are no awards for this—no ribbon cutting for saving money, and it's hard to convey the meaning of it."

What successful communities create is not just quality of life, it's predictable quality of life. Predictability is a key ingredient to building confidence. Confidence encourages risk-taking. And risk-taking holds the promise of success, growth, and change. To attract and retain the people and institutions that will fulfill our vision for our future, we need to offer an assured experience where their personal vision of success finds a home.

## Chapter 4: Recommendations

---

### 1. Create Fertile Ground for Private Sector Growth through Good Government Practices

*We must foster a positive climate for private investment by reducing taxes and improving services in our localities.*

Government officials must throw out the idea that cutting taxes and improving services are mutually exclusive options. Resolve, creativity, and cooperation are needed to measure costs, set goals for improvement and assess results.

- Elected representatives must move to improve the efficiency of government services through consolidation, privatization, outsourcing, employee incentives and other means to lower the cost of government.
- We need to improve government performance by promoting the education of elected and appointed officials. The Maxwell School is a resource recognized internationally for the role it can play in promoting competent government.
- Government is made up of people and systems that serve the public good. We need to hold those responsible for performing the work of government accountable.
- We need to create a positive climate for investment, stability in the rules and how they are applied. To that end, we need to streamline our permitting, codes and zoning systems across municipalities.

*Exemplary leadership must flow from the civic sector in ways that connect effectively at all levels.*

Perhaps more than ever we need leaders who serve the community, who are well educated concerning its needs, and who are accountable by measurable standards of performance. We must award positions of power to those who are capable of acting collaboratively, responsibly, and with respect for the diverse needs of our community.

- We need to create and support a greater depth of leadership, ranging from the highest political office to the smallest neighborhood organization, and create effective systems to connect them. We need to use this depth to create opportunities for leadership development.
- We need effective collaboration between business, government, community residents, and education, and to identify and promote the benefits of these collaborations.
- We must ask our business leaders to assist in the development of good systems of government and to lend their resources to the public good.

- We must ask our institutions of higher education to participate fully in the life of this community. They have tremendous resources and should be encouraged to share these.

## 2. Think and Act Regionally and Collaboratively

### *Success must be balanced for all stakeholders*

To achieve a new balance, traditional stakeholders must recognize self-interest in having others succeed. Any group that acts as an agent of economic development also acts as an agent of community development and must understand this powerful link.

- We must include all appropriate stakeholders in decision making. Non-traditional groups need to be supported in making their way to the decision-making table and recognized for the powerful benefits their participation will bring. We recommend that a blueprint for inclusion be developed collaboratively in an effort led by the Economic Growth Council that includes city and county government and representative not for profit, religious and grassroots community stakeholders.
- We should develop a Syracuse Employer Accord, modeled after Milwaukee's, to promote, measure and ensure the hiring of minorities and women.

### *We must adopt a regional strategy for development in which the city, the core of our region, will flourish.*

The region will never develop to its full potential without a vibrant city. Therefore, it is in the best interest of the region—the suburbs and county—to participate in improving the infrastructure and quality of life of the city to make it competitive with other leadership cities. Just as the cost of suburban development in terms of highway and infrastructure costs has been shared by city residents, support for the city must be seen as mutual and complimentary.

- We must adopt a long range planning strategy that defines growth models, which protect the valuable qualities of our countryside, villages, and neighborhoods. The strategy should encourage development that is sustainable and human-scaled.
- As part of a regional approach, we need to develop cooperation between city and county, and quantify the costs and benefits of a regional approach that includes developing the city as a primary asset.
- We need to consolidate the city and county economic development efforts under the county, retaining the finest talent from each organization and ensuring authentic ongoing representation of the city. The city should concentrate its efforts on community, neighborhood, and retail development.
- The city and county should formally adopt the 2010 Plan. Hearings could be held to obtain additional input including the incorporation of FOCUS and TNT objectives

*The people of our region will become our greatest asset.*

To compete on a national and international scale, workforce development, maintenance, and improvement is crucially important. It is essential for us to look at the ways we can, and must, collaborate to create success. And we must also dissuade ourselves of the belief that it is acceptable to allow widespread illiteracy, unemployment, and poverty.

- Our public schools must be charged with the responsibility of producing students that are ready for work and ready to participate in a workplace that is continually changing. This workforce development will only be achieved through collaboration with business. This must become one of the benchmarks of success for our schools.
- Educational resources should be linked by establishing a "Career Path Planning" system. Links should be established between public and private institutions of education: primary, secondary and higher education as well as technical, career training and retraining programs.
- We must develop the human resource of those who are currently not participating in the economy. Development of this resource should come from a collaborative effort of government, private business, not-for-profits, and organized labor. We must engage business and industry, local unions, educational institutions and training programs to augment their efforts to provide training and supports to the entry-level job candidates. Additionally, we must ask business to develop career advancement opportunities that reward continued personal development.

### 3. Invest in Data Collection and the Establishment of Benchmarks that Measure our Progress Toward Community Goals

*Government must be held accountable to serving the public good.*

Accountability is key to good government and to public confidence in government. Government agencies and agents must be evaluated against measurable standards of performance in order to be held accountable.

- Governments need to set goals collaboratively, develop systems for measuring performance<sup>1</sup> and invest in implementing these systems rapidly and effectively. As part of this effort we need to invest in data collection and the hardware, software, and systems support needed to collect and use this data.
- To track progress, develop reliable surveys and reports at prescribed, regular intervals of no greater than six months that cut across the spectrum of economic development indicators.
- City and county governments should adopt Service Effort and Accomplishment reporting models to assess the efficiency and effectiveness of governmental programs. The City

---

<sup>1</sup> A list of suggested benchmarks is included as an appendix to this report.



Department of Audit and the County Comptroller's Office could provide resources. SOCPA should establish an economic monitoring system to measure the level and location of economic activity at the enterprise level.

- We need to invest in excellent staff and hold staff accountable by measurable standards of performance.

*We must develop community understanding to create confidence and sustainable vision.*

Public understanding of economic development issues as outlined in this report must be developed to create an environment that supports development. Each citizen can be, and in many cases, is a factor in economic development decisions.

- We need to develop strategies to make economic development widely understood and appreciated. As economic development becomes a more widespread community effort the diversity will not only strengthen our economic development efforts, but also develop the public confidence that becomes a self-fulfilling prophecy.
- We should convene regular sessions (at least once every six months) open to all economic development stakeholders, including TNT sector representatives, to review benchmark reports, brainstorm, assess progress and challenges, share information and develop consensus. It is essential that these sessions represent the city and region authentically, both in racial and economic composition.
- We must report on economic development and success toward relevant benchmarks in ways that are accessible and understandable to a wide audience and that continue to build greater public understanding of the issues, not just the numbers.



## Study Session Minutes

---

*Minutes from the March 11, 1999 meeting*

### **Irwin Davis, Metropolitan Development Association (MDA)**

Irwin Davis was introduced by Susan Crossett. She noted that in Davis' 30 year tenure with MDA he has played a role in many community accomplishments including the Carrier Dome, P&C Stadium, the new Regional Transportation Center, and many other projects. The MDA was created 40 years ago by the business community for the sole purpose of economic development. It represents a limited membership of 60 CEOs from the region to work cooperatively with others and partner with government in economic development activity. The MDA also runs the Downtown Committee and the University Hill Corporation.

Davis' talk centered on two things, an update on the status of the 2010 plan, and the status of the regional economy. We recognize that businesses must have a strategic plan to succeed in the future, and the MDA's business is economic development of this region. Three years ago the Central New York Growth Agenda Policy Committee, Doug Barclay, Steve Rogers, Mike Bragman, Jim Walsh, John DeFrancisco, Nancy Lorraine Hoffman, Nick Pirro, Bill Sanford, and Roy Bernardi meet to make decisions about immediate issues. At one of their meetings they directed the MDA to create this regional economic development strategy. They brought in a highly esteemed consultant firm, Stanford Research Institute (SRI), to develop a regional strategy with and for the MDA.

When asked about the regional health of Central New York, Davis describes it: "like Asian food—sweet and sour—but today it is more sweet than sour." A committee was established to oversee Vision 2010 that included Chancellor Shaw; Bill Davis of Niagara Mohawk; Hunter Rawlings, president of Cornell University; Doug Barclay; and Steven Rogers. The plan was announced two years ago, and though there is no silver bullet, we now have an analysis of the area. We now know who the companies are in the region as well as our overall business makeup. The quality and characteristics of the educational system and the workforce can make us truly globally competitive. Things are starting to happen that show our progress and these are reported regularly to the MDA board. The labor department announced that the region has gained 7,000 new jobs in the past two years, 3,800 in 1998 alone, and a 2.4 percent increase in real wages.

Davis believes the "doldrum days are behind us." The Vision 2010 plan is as good as any in the country. Examples of the 2010 plan include David Northrup's committee to retain and expand local business. In the past 18 months the committee has met with major employers including New Venture Gear, Diemolding, Crucible, Syroco, and Specialized Packaging International among others. These five firms are responsible for \$50 million in new investment and 650 new jobs. There has been a growth in the number of manufacturing jobs, despite popular belief to the contrary. The region needs jobs at all levels and good manufacturing jobs provide living wages for an important segment of our workforce.

Electronics Park is taking off, thanks to the support of the governor, and Senator Shumer also is actively interested in the health of the area. Electronics Park was an example of the MDA at its best. When Lockheed was bought out by Martin Marietta, the MDA went to them and asked

what the plans were for the 180 acre facility located within view of the thousands of cars that travel the Thruway every day. The answer was, “you’d better be creative.” So they went in and took it over, with the help of the state, with the goal of keeping Lockheed strong. They contributed \$8 million toward the \$62 million Lockheed planned to put up including \$1 million in retraining funds. Lockheed is now hiring 250 engineers many from the ranks of people who once lived here and have moved back. Nearly all the buildings at the compound have been leased or sold.

Other MDA projects/initiatives include:

- The Hancock Airbase is now designated as a State Economic Development Zone.
- Hugh Lordon, regional president of Key Bank, leads an Entrepreneurial Development Fund. They are developing a four point program for leaders in the business community designed to nurture high tech business.
- A new Venture Fund is in development that will allow local investors to participate. This will be a seed money fund that can initiate projects that can then attract venture capital from other parts of the country.
- A high tech incubator has been started that will be run by one the first major tenants of the incubator.
- The committee on tourism is initiating a study. SRI noted that we are not capturing the tourism that comes to this area and we are now analyzing this area.
- The committee on Health and Education has done some major things. Crouse Hospital and Community General have formed a business alliance that was first initiated by this committee two years ago. Also from this committee, there is an employment support effort to attract and keep good graduates and to help place the spouses of new hires.
- Agribusiness is still the number one industry in the state and has, as part of Vision 2010, begun to plan strategically about how to keep jobs and stability in this industry.
- Our region is globally competitive—and potentially a world leader—in the environmental and electric technology fields. In the environmental area Neil Murphy of O’Brien and Gere companies, and Jim Brissamton of Leybold Inficon have taken on the challenge of creating growth in that area and have created four sub-committees, municipal water, waste water, and hazardous waste; indoor air quality; sensors and information technology; and power and energy.

None of these efforts alone is enough, but together we are better positioned than ever before. SRI made it clear that it was not enough for MDA to make plans on its own—leaders in each field must take responsibility for the growth of their area.

While these things are happening, while the plan is working, attention needs to be paid to how things are happening in Albany and Washington. Davis believes that 70-80 percent of our chance to turn things around is in the hands of Albany. To address these issues, Steven Rogers and Doug Barclay have taken on the task of addressing governmental policy issues. The cities of Buffalo and Rochester are collaborating with Syracuse to address energy policy and cost issues, airfare costs, high-speed rail, the Erie Canal, and regional marketing. We do not compete with each other, so we should collaborate by capitalizing.

The number one issue, the number one problem and opportunity we face is the field of education and training. Every employment sector in our region has job openings, manufacturing, customer service, high tech, etc. We lost so many people in the early 90’s it has been hard to recover the workforce we lost. The MDA is addressing this need through an initiative with Syracuse University and Mike Bragman called the Work Keys Program. Through this program, an

interviewer goes out to businesses and learns about the details of the available jobs, then figures out if there are people to meet these needs, or if there is a need for training. In Utica, immigrants from Bosnia and Russia have filled a niche need of employers and have also begun to buy up the hundreds of vacant and abandoned houses in the area, fixing them up and improving neighborhoods.

Davis concluded with the affirmation that things have improved greatly in the past few years. It is time to lose our pessimism and be upbeat.

## Q&A

*Where will this workforce come from?*

If we count the number of college grads available to us by going an hour and a half in any direction it is the third largest number of graduates in the nation. The question is what are we doing with them?

*What has happened with the Research Park?*

We are working with SU to develop an extension of the good work at the CASE Center through a research facility. Working with the University we are working in three steps: the CASE Center, the Research Park, and the Electronics Park. It all ties together. There has been slow growth at the research center, due in part to the conditions of the '90s but that is due to change soon.

*You mention a lot of good stuff, major projects, what about economic development on a small scale? The corner deli vs. Martin Marietta. How does this fit into the big picture?*

The city and county are involved through community development funds.

*But what about regional efforts to make small-scale economic development work?*

The Regional Planning Board has operated a loan program for many years. Many people don't know what's happening. It's important to address economic development for all socio-economic levels. The University Hill Corp. is working on a program to create job opportunities for people who live in neighborhoods around the University.

*In looking at the grants that are available, we see every time that the bottom line is there is no incubator for these people. When is the Sears building going to be turned into a trades and entrepreneurial incubator so that people in that community can be helped?*

It's an excellent idea, and one of the good things about meetings like these is getting new ideas. We'd support it in any way we can.

*Is there any support for the arts community as part of economic development?*

We're not aware of any organized effort in this area. The most aggressive groups succeed on their own. But like tourism it's part of our backbone. We need to address it like we have with tourism, in an organized fashion.

*The RLS Career Center is a marvelous regional resource. Is there any effort on the part of MDA to partner with them so they can expand their efforts to help people define and develop their skills? Wouldn't this be an asset in attracting new business?*

We do work with RLS, and together helped place people displaced by the M&T merger. We are in continuing to work with them to place people from other industries.

*I was thinking more about financial support...*

That's always a problem, we try to help where we can. In the area we identified as most important, workforce development, RLS plays a key role.

*Is the MDA looking at how the business community can partner with K-12 education? There is a very big need—what is your plan?*

One of our problems is the MDA's lack of publicity. We don't seek members or recognition for what we do so we don't toot our horn. We just get things done. It's a mistake to think we haven't done anything. An MDA spin-off is Partners in Business and Education, that operates on a shoestring in 13 school districts. We're trying to influence the curriculum at the early grades to give children ideas about what jobs are out there. A similar program in Milwaukee has companies, corporate headquarters of companies, come up with \$2-3 million a year. We are doing the same things, just not with the same level of corporate support.

*We have heard recently that this area has received less than high marks for government. That is a disincentive for any company that wants to locate here—what are we doing about it?*

We could not have a better relationship with our government officials. It's gotten very difficult to be in government. People question why anyone would want to be in government today. I've not heard of any company deciding not to come here because of bad government. Companies like Southerland praise our workforce and plan to expand here rather than in their other corporate locations. They also plan to stay because government has been very supportive. People who just like to point fingers and say how bad it is should just leave town. OCC is offering training to meet the needs of Southerland and Deluxe Checks—400 jobs are in the offing. We could work on things like property taxes.

*SRI identified opportunities to develop in the electronics / high tech global market, could you share what are our strengths that would allow us to compete with Silicon Valley or the Boston Corridor?*

There are some 75 companies that participate in the electronics industry and we will have a report in the next few weeks about this industry. We're developing an alliance in that field to examine the SRI report and first, agree or disagree with it, then look for areas where collaboration could create common benefit. In information technology we've already determined that we could become bigger in customer service / call center activity. These things will not happen overnight.

*We have 19 towns and 16 villages operating in Onondaga Count, which is one of the reasons property taxes are so high. Is there anything the MDA can do to help Nick Pirro with his ideas for consolidation?*

It's an area that Roy Bernardi actually suggested a while ago—the metropolitanization of governments. We are indeed looking at it and what role we can play. This will need to be impeccably studied to give people in Fayetteville and Clay confidence that they will not lose their identity.

*Minutes from the April 8, 1999 meeting*

## **Ken Green, Saratoga Development Corp.**

Tom Letham, 1999 OCL study chair, introduced the morning's speaker, Ken Green, Director of the Saratoga Economic Development Corporation (SEDC). Green remarked that in his office they operated by the saying, "talk economic development, think it, live it, and it will happen." He complimented the OCL and promised to steal the idea of a citizens league and guaranteed that as a result of these meetings, jobs *would* be created, retained, or grown. Leads and business growth just happen in everyday life and if attention is brought to it, if the intent to grow is there, then growth will happen.

But the true nature of the work of economic development is not always easy to explain. He once tried explain it his job to his five year old. He tried to describe his activities: wearing a suit, going to an office or staff meetings. In boiling it down to that level, the truth was a revelation. In his job he is responsible for helping others make money and prosper. Green is a minister's son and considers himself a minister for jobs.

When the SEDC was formed in 1978, Saratoga was a place to go in August. As a tourist economy, it had a one-month boom cycle in August for the racing season and high unemployment the rest of the year. Some businesses made all their money in that short season and closed their doors for the rest of the year. Today the economy is diverse and vibrant. There is economic strength in the agricultural, manufacturing, service, retail, high-tech, and tourism areas. The tax base has been leveled, lower the unemployment rate, and there is now a year-round economy. In the last ten years the county has attracted \$1 billion of new capital investment to the area, half that in payroll across the county. These dollars spin the local economy and create wealth.

The new businesses are diverse, from insurance to warehousing. Surprisingly, the warehouse industry has become a local employment leader. The science of moving and managing goods efficiently now demands skilled employees who in turn demand competitive salaries. A community needs to offer jobs across a spectrum, not just to those well educated. Balanced economic development offers the opportunity for all to prosper.

The SEDC is organized as a public / private partnership under contract to the city. Operating with a \$500,000 budget the SEDC employs five full- and two part-time staff people. When the agency was formed, elected officials "went to war on unemployment" in Saratoga. The partnership created a 501(c)(3) allowing the private sector to contract for SEDC services supported with a dollar for dollar match from the city. The city contract is renewed annually which, Green noted, keeps the staff focused.

They share responsibilities with the local Chamber of Commerce to "divide and conquer." While the Chamber is responsible for convention and tourism development and downtown small retail development, the mission for SEDC is large-scale industrial, manufacturing, and technology development. They share space with the Chamber and also share investors.

At the outset, they knew they needed to invest in "product development" to create competitive price, product, and position. They brought together community thought leaders and created economic development teams. These teams focused on specific, diverse needs: rural agricultural, small-town downtown areas, and the bedroom communities for Albany. They created a small coalition of towns, the Northern Towns Economic Development Demonstration Project, to bring jobs to this rural area. They brought together the town supervisors of several villages along with the thought leaders of those villages. Typically, these villages had never planned much further ahead than the next annual budget. The project brought them together to plan for five years in the future in a bottom-up approach. The SEDC did not tell them what to become, they decided what

they want in a participatory planning process. They assessed the needs and growth-readiness of each area.

The county suffered from low levels of education, over 46 percent had not graduated from high school or received a GED. This became a prime economic development issue. They created a community center, financed by volunteers, to provide a place where people could meet and build strengths. Green noted that it is possible to help people bring themselves up by the bootstraps with support in the company of success. People want to be with winners and will learn from them how to win. When he brings a new company into the area he can point to these success stories, knowing “people want to be with people on the move, people want to be with winners.”

As we look for ways to encourage new economic growth we must first “close the back door.” Retention of base is critical for success and it’s important to offer incentives inside before moving to attract business from the outside. To do this, communities need to offer small business financing and offer the same sort of tax deferrals they offer to bring in new business. Bond councils need to do \$250,000 deals—not just \$70 million ones. And the fee structure of the Industrial Development Agencies (IDAs) needs to come down. Green suggests combining the small business HUD 504 micro-loan program (that finances up to 90%) with IDA bonds to create a “hypo for growth.” They also use the not-so-new link deposit program, an innovative state program whereby the state deposits money at lower interest rates and passes the saving on to small business development. In 1998 Saratoga has pushed out \$9 million in small business lending.

To attract new business it’s important to look at the product a community offers and create opportunities that are “shovel ready.” To do this requires a professional staff and teamwork. To create a world-class proposal can mean having the generic environmental impact statement already done, current information from all the players—utilities etc.—and enough warehouse space to open up immediately. When a business begins to consider sites for expansion or relocation, they often settle on three or four states ask the government and major utilities for information. A proposal book is sent out and the opportunities are judged by company criteria. At that stage “you either have the product or you don’t—you either make it or you don’t.” Green noted. When the first engineering site visit occurs it’s important to have the physical details worked out. For the human resource visit it’s important to demonstrate readiness in terms of quality of life and labor capacity. And for the CEO visit—the sniff test—its important to make sure it will feel right to be there, can it be fun to be here. For each stage and each visit it’s possible to “fall off the table” so it’s essential that the right team is assembled and made ready.

Competition today comes from around the world is and it’s increasingly important to view “local” more regionally because the competition is global. Green used the analogy of gas stations surrounding one corner. They are mistaken if they view each other as the competition, instead, the real competition is on the *next* corner. Regional thinking means we develop our corner and know when to direct business to our neighbor. It also means recognizing that if your neighbor is in trouble, so are you. We need to develop our own resources but share them and cross-pollinate. With this thinking, Syracuse and Saratoga are not in competition with each other, they are together in competition with Atlanta, the Rhine Valley and Singapore.

Green continued with a second analogy, this time about growing corn. If you want to grow good corn, your neighbor has to grow good corn. The pollen from you neighbor’s corn pollinates your corn and the quality of your crop is dependent on the quality of your neighbor’s crop. Good farmers share good seed and good practices with each other. Saratoga and Syracuse need to cross pollinate each other.

Green thanked several local individuals—Ed Kearney, Frank O’Connor, Don Western—who helped in the early days of his career in Saratoga or served with him in the trenches of economic development.



A new partner, Dirk Sonneborn, is working with Green to develop venture capital investment for emerging technologies. The city of Williamstown, Massachusetts has a capital fund of \$15 million from local wealthy individuals. These dollars are set aside for a professionally managed fund that has spent \$10 million to develop ten technology companies. The most recent star of that class just went public for \$65 million so the investors have made all of their investment back with just that one company and the benefit to the community is obvious. That is our competition when we go after technology business. Technology growth is driven by the investment capital industry. These businesses have to have that money to survive the spiking growth period. Why would investment money from Boston go to Syracuse? We've got to have enough to bring some money to the table.

We need to know our assets. A world-class university is more important than any other incentive, Green attested, and it will serve as an incubator for new business potential. And we need to recognize the importance of adaptive reuse. In Saratoga a defunct outlet mall is now an incubator center affiliated with the university.

## Q&A

*The balance between being open to development and controlling quality of life are sometimes at odds. Locally, McDonald's has been kept out of Manlius and residents are fighting having a Wal-Mart move into Cazenovia. The landscape is littered with failed big-box ventures.*

Yes, you must strike the balance. You don't want all your eggs in the big-box-basket because you don't want to be Anywhere USA. That discussion is happening in the city of Saratoga Springs. They defeated a Home Depot that wanted to locate close to the city with its mix of small, unique retail. They are now having that issue with Borders Books. We don't provide any incentives to those companies, but it's not always clear whose interests are served by support or opposition to these ventures. Retail development results from people having good paychecks. Retail development results from good economic development.

Adaptive reuse is an important new occurrence. A factory outlet mall in Saratoga has been adapted to an incubator center for technology. The space rents for \$5 a square foot because costs have already been written off. Schools and colleges have been recruited to put training centers on-site because workers need training. And there's plenty of parking!

*What are you doing to encourage graduates from local colleges to stay in the local area?*

First, education for business. The local software companies came together as a coalition to keep good students in the area. The local companies need to be as aggressive as IBM and Intel in recruiting good graduates. In areas like upstate New York we need to look at the alumni lists and mine them for talent and opportunity. They often have fond memories of their school years and are willing to locate a satellite facility back in the college town. Also, after five years those who left for the lure of the big city are often disillusioned with that lifestyle and can be lured back with their skills—and their businesses—in hand.

*How do you relate, regionally, to your border communities?*

There is an economic development team in the capital region that does marketing together. When regional economic development gets going the primary focus needs to be marketing the region—not sales. Selling has to be on the local level. But enterprises like scenic rail need to collaborate to truly succeed. It's also important to share leads that don't fit your own area with sister communities.

*In Onondaga we have something like 23 different economic development groups that don't always know what each other is doing—much less work together. It sounds like you have one stop shopping, can you comment on the difference?*

In Saratoga we're leaner and meaner in comparison! We haven't got any real competition so all our efforts go to one place. The city wanted to create its own IDA but we convinced them to go with the county IDA. A number of towns have some organized economic development activity but they look to the SEDC for technical assistance and delivery. But the sale still needs to happen at the local level.

*What about duplicate activities in places like the Dept. of Labor, etc.?*

We work as a team so that has not been a problem. We provide technical assistance

*How do you assess and tabulate the available labor force in your area?*

The Department of Labor wasn't up to speed with what we wanted to do. We asked for the geocoded data on unemployed people so we could show prospects where the potential employees were based on education. We paid for the upgrades to their computers and design of the software. We also held an underemployment job fair—workers working multiple, low-wage jobs to make ends meet—and had a huge turnout to submit resumes. This information was incredibly useful when trying to attract new business, and these folks would never have shown up in traditional unemployment figures.

## PANEL DISCUSSION

*Ed Kochian moderated the discussion. Don Western, Director of Economic Development for Onondaga County, and Minch Lewis, City Auditor were panelists.*

Ed Kochian opened the panel discussion with a few remarks. He noted that while many elements of Green's prescription for success were already in place locally, we lack a singleness of purpose. He cautioned that we need to subjugate egos and agendas to get where we need to go. We need a central hub for the dissemination of information and to coordinate zoning at the local level. And we need coordination at the leadership level so we will know when companies are ready to expand and so relationships with these companies will already be established.

## Q&A

*You mentioned the importance of the site visit, which is in essence a "sight" visit. How do we rate?*

You need to involve everyone in creating an attractive product. Syracuse already has beautiful vistas and great architecture. The University is opening the door to world-class alumni. At the nitty-gritty level there has been some regeneration. In Solvay for instance there are examples of adaptive reuse, power incentives, a shovel-ready tech park.

*You have a city / county IDA, why? How did it come about? Who controls the prospect list?*

The Saratoga IDA was developed based on its then-current needs. It has the power of eminent domain power and power to grant special tax status that is state created but locally controlled and locally driven. Specifically, this means incentives are developed locally. In the early days of

IDAs even small villages could have one. They were originally formed to enable localities to do specific projects. They multiplied to get more projects done in smaller areas. The Cuomo administration discouraged proliferation. Onondaga County was the second IDA in the state—now the city has one and other are talking about it. Saratoga actually has five IDAs with one administration and one PILOT.

*What is your PILOT policy? A ten-year tax abatement with a gradual increase.*

Manufacturing is based on land value and offers postponement of taxes for ten years. Companies must negotiate assessed value at three years for the term plus three years. Companies and school districts like it because it assures school taxes.

*How do you dovetail the activities of the city for greater focus?*

The county can run in the city and the city can overlap into the county with permission. There are three to four county projects in the city. There are some distinctions in focus. The city supports retail, the county does not by law (with exceptions) since 1993. Real jobs need to be developed first, then retail will follow. The IDA is a public benefit, with its own board and portfolio. Ownership is transparent but real. Onondaga has done 1.3 billion in transactions in its life. The bonds are not backed, they are sold to individuals.

*Using the branch bank model, what do small towns need in terms of service?*

The Saratoga Center for Economic Growth (CEG) was formed to bring together power players from across the region. They joined to have access to each other. The CEG needed a mission and believed that because towns were fighting each other, there needed to be a central hub for development activity. It didn't work. It was successful in tackling technology extension and was able to place volunteers from major companies to help smaller companies. They were also able to bring together legislators around major issues. They falter however when they try to do sales—moving things around does not create real change. Marketing and legislation are the areas of major impact.

*Quality of life—what does this have to do with potential for economic development?*

In terms of relative importance, consultants used to advise companies to move based on water, sewers, power, etc. Now the quality of the labor force is #1, followed by quality of life for #2 and incentives running about #25. Companies locate where the principals want to live. Selling toys are not enough—but the word from other companies that like it are good sales tools. Chuck Schumer recently noted that upstate is missing the boat for not mining New York City for companies that want to move out of the city.

*Look at how the Port Authority in New York City, New York and New Jersey squabbled while Maryland ran away with the improvement dollars. When it comes to public / private partnerships, how do you develop trust?*

If it hasn't been done before then anything you do will be an improvement. Between 50 and 60 percent of Green's time is spent communicating with legislators—his staff does the work. You need a well formed negotiating team. You can't buy economic development, you can only level the playing field. You need to understand your competition and remember you'll be trusted by your approach.

*What are we doing, should we do, can't we do?*

The single-structure model of Saratoga has no parallel here. Locally we've tried to use the Growth Council to bring practitioners together. The county wants to market the work of the

practitioners, while the actual work will be done by the Chamber. SESAME is a group of medium-sized cities from around the world, and Syracuse and Lafayette Louisiana are the only two U.S. members. The group is working on site analysis and working with site consultants around the country. But remember, a program council doesn't create jobs, the private sector does.

*When it comes to sharing vision, county residents are antipathetic to city leaders with no vision. Please comment.*

In Saratoga county a few wealthy individuals have been catalysts. They decided to do beautification. You need people with charisma and vision to do it.

*What strategy does Saratoga have for preventing back door flow?*

We go out to businesses in the county in a systematic visitation effort. We try to have multiple contacts at each company but we still get surprised. There's not much we can do if they don't want us to know what they're doing.

*We have inefficient government structures, what impact does this have on retention and attraction?*

The link is not a direct one. The sales of penicillin are not influenced by the accreditation of the police force. The cost to development comes from taxes, quality of life, and the cost of living. The HR visit often brings this out and can kill a project. In Battle Creek, Kellogg threatened to leave unless the city and towns did something to get costs down. This created some consolidation.

*How do you get the word out about the work of the council?*

Through a monthly report and general communication every month to the press and through radio shows. We need feedback too. We need to have people to tell us when the emperor has no clothes. The challenge is to see what the emperor does have.

*Minutes from the April 29, 1999 meeting*

## **Darlene Kerr, CNY Economic Growth Council**

*(Additional Speakers from the Economic Growth Council: David Cordeau, Vito Sciscioli, Joseph Russo, Connie Maute, B.J. Paprocki, Frank Lazarski)*

Darlene Kerr noted that this was the first time she had addressed this assembly with "completely positive news." The facts are clear. As of last month we have regained all the jobs we lost in the early '90s and now have more jobs than ever. Expansion Management Magazine just named Syracuse one of the 50 hottest cities in America for job expansion and relocation, the only city in New York State to receive that recognition and one of only two in the entire northeast. They said "these 50 cities are in a league of their own, and go the extra mile to land their client's business." We're not used to hearing this about Syracuse. Chase Bank has identified Syracuse as the Pacesetter for upstate job growth, with growth in numbers of jobs and income. Surprising to some, manufacturing jobs have led the way.

How did all of this happen? The answer comes in four parts.

- First, the business climate changes enacted by the Pataki administration and the legislature have arrested business flight from the state and encouraged new investment here.

- Second, our local companies are not only survivors, they are toughened, capable competitors growing their own success stories.
- Third, the Chamber created the Economic Growth Council in partnership with County Executive, Nick Pirro, to raise the standards and effectiveness of this area's economic development activity. The success of its efforts is well documented.
- Fourth, our return to the national marketplace as a competitive, creative community has brought us jobs—and attention.

It was well recognized that the community had a number of economic development organizations, each seeming to pursue independent activities with little interest in collaboration. In fact, there was more cooperative effort than was readily apparent, it was an ad hoc system without structure. Two and one half years ago the Chamber led an effort to formalize the structure and create an economic development team, the Economic Growth Council, that brings together all the economic development organizations to work toward common goals.

The structure of the council is simple. There is a steering committee of business leaders chaired by Bob Bennett of M&T Bank, and includes Mike Falcone, John Whittle, Howard Sharp, Lee Kattel and Darlene Kerr. There are about twenty-five members of the council comprised of organizations with a stake in, or an intense interest in, economic development. (Brochure provided to audience.)

The real strength of the Council is its working partners who conduct economic activities every day. This group has met every two weeks for the past two years and they are responsible for some remarkable results.

Kerr introduced David Cordeau, president of Greater Syracuse Chamber, as the man who had the inspiration to create this working partnership. Cordeau noted that the council was formed under the belief that the members could be far more productive as a formal team than an ad-hoc team. We established five critical components for success:

1. Created an intranet for tracking, and sharing prospects. Members have passwords that allow them to review the status of each prospect.
2. Developed marketing materials, including a CD that has all the information a site consultant or corporate real estate manager would need to consider Syracuse.
3. Created a strategic plan.
4. Hired a full-time sales person, employed in partnership by the Chamber and the County, to lead and coordinate efforts.
5. Went “on the road” to engage more actively with the marketplace.

Cordeau introduced Vito Sciscioli, Commissioner of Economic and Community Development and one of the founding members of the Growth Council. Sciscioli explained that when the council was formed the local economy was in some trouble, and the city faced some major problems with vacancies in the downtown area. Together with Bart Bush and Jim Lorenzo from the city, and consultant Bill Lowenstien, the city attempted to recruit business through a number of real estate officers in New York City. Woefully under-prepared, the group was politely, but firmly, instructed to go back home where they belonged. The group left New York determined to take a look at what was really needed to do the work of economic development.

They found that there was strong local talent that could be brought together to form a team. The State Labor Department's Roger Evans was skilled as a trained economist and well-experienced locally. Niagara Mohawk also employed an economist and had an excellent database with which

to begin operations. To they knew that to be effective at recruiting just working hard wasn't good enough. They needed to collaborate and bring together all the tools and talent needed to solve complex problems.

But it's also important to note that real growth cannot be accomplished by a handful of people around a table. It is too complex and diverse to be managed that way. The scope of the Syracuse area economy is \$24 billion—bigger than the entire economy of Cuba. Our economy is in the top 50 in the United States in size and with respect to growth in export products. We have tremendous assets but we're still losing population and that effects our domestic situation. That means we're not selling as many cars or houses or groceries so it feels like we're not prospering.

Cordeau explained the importance of providing prospects good information in a timely manner. We have received kudos from relocation prospects who say we consistently outperform almost all other communities in responding to their needs. He introduced Information Director Connie Maute who leads this effort for the Chamber.

As part of this effort she collects economic and demographic information. The first phase of any site evaluation requires basic data about population, economic trends, wage rates, labor force, quality of life, and education for the workforce. This is provided through several Council publications including the Community Profile, Economic Indicator Packet, and a basic fact sheet. This information is included in every packet that goes out to every business prospect and is updated regularly because the information must be current to be relevant. They also publish *Business Growth in Onondaga County*, that talks about positive aspects of the area—new businesses that have located to the area, companies that have announced facilities expansion or are adding employees. The CD, titled *Syracuse: The Business Class City*, is another tool for sharing data. It features a seven minute video clip and over 300 screens of data.

Maute also maintains the secure intranet website, accessible only by the working partners. When any participating group receives a request from a site consultant, all the pertinent data is entered into the database and this is sent electronically to all the partners, alerting them to the role they must play.

Sales is critical to the success of the system and that means taking the tools on the road, Cordeau explained. (CD demonstrated by Joe Russo.) The CD was put together by Mark Russell and Associates and the information was put together by Connie Maute and members of the Growth Council. It cost money, and was funded by several of the partners. The City of Syracuse Economic Development Agency and the Onondaga County Economic Development Agency each contributed \$25 thousand and Niagara Mohawk, Bell Atlantic, and the Chamber of Commerce also contributed money to the project. The economic development agencies have the money to do this. The IDAs make money by the fees they charge for bond issues for economic development and plow that money back into marketing the community. We need to continue to invest or our capacity will deteriorate. We need to let the world know the good news about our area. And we need to learn from prospects what they think of our area and what they need to know so we can continue to develop good tools.

The data on the CD will need to be updated every few years, but gives people a great picture of the area, its economy, workforce, wage rates, details on local businesses, and major assets for business. It's a great reference tool to leave behind with site consultants. You can add on to the CD a PowerPoint presentation that's customized to prospect.

The strategic sales plan takes a creative, energetic contemporary approach to selling. It has five priorities:

**SITE CONSULTANCE.** A decade ago, one in ten prospects was a site consultant, typically we'd deal with a company directly. That's all changed. Now seven in ten prospects are site consultants. Large companies used to have real estate departments now outsource site selection.

But most of our prospects are young companies, that may have started five years ago in someone's garage, but are now growing at a rapid pace. They don't own any real estate and don't have in-house staff to do this work. Site consultants are making an enormous number of decisions for companies and we're right in the forefront of that movement. We're visiting site consultants in targeted communities every month as our number one priority. It's amazing what that's done for us. That we are in the top 50, as Darlene mentioned, is a direct result of our work with senior site consultants who say Syracuse is an up-and-coming community.

**EMERGING TRENDS.** We've seen communities with rapid ascension and asked how did they do that? How were they on the cutting edge. They did it by spending money to identify trends and got in on the front edge of trends and were well prepared when those trends led to jobs. Unfortunately, in the past we only heard about a trend after it had matured and others had cashed in on it. No longer. We now subscribe to trend newsletters and bring in trend consultants to look for trends that really make sense for us to go after.

**SECTOR MARKETING.** This is traditional economic development and it's still valid. This is about understanding your niche strengthens and building on them. It's about picking the industries you want and "marrying" them—know them, court them, keep close to them. It presupposes there will be growth and attempts to direct growth our way. The MDA's Vision 2010 has a large dose of sector marketing. Niagara Mohawk looks for potential high energy-use customers as sector marketing. The Growth Council supports these efforts but will not be doing any sector marketing of its own.

**GEOGRAPHIC ADVANTAGE.** We can demonstrate advantages based on our location. We can target a community and demonstrate an advantage. We have cost advantages over New York City, especially for back offices and support systems. If we target Boston, we can show labor advantages. We do old fashioned raiding for Syracuse. It's noteworthy that ten other states have set up offices in New York to bring New York business to their states.

**GOVERNMENT.** The government is growing—one in seven new jobs in America is a government job. It's a growing segment that provides good paying jobs with benefits, and they tend to be lasting. We have not been aggressive enough with our elected officials to get these jobs placed here.

Successful communities must also be able to provide financing—there's no such thing as a simple deal. Companies come to us with complex requests and we need to be able to serve them well, Cordeau noted in his introduction of B.J. Paprocki, District Director of the SBA for an area covering 33 upstate counties. The two basic SBA missions are training and financing. Financing of businesses, especially high-tech business and those involved in international trade, requires complex problem solving that traditional lenders are not always equipped to handle. It needs a collaborative approach bringing the SBA, Chamber, local lenders, and city and county programs. There are a myriad of programs and it's difficult for business to understand and take advantage of these programs. Information is essential, and ease of access is equally important. And collaboration provides a creative environment that brings out more ideas than any one group could provide.

The other essential component in the equation is labor, Cordeau explained. He introduced Frank Lazarski from the Private Industry Council (PIC). Lazarski noted three points about workforce development:

1. We need to collaborate to recruit, train, and prepare for new opportunities.
2. We are being forced by market pressures to put our resources in one area, to streamline and provide universal access to training and to provide accountability in the form of real jobs.

3. We need to think regionally. The Central New York Regional Compact is working to provide a better system and expand our labor pool. It is both an attempt to consolidate efforts and expand our definition of “local.”

We can take pride in recent accomplishments: Southerland, NEXTEL, the USAir reservation center, New England, Deluxe Checks, United Health Care, Spectrum Medical, Teamsters, and many more. The Council works well and that’s the proof.

## Q&A

*The CD shows a lack of diversity—need to update it. Is there any focus on the “three Es”—Enticement, Enhancement, Engendering—otherwise known as get, keep, and start?*

We’ve been doing enhancement and are now doing enticement. The next step, engendering is on the immediate horizon.

*Conventional wisdom proscribes against prospecting in your own back yard, what is your view on this?*

We wouldn’t prospect, but we’ll take what comes our way. Customers choose what they want and sometimes a move from Utica to Syracuse makes sense for business. The area stays strong.

*Cities that get Southwest Airlines see a drop in rates. Shouldn’t we go after them?*

It’s a misconception that rates drop. With the exception of rates to the hub city where there may be a drop due to frequency of flights, history shows little change overall. More important, studies prove that this is not a priority for most businesses.

*We’ve heard a lot of great things today that nobody seems to have heard about. Have you done anything with the media?*

Great question but it’s not easy to interest the media in good news. There’s a real disconnect between perception and reality that we need to correct.

*When we talk about labor shortage we mean skilled labor, what can we do?*

That’s an interesting phenomenon. People still believe the skilled labor shortage is not related to the public schools—but it is. We need to take a look at what the schools are doing, not just the city schools, all schools.

*We have an untapped resource in retirees. They are able to work on a project basis, and are perfect for short-term and part-time skilled labor.*

Great idea!

*Where is the MDA in all of this?*

They are part of this, just not here today.



## PANEL DISCUSSION

*Ed Kochian moderated the panel that included Connie Maute, Ed Kearney, Fred Fiske, and Carol Barry.*

Ed Kearney commented that Syracuse has a history of attempts at collaboration in the areas of economic development, but not a successful one. The development of a group effort to promote the local economy is one of the most positive steps our leaders have taken in recent years he believes.

Fred Fiske was inspired by what the panel had to say and by the number of people and groups that came together to create a shared effort. Our region has a “cantankerous reputation” he asserted, and we do not suffer from illusions about ourselves. But the visioning this effort represents has parallels in FOCUS and TNT. These too have taken hold and are stubbornly rooted. The Lakefront Project combines airy visions with concerns about trash and models our idealistic hopes grounded in realism. These assets are not always visible, but they’ve become part of our community and are a strong force.

Noting Ken Green’s presentation, when we’re all on the same page, when we all act together, the total is greater than the sum of its parts.

We need to be positive without being blind to our needs and our opportunities for improvement. We do need to start with “how to sell this area” – which is not a neutral position. Granted, an economist won’t paint the sky blue, (not a highly salable position) but this is useful for planning and developing a clear sense of where we struggle and where we succeed. Good development builds confidence and that’s attractive. We aren’t “raiding” just because a company decides to move here. But when we hear that 10 states have set up shop cherry-picking our best companies we have to ask if it’s time for a cease-fire?

TIME magazine did a four part series on corporate welfare. We hope that economic development isn’t a war between the states. To attract and keep business we need a balanced partnership between government, public and private entities. And we should respect the strength diversity brings us. Too often diversity is seen as a city issue, a problem, rather than as one of our true strengths. We’ve come a long way toward speaking with one voice. We need to be careful not to oversell, but still point with pride to our uniqueness. And we have to accept that some businesses simply won’t locate here for any number of reasons. We have to play the hand we’re dealt.

Connie Maute has been with the Chamber of Commerce for 15 years. In her early years the community was doing positive things—“then came the doom and gloom.” The area went into a recession and has taken some time to recover. In truth we’re much stronger than most people believe. As citizens we need to take a positive approach. As professionals the economic development team needs to keep working to improve and keep data current.

Frank O’Connor likened economic development people to “hired guns.” But, he argued, our actual sales force is even larger. On a trip to Minneapolis a fellow traveler complained about the weather on the cab ride to the hotel. In response, the driver extolled the virtues of the place and put a shine on the city.

In the war between the states, everyone is on the front lines. It’s hard to stop—developing states will continue to raid the mature ones. Like baseball teams, no one can afford to be the first one to stop bidding up good players.

## Q&A

*It's surprising how many people have never heard of the Growth Council. Doesn't that speak to the exclusivity of what we do in this town?*

We could be better, and there are others who could contribute prospects. We should all contribute to the positive attitude we need and our self image. Enhancing what we are does not mean the same thing as not knowing our limitations. But we don't need to market our limits.

*Why doesn't the media do more to get the word out? The newspapers should run a series of articles.*

We do have great things to be proud of. People from out of town are surprised by the variety of things we have to do culturally—the stage, the symphony, museums, Famous Artists, etc.— by the number of things happening at one time, and the quality of the offerings.

Carol Barry reacted that it was outrageous to say things are good behind the scenes when schools like McKinley are hell-holes. Today, Parks Commissioner Jennings announced that he had \$200 thousand to spend on community gardens. This at a time when children on the south and west sides of town have serious health issues. It's no coincidence that the video didn't show the south and west side neighborhoods. It doesn't show people who are so disconnected they won't move aside for fire trucks. It doesn't show food in the pantries dumped on the floor for people to pick up like beggars. The video shows how advanced we are but doesn't show that the city branches of the libraries don't have computers.

Barry suggests people consider what would happen if their neighborhood was “split like a pig” by an interstate like 81. What would they think if the economic development they were offered was to have one building painted twice. What company will stay here if our city and its neighborhoods are in this shape?

Ed Kochian replied that to increase the personal wealth in these neighborhoods, people need jobs. The Growth Council is about creating jobs, the pre-condition to creating change. To create the necessary partnership, the council tries to broker between all stakeholders. We need to devote time and resources to ensure opportunities reach across the entire community. The economic development zone strategy has been successful—there is concrete evidence of that.

*One of the biggest changes is that the new jobs are invisible—they don't come with smokestacks. Kids don't know there are jobs and they act on the hopelessness they feel. There is nothing to inspire them to imagine what is possible. The Growth Council is not addressing the dead center of the city.*

FOCUS / TNT submitted 15,000 ideas for what our community wants. Its good grassroots visioning and should be part of the CD. It's a selling point. Ken Green mentioned that the relative importance of quality of life has moved way up in the list of business priorities. FOCUS found this too.

*Some of us are bothered by the lack of feedback and opportunities for input from both the Vision 2010 and the Growth Council. Efforts like Applesseed trust will go out of business if people don't know about it.*

Retirees could be used to promote the Growth Council.

*Jobs and salaries are not the same thing. We need to look at what's happening in the community. This study needs to look at where the jobs are going and who isn't getting them.*

The idea behind the study was looking at successful models to compare our efforts and learn what we can. Maybe another community is doing it better.

*It's great to have Carol at the table, but how, as a business woman can you afford to be here? We want to have more black leadership but have a hard time getting it. Do you have any ideas?*

When I moved here from Chicago I became more politically active. But I don't know how to get black leaders to rock it. There's no white leadership either.

*We want to bring the black community in, how?*

It's not easy because leadership means sticking your neck out.

*We need to address negativism and misconceptions.*

First, it's not true that all the jobs that left were high pay, and all the new jobs are low pay—far from it. Charles Schumer's study just found that our cost of labor just dropped below that of North Carolina. But we still need to see that affluence and poverty live across the highway from each other.

*Minutes from the April 29, 1999 Meeting*

## **David Reimer**, Director of Administration, Milwaukee

David Reimer was introduced by Fred Fiske who noted that while driving Reimer around the area, he had to resist the too-common urge to downplay Syracuse. Reimer has worked in economic development for many years and holds the newly created position of Director of Administration for the city of Milwaukee. Milwaukee has experienced the same problems we face but the tide for them has turned.

Fiske described Reimer as an economic development “doctor” who can help diagnose our local conditions. His book “The Prisoners of Welfare” examined alternatives to the welfare system. After writing the book, he founded the “New Hope Project” that proposed four linked measures for moving people off welfare: providing a job in the private sector (or public sector if necessary), offering an earning supplement sufficient to bring recipients above the poverty line, subsidized child care, and subsidized health care. Over the past few years, first the state and now the country have moved so far along with welfare reform that the project has now been closed. Additionally, Reimer has been involved in other social issues, most recently school choice issues.

Reimer opened his remarks by presenting a short set of graphics which demonstrate the change in conditions of Milwaukee as it begins to thrive. They demonstrate the empirical facts that link to the policy and program recommendations he suggests.

Like many cities in the northeast, Milwaukee had a decline in population beginning in the '70s. The population is now stable and rising, with a growing minority population. Milwaukee also has a declining unemployment rate that is now below the national level. This, in a city of primarily low-income people, is a clear indicator of economic health. It's important to note that many of these new jobs have been filled by minorities. The Milwaukee Employer Accord was formed as an agreement between government and large, private-sector businesses. They agreement is a commitment to hiring minorities and women to ensure that they are not left out of Milwaukee's economic recovery.

An additional measure of Milwaukee's recovery is the increase in property values. Only two years ago most of the city's neighborhoods were declining in value. But in 1998 the decline has reversed even in the poorest neighborhoods of the central city.

He noted there are five philosophical premises that underlie his prescriptions. These begin with the understanding that it is essential to understand and accept local realities. In Syracuse the snow will fall, we will be a city of a certain size, the city is of a certain style and age. To wish to be London or New York is foolish. Differences are not the same as weaknesses. Weaknesses are realities that can change. Things like taxes, polluted water, racial tensions are things that can be changed. Realities are those things that define a community's physical and spiritual character. "You are what you are, and you ain't what you ain't." In Syracuse, like Milwaukee, people need to accept their community's strengths as well as the weaknesses. Syracuse has a lot going for it: a world-class university, a diverse economic base, some beautiful old buildings, and a "customer based" economy (unlike Albany or Madison, Wisconsin where money comes in through taxes), and a lot of civic organizations.

There are simple ways to see local strengths clearly. Labor statistics are available that tell the broad economic numbers, but it is also important to know the details. How many jobs are available at a given time? Are they full- or part-time? Do they offer benefits? What do they pay? What skills do they require? Milwaukee conducts a survey through the university every six months to answer these questions. So in Milwaukee they can see the big picture. The federal government was so impressed with this that they directed the Labor Department to do more of these. It's possible that through the local Private Industry Council (PIC) you could probably get federal funds to do this type of study. It's a powerful tool to facilitate planning. Another essential tool is to know how well the schools are doing. This needs to be widely distributed. Reimer said,

*"Although it might sound goofy, if you want to make a city better, you have to love cities. You have to believe in what cities are about. If you approach this in a clinical, analytical way— too much like a doctor—it isn't going to work. Transforming a city, making a city thrive, is to some extent an act of love. It's a lot of work and conflict to overcome. You get battle scars. It's an intense emotional process that doesn't work unless you disentrall yourself of the notion that cities are bad, or even that cities are neutral. You have to believe in cities.*

*I'm here to tell you that cities are wonderful things, they are the source of almost everything that's good in society, whether that's American society or any other. This is not to disparage rural life, or attack the suburbs. To love cities doesn't mean you can't love pastoral beauty or the house on a lake, but you have to have large numbers of people getting together to have bowling or ballet, a symphony or a Citizens League. ... It is not a coincidence that the root word for city is the same as the root word for civilization—civitas.*

*The struggle to improve Syracuse or Los Angeles is not just about making a particular place at a particular time more comfortable, it's a struggle to make civilization better. It is not possible to sustain the things we care most deeply about: our ability to work together, to come together, to create art and music, and bowling and pinochle leagues unless you have a dense concentration of people living together and thriving. There's a mission here. I'm on a mission. Cities tap talent. Density stimulates ideas. Concentration unleashes creativity. The Athens that produced the greatest thinkers and writers was probably not much bigger than Syracuse. That may not be to say Syracuse will be Athens in its golden era, but who is to say it's not?"*

Reimer focused on what government can do in relation to the market, explaining that different cities can learn different lessons. It's important to pinpoint 3-5 things government can do in its

relationship with the market so that government is adding value to the economy without getting in the way—a tricky balance. Most cities fail because they fail to strike the right balance in one of two directions: they either have too much government regulation that suppresses the market or drives the market out; or the government does too little so the vital role it has to play vis-à-vis the market, to improve its productivity and effectiveness, doesn't happen.

He outlined four things that formed the foundation of what he prescribes:

It's important for urban policy to stop dispersing cities. Rather it should cause cities to concentrate. Cities undid themselves in the '60s by loosening the core of concentration that was their strength. Specifically this means stop building freeways, adding more lanes. Consider tearing down freeways if possible without being too disruptive. Slow down. In the central part of town you don't want the transportation system to disperse the strength of the local economy. Look at single use zoning and consider combining uses—it's okay for apartments to be on top of a store. Bring things closer together, bring them up to the road. Put parking on the side or behind the building, not between the street and the building. The single greatest thing we can do to invigorate the city is to physically bring the city back together.

Reject the notion that your only choice is to cut services or raise taxes. It is possible to have improved service at a better price. In Milwaukee they have maintained—and in some cases expanded—services while keeping spending below the rate of inflation. They have simultaneously driven down the tax levy in real dollars by about 30 percent, in nominal dollars the taxes are flat. They have had eleven straight years of property tax reduction. It isn't easy, but you can't do it at all if you don't believe it's possible. Government has to be as productive as the private sector. You need clear outcome measures. If you want to reduce crime, you need to measure crime and set goals for improvement. After goals are set you need to assign achievement of the goals to a person. And if they don't do it, find someone else who can.

Completely redefine the meaning of public education. We need to step back and determine who the "public" is in public education. What do we care about as the public? We need to care that every child gets educated and not let the way children get educated depend solely on the accident of who their parents are. There is a public interest in leveling-up the quality of education. The second public interest in education, is that schools need to meet public standards and produce acceptable outcomes. If public dollars go to educate a child then the public has the right to insist that the schools do the job they are paid for. If the schools don't do the job then we need to let them know they don't deserve the right to continue. However, there is no inherent public interest in having children educated in public schools versus private schools. Compare this to Medicaid, where public dollars finance public standards but it doesn't matter whether the care is given at a public or a private hospital.

Cities were originally formed to create safety in numbers. But one of the main roles of cities is markets. This is a place where people come together to exchange labor, where capital moves to more efficient resources. If you want to make a city thrive, you've got to make its labor market thrive and let the market drive consumption, rather than have management by central planners. Reimer has been part of the destruction of the welfare system, believing that we must substitute welfare with a work-based system that provides for those who are unable to work but that operates to connect people with work. We need to undo policies that wreck the market, like massive subsidies for transportation or housing, rather than letting people pay for what they use. Lower taxes and end subsidies. Government's role should be to avoid externalities that keep it from core function, while concentrating on things like protecting the environment and workers in the workplace. Knowing there is always a risk of overregulation, government needs to set the general rules but allow markets to function. Government shouldn't be in the business of allocating resources. People, with their own money, should decide what they want. This would

be especially beneficial for cities, because most of the government over-taxing of the population and shifting of resources has been harmful to cities.

The two biggest areas where the government has invested in particular forms of investment have been first, a massive over-subsidy of massive multi-lane highways. The subsidy for Amtrack is nothing in comparison to the tax-based subsidy for highways. User fees, in the form of a gas tax, should pay for highways. The second massive subsidy has been for upper-income housing. Through the mortgage interest deduction and property tax deduction we reward people for buying a house they couldn't otherwise afford to buy. Policies that distort the market and overtax the urban population should be ended.

In Milwaukee they have ended the welfare system and are moving into a work-based system. They have gone from 50,000 recipients down to 8,000 and those 8,000 are almost all working in community service jobs. There has been an expansion in both child and health care. They have an extensive school choice program that allows low-income families to choose whether to go to private schools or charter schools. The school board has been taken over by reformers. They have aggressively pursued some changes outlined, but in some areas they have much to do. But the broad strokes are in place: increased governmental productivity, lower taxes, an end to welfare, a connection between workers and the labor market, improved choice in education have helped Milwaukee become a more thriving city. The bigger picture: the national economy, the international economy, are perhaps more responsible than anything that's been done locally, but there's much that can be done at the margin to encourage economic growth and a robust, successful community.

## Q&A

*Can you talk a little bit about the Milwaukee Accord with over 400 sign-ups? Can you talk about the history and how you got things rolling?*

The organization is a private organization and that may help. There has been a particularly vicious history of race discrimination in Milwaukee. The most obvious discrimination was ended but a lot of subtle things remained. Many businesses were just doing business as usual and they weren't reaching out to very talented potential employees based on race and gender. Some knew they needed to do something about it. Several major corporations got together in an organized way to get minorities and women into jobs at the major employers in town. They used peer pressure to get others to join. When one employer was hiring minorities for equivalent-level work at a 30 percent rate while another was hiring at a 2 percent rate, it couldn't be argued that this was because "they weren't out there." The excuses start dropping. It is not a substitute for the legal framework of anti-discrimination, but it's a powerful tool.

*Sports has played a large role in your success. Who is paying for the new stadium?*

In Milwaukee there are two patterns for this. One is private money that paid for an indoor arena. There were tax breaks, but it was largely private money. The other was a regional baseball stadium paid for by an add-on sales tax. It was important that the tax did not place an unfair burden on city taxpayers.

## PANEL DISCUSSION

*Fred Fiske moderated the panel that also included Cheryl Gressani and David Reimer.*

Fred Fiske opened the panel, noting that he was once a classmate of David Reimer. He quoted an article Reimer had written for a reunion publication discussing economic development. The strategy for development needs to make government more profitable, replace welfare with work, focus on education, serve real people—with all their flaws—an connect them with work, markets, and their own children. He concluded that it's a noble calling to be in public service for the community.

Fiske was struck by the importance of measuring our efforts and noted the Maxwell Benchmarking Project, concluding we develop good process when we develop good measures. The measures for economic development are straightforward: property values, jobs and the labor market, and household income can all be used to measure success. To begin we must know where we are, and know where we want to go.

As an example Fiske compared the budget process between two cities. Where Syracuse is reflexive, Milwaukee is pro-active. In Milwaukee, economic development is a pervasive invisible force, not marketing, incentives and corporate welfare. To succeed we need to set goals, assess the situation, and let the market drive prosperity. Armory Square was not “planned.” It arose through vision and market potential. The discussion of balance between regulation and market is essential.

Cheryl Gressani works on the industrial side of the MDA. The “bible” for the MDA development strategy that builds on local strengths is Vision 2010. We have strength in environmental systems companies. If these individual companies collaborated as a single entity, they would be fifth-largest in the country. We have fifty electronics companies doing \$600 million in business worldwide. We could become the electronics “silicon valley.”

The MDA conducted a survey through KS&R to quantify the attitudes of Central New Yorkers about the area. The survey revealed that we are not a community at risk, 80 percent of respondents were pleased to be here. However, we are at moderate to high risk with young people who want to get out.

As part of its economic development strategy, the MDA works to bring jobs and people together using and a multi-faceted profile that compares job requirements to worker skills and identifies gaps. We can then train people for the jobs that are available.

## Q&A

*Identify 3-5 things the government can do to work with the market. Traditional thought suggests rebates, loans, etc.*

The government adds value when it addresses general problems, not subsidy for individual firms. Government shouldn't be in the game of picking winners and losers. It does better when it helps all successful firms remain successful. The government is not always aware of real trends—Silicon valley didn't know it was going to become what it became. It is one thing to promote or encourage but quite another thing to provide incentives that come from taxes, someone has to pay for the preferential treatment. Government is better at focusing on general things that add value such as public safety, fire safety, education—the traditional and simple things government must do well.

It is politically difficult to stop lending to business altogether. It is prudent to practice “dumb lending,” or deficit lending to businesses that already have lending from another source. As a rule of thumb, don't lend to people banks won't lend to.

*New York is a high tax state and lower-tax states have raided us for businesses. How about Milwaukee?*

Wisconsin is also a high-tax state. On an equalized basis, the city / county taxes \$35 dollars per 1,000 with no local sales tax. The question remains, is it raiding to provide services well in a climate of growth that produces real growth? Milwaukee reduced taxes as part of a reorganization of government, not a quick fix to attract business. Business wants a good quality of life and good education. They want a good commute, places to play, and stability rather than quirky drops and rises. It is not wise to be tax-obsessed. Corporate decision making is far more complex than that.

*Looking at civitas—downtown density, Armory, Franklin and Lakefront—what did you do to entice the early adapters?*

In the early stages the city did help provide some land cheaply and now they are doing lighting. Early entrepreneurs did well and private sector profits provide real incentives. This kind of development creates a virtuous cycle. Plan projects so this is a goal—or at least a possible outcome.

*Discuss the relationship between political leadership leading the charge and making it work.*

True leadership is the key. Milwaukee's mayor was elected because he convinced people he was an agent for change and because he articulated the goals of people then translated this into action. In the book *Lincoln and His Generals*, the author, T. Harry Williams explains that before the Civil War Lincoln had almost no experience in war. He had to figure out what to do, act as commander in chief and articulate strategy while putting people in position to do the work. He had to work through several generals until he found what he needed in Grant who was able to implement the strategy to surround, split, and vanquish the rebel army.

The political leader sets the strategy while others implement it. Leadership needs that nexus. It can be seen in the relationship between FDR and Hopkins, between Reagan and David Stockman. To work, we need to have both articulated strategy and effective implementation.

*The development of the suburbs was heavily subsidized, how about abatements to those moving back to the city?*

The reasons why people choose to live, or not live, in the city are complex—safety, taxes, etc. The single most often cited reason is the schools, but there is a racial tinge to that rationale. The main approach to bringing people back to the city is by dealing with crime, taxes and schools.

One favor Newt Gingrich did for cities was the elimination of capital gains taxes on home sales for everyone. Two groups of people are moving back to downtown: young people without children and seniors who want convenience. When there was a tax penalty for buying-down to a smaller, less expensive home few people did so. Cities should also look at zoning, things like mixed use. A surprising number of people like to live in lofts. It pays to look for regulatory change that can fix things easily.

*Two questions, just as we have employed a regressive mortgage policy, so have we had a regressive use of the automobile—what can we do on the fringes? Also, as we address the issues around welfare, what can we do about notch problems like loss of health care etc.?*

In answer to the first question, under the current system city residents subsidize the access to the suburbs because non-user fees pay for the roads. Under a user-system model, roads would be paid for by those who use them through a gas tax. We would be able to lower property taxes if we shifted the burden of maintaining roads to those who use them. The logic that the roads serve



everyone and therefore should be supported by everyone is false logic. The electric company provides service to everyone who uses it and system subsidy is part of the rate and line charge. But users pay for the amount of energy they use.

In answer to the second question, the idea of a flat tax is encouraging. We've tried to achieve progressivity through credits like the earned income tax credit. These have formed our biggest subsidy for poor workers. The problem is the steep drop-off for subsidies like food stamps. We need to rethink the system. We didn't design it with this intent, but for workers making between \$10-30 thousand with credits the actual income is the same.

*How did Milwaukee reorganize politically, divisionally and within civil service?*

First, the city assessed its activities. When it prioritized activities, some low priorities were eliminated (police opening locked car doors), some collaborations were created and some things were turned over to others to do. Some ideas came directly from employees, but some unions were hostile to the changes. The city didn't always have the luxury of lengthy discussions over each change but the city does use a TQI system.

But the greatest savings came from being more productive. For instance, the city had more ladder companies than it needed, so it shifted priorities and dollars to fire prevention by subsidizing smoke detectors and creating a "survival lighthouse," a model used to teach people how to escape burning buildings. The city switched to more efficient, an long-term less costly light bulbs. They put self-serve land search services on the web and on CD and saved a significant amount of money.

*What's happening overall in Milwaukee?*

The MSMA is 1.4 million. It's growing both from internal expansion and from the outside. In Milwaukee today, some firms cannot meet customer requests because they need trained workers. One thing that's happening is a job shift back to the city to meet employer needs. For example, Allen Edmonds, a manufacturer of high-priced shoes, needed workers to do part of the manufacturing job that required less skill—and that paid lower wages—than the suburban labor market would support. The jobs were physically inaccessible by public transportation to city workers. So jobs were moved into the city where the labor market was appropriate and success was built for both employer and employees.

*What's the mix between not-for-profit / profit business in Milwaukee? Here we have lots of Health and Education institutions that serve a regional area but pay no city taxes.*

It's the same in Milwaukee where they too must walk a fine line between who does and who does not have to pay taxes. Milwaukee has tried to shift the burden back through user fees and the not-for-profits have not fought this.

But the biggest part of the solution has been the state equalization for hospitals and museums etc. that serve more than the city. In the absence of an ability to prevent suburban communities from zoning out the poor and not-for-profits, the state acts to even out the burden.

*What are the major social problems Milwaukee is faced with?*

The disconnectedness of non-custodial parents. Welfare reform has ignored the needs of fathers and non-parents. And large numbers of young people are just not on the books, in school or in jobs. The only program for them is prison. These are the things Milwaukee needs to work on.

## **Bill Claggett, San Jose CA, “Silicon Valley”**

Gary Lim from Syracuse University presented remarks before Bill Claggett and suggested six key ingredients for high-tech economic development success:

- Proximity to a major University where ideas and highly skilled labor are produced.
- Headquarter or major office of important high-tech company(s).
- A high-level community dialogue, awareness, and interest in high tech.
- Governmental support of the needs of high-tech and a public identity linked to high-tech.
- Recognition of the success of startups, success defined not by the number of companies *in* the incubator, but in the number out the door paying taxes.
- An active funding orientation in the area. Silicon Valley doesn't exist because venture capital was there. Investors looked for good ideas and found them in Silicon Valley. These investors are now looking outside of Silicon Valley for opportunities.

He had two wishes for our area. First, embrace risk-taking and see it as healthy. Embrace the learning experience itself. We don't often celebrate our failures but they add up to experience on a resume. In more risk-friendly environments the focus is on what you will do next. Celebrate start-ups and failures, they are both part of the fabric of success.

Second, he wished we could look on the brighter side of things. There has been a strong local recovery but not much press about it. Syracuse is one of the top 50 cities—who knows it?

Bill Claggett remembered that twenty years ago San Jose area was known as “The Valley of Heart's Delight,” it was a city of flowers and a good climate. While he is not sure where the moniker “Silicon Valley” came from, it was first seen in print in a spread in FORTUNE magazine. The name stuck and the city officially adopted it. (Although SUN was upset because more start-ups were actually originated in Sunnyvale.)

People often ask Claggett how to do what Silicon Valley did. Beware of mottoes and quick fixes he cautioned. High tech is ubiquitous in Silicon Valley. While it was happenstance how it all got started, growth has been deliberate.

Four sectors—government, private, university, and civic—must function interdependently. The civic infrastructure is the glue that holds it all together. Eastern Europe has no civic sector and suffers from this as it tries to modernize. Alexis deToqueville spoke of this, an essentially American tradition.

Claggett is also often asked how Silicon Valley came about. Fifty years ago Hewlett Packard was founded, the archetype for the garage start-up model. It grew extensively in the 1950's and started the process of bringing in talented people and spinning off new companies. In the 1960's microprocessors were being developed and in the '70s the PC broke Big Blue (IBM). It was led by innovators like Steve Jobs but it wouldn't have happened without dollars from federal defense contractors. People in Silicon Valley don't like to talk about it today, but the flow of federal dollars was essential.

Once companies became established and looked to spin off new businesses they needed money. The venture capital flow in Silicon Valley is now \$7 billion annually. In the early days, 25 percent of the venture capital that came into the area came from Boston—old family money. They were looking for a good return and when they were able to make 16-26 percent, word got

around. They set up shop locally, the now famous 3000 Sandhill Road. From the beginning, failure was an integral part of success. Today the “dot-com” companies can hit a billion dollars in a matter of months, but a sizeable proportion of these do not succeed.

Universities played a large role in the success of Silicon Valley. Stanford played an especially large role, but it was also the California State system that facilitated the transfer of knowledge and enabled faculty to move between the academy and business. There was a civic infrastructure that supported this transfer, the Stanford Research Institute (SRI) that helped commercialize ideas. The private sector then added value to these ideas through product development. The sectors worked together to create success. But Stanford was not the only university player in the development of Silicon Valley. San Jose State provided the “brawn,” the engineering talent needed by the growing high-tech industry.

The idea that you could start a business in a garage was new. So was the idea that organizations could continually be created and broken apart as a natural process of growth. A little company of seven people called Fairchild broke up and the principals went on to start companies called Intel and National Semi Conductor. Young hot-shots were attracted to low paying jobs with stock options that made many of them wealthy. IBM was also a presence in Silicon Valley and built the largest storage area and research lab in the country. IBM became a source of growth and stability.

Silicon Valley has along history, this was not an overnight success. The mayor, Jerry Brown, has his action horizon four years out past his own term limit. He recognizes that many things won't happen as planned but also recognizes the need to set the goal high. The government has been a key player at all levels. SEMITECH went to the federal government when significant market share of the DRAM industry was lost to the Japanese. They needed better equipment to compete and got \$500 million match with the federal government.

Why Silicon Valley not Syracuse or other places? In large part the answer is happenstance. They had federal dollars, research capacity, and the right people at the right time. They were sustained by a new entrepreneurial view, different from Boston. The new attitude toward business brought a willingness to take risks. These individuals were driven to prove something and were unafraid of change. Investors were technology-wise and had an understanding of how things work.

Because of concern over preventing the loss of the semiconductor business the software business wasn't viewed as an industry till we realized that 98 percent of the software in the world is created in the US. The question is, will we lose share in the next decade and what impact will that have? The industrial futures committee has concern that we need to become organized to protect this industry. The civic sector has become involved. It was clear that developers needed to be able to write to multiple platforms. They created a Center for Software Development that can cut the time to market by six months. Novell contributes three people who direct the center. The city of San Jose is also involved, providing tax breaks for software start-ups. This has led to a revitalization of downtown as Adobe was lured to locate in the city center with huge startup dollars.

## Q&A

*You spoke of the transition from idea, to product to manufacturing. What did San Jose do to foster the transition?*

There's no real magic—just let the sectors work together. The manufacturing piece is largely prototype development. Manufacturing itself can happen elsewhere. Manufacturing requires different skills.

Silicon Valley began with a very different approach to collaboration from other major players like Bell Labs. While in New Jersey they partnered with major corporations, in Silicon Valley they started with small companies and did research for more than just monoliths.

*What can our government do to foster growth?*

One thing government did in Silicon Valley was to streamline the permitting process. There were 15 different governments operating by different rules. Now it's almost uniform, business knows what to expect if they choose to locate anywhere in the valley.

*It's difficult to attract and keep engineers even though we have a strong manufacturing base that can use engineers. What do you do?*

Silicon Valley has the same problem. Businesses train people to a certain level and they jump ship. We need to work back to the K-12 level to have people coming out of the public schools job-ready. We need trained technicians. Manufacturing has a critical cost factor. In the recent past it has been cheaper to send work to Singapore, but some parity has been reached. This could have a real impact during the next decade.

*Minutes from the June 3, 1999 meeting*

## **Avis Ransom, Baltimore Maryland**

Avis Ransom was introduced by Vivian Moore. Ransom holds an MBA and is co-chair of Baltimoreans United in Leadership Development (BUILD), an organization representing 40 churches, a number of grassroots community organizations, and labor unions. BUILD is the largest not-for-profit builder of low-income homes in Baltimore. The organization is also a member of the Call to Community Project, an interfaith group working to achieve racial justice, that brings people together from Baltimore and the five surrounding counties to discuss and make plans to dismantle institutionalized racism. She also noted that any list of her credentials must include her roles of mother, wife, and grandmother.

The outside world often sees Baltimore as a glamorous place, highly developed and representing significant investment by the state, the sports industry, and private investors. It's all very impressive if you don't live uptown. While the economic strategy the city has employed for the past thirty years has created success, fortunes have been made. Ransom asked, however, who made these fortunes and what riches have gone to the residents of city neighborhoods? It's the same challenge other cities face—is this to benefit the life of residents or an investment opportunity?

Many neighborhoods in Baltimore are in decline. The Uptown area features poverty, joblessness, family instability, welfare dependency, significant community dis-investment, and physical blight including a high number of vacant properties. The population has declined from just over a million residents to around 700,000, representing not just white flight but general middle class flight. The high school drop out rate is alarmingly high—nearly 60 percent. One major high school recently reported that of 1,200 entering freshmen, 200-300 graduate and only

30 go on to four-year college. There is a high rate of involvement with the criminal justice system—mostly young, African-American males. The state releases 10-15,000 convicts a year and 80 percent of these individuals come to Baltimore. Many of these individuals have no stable connection when they arrive, so it's little surprise that they often end up back in prison. The culture of violence presents itself in strong new ways and cannot be ignored as communities seek to stabilize neighborhoods.

Baltimore received a \$100 million empowerment grant three years ago that created some success. The grant allowed the city to carve out seven areas of the city and to create village centers. Their objective was to do job development and small business development to help stabilize the community—the jury is still out. Present numbers are promising, but the question of sustainability remains. Baltimore's manufacturing base has eroded and they are now an information / services / based economy. There has been a significant investment in high-tech that it was hoped would lead the area toward prosperity, but this investment has so far resulted in a number of Ph.D.'s working in that area but no mid- or lower level jobs that could create the economic momentum to change conditions for city residents.

While the city of Baltimore struggles, the state of Maryland is experiencing great success, with continuing and projected surpluses. The economic development strategy the state has employed is the attraction and retention of large businesses, competing with surrounding states by offering significant tax benefits and incentives. This may be smart for the state, but Ransom questions how smart it is for the region. Nationally, the economic boom continues while the gap between the "haves" and the "have-nots" widens. The ratio between the wages for corporate executives and the base wages for workers in this country is 300:1, compared to other industrialized nations where the ratio is 30-40:1. Middle class people—not just poor people—are losing.

While this sounds dismal, there have been successes, including a worker-owned temporary employment agency. BUILD is a direct action grassroots organization that is a coalition of faith-based and community groups. A cornerstone of its activity is the one-on-one meeting where the fabric of social cohesion is woven and trust is built at a very personal level. Through the one-on-one process, concerns are shared, goal are formed, and accountability is developed. BUILD is affiliated with the Industrial Areas Foundation (Sol Olinsky) and through this has been able to affect political and social policy. It is the process of engaging the community in its own transformation. This is very different from the traditional process by which policy makers, agency executives and technocrats create schemes for changing communities without the engagement of residents. That missing step is so critically important, Ransom believes, that if listeners remember nothing else from her words, that one point must be brought home. Organizing residents, listening to them, and having them at the table as decisions are made is critical to success. For change to work in the community it must be focused on the community—not externalities. The jobs that have been created in downtown Baltimore through the economic development efforts to date have been entry-level, low wage jobs. The higher wage jobs have gone to those who do not live in the city and therefore do not contribute to the tax base of the city.

The key to grassroots organizing is the recognition and strengthening of community institutions. In most communities, the strongest community institution is the church. Churches of many denominations share a respected historic presence in local communities, and have ongoing, local financial dealings. Another principle of the one-on-one method is reliance on their own funding. While they do take some money from the church and from foundations the majority of the resources they use comes from stakeholders. This is essential because direct action groups can alienate political leaders and must not allow themselves to become dependent on politically controlled funds.

BUILD's primary objective is the development of leaders. They identify individuals with leadership potential and develop it. Ransom noted two examples of BUILD's activities. In the first example, welfare reform began pushing young mothers out of community college two years ago. Case workers informed these women that they had to leave college and get jobs to continue receiving benefits. About 800 women were affected. Through BUILD's one-on-one meetings with these women, they learned about the conditions that led these young women to the circumstances they found themselves in. BUILD clearly saw that there was no better long-term solution to these women's—and their children's—long-term needs than getting a good education. Pushing them into a low-wage job with no future was not going to bring about real change. They were able to meet with Governor Glendenning and brought 10 of these young women with them to the meeting. Their stories were so convincing that the governor cut an executive order that allowed them to use attendance at school as their work requirement. While this was a victory for some, by the time the order was cut and the change filtered down to the street level, 500 of the 800 had been pushed out of school.

A second victory came as Maryland was able to predict a billion dollar surplus for 1999. They developed the Joseph Plan that set aside an indemnified fund to protect poverty programs from cuts during leaner times. Similar funds already existed—a "sunny day fund" for continued economic development activity and a "rainy day fund" to protect agency operations. They asked for 5 million to start and 20 percent of any surplus in future years. Thirty or forty people worked during the legislative session lobbying with the governor's support and were able to achieve a 10 million dollar set aside to start and the commitment to the 20 percent. These and other changes happen because large numbers of people commit to being accountable to one another. Any community or economic development issue must be undergirded by organized people who recognize and respect one another, who will stand with one another, and who are willing to be held accountable by one another.

The temp agency grew out of a recognition that many of the people who visited their soup kitchen were employed. They began talking on people on the streets at between-shift times. Most of these people were working part time or at temporary jobs with low wages and no benefits. Many people made the comment "we should have our own temp agency." The Campaign for Human Development funded the feasibility study and a preliminary business plan and the Annie E. Casey Foundation provided start-up funds. In 1997 the cooperative temp agency opened. This model is not widely used, but it is powerful. It not only addresses the issue of ownership—which is powerful in itself and brings with it a changed attitude, a willingness to do what it takes to put oneself on the line and to do what it takes to succeed—it also addresses the issue of equity. A cooperative under IRS allows members to receive year-end surplus before taxes. So at the end of the year, surplus profit can be distributed to members in the form of dividends before the corporation is taxed.

To foster the notions of ownership, Ransom went against common advice. Those around her all recommended that with her business background, she should take the lead and establish the business first, then bring workers in and explain how valuable this could be for them. Instead she brought them in from the start. As a result, they owned it from the beginning and take initiative when they see problems. Because of this, there have been no worker's compensation claims because it would be a claim against themselves. They market the service when they are on the job. When there are problems with performance the group decides what action to take. It's exactly the kind of team spirit big corporations spend a lot of money trying to develop.

Last year they began working in the hospitality business where staffing has been a chronic issue for employers. Specifically, the catering / banquet business has fluctuating staff needs as a matter of course. The people who were traditionally brought in for a single night's work were often nothing more than warm bodies. They had no job training and no job skills or work ethic. By engaging BUILD's temp workers employers have access to workers who have an investment

in their employer—the temp agency. Within months they had the two largest catering contracts in the city, not because they were the cheapest, but because they were good and because the workers wanted to be part of a team of excellence. There's no way you can teach that into people, no way you can punish that into people. There must be a personal incentive, the power of ownership.

The temp agency seeks to employ those people who want a regular stream of income and who want to work on more than a casual basis. The service allows people to have full time employment working at different sites as needed. This builds self-image, a solid work history and the skills it takes to land a full time job somewhere else. They currently have about 20 people who fit this description. Last year they did about \$50 thousand in business and expect to triple it this year. They plan to expand into new areas using the model of collective ownership, of teams working with other teams to build success, and of building individual equity. This model makes sense in some areas and is not a hand-out from business—rather it solves the problems of turnover.

BUILD does all its work focused on the good of the group, whether that work is in employment, housing, community clean-up. It is important that the group does not lose its cohesion when victory is achieved in one area. Another effort brought the insurance industry together to create a way for individuals to buy insurance at rates that are traditionally offered to groups. They now will also be able to demonstrate, for instance, that the high city accident rates, which drove up the cost of auto insurance for city dwellers were actually incurred by people from outlying communities during work hours. BUILD is a firm believer in entrepreneurship, ownership, equity strategies, and understanding your own value in the marketplace so you can get what you need—be it money, programs or political power. Communities need to operate from a position of strength not weakness, from knowledge not supposition. In Baltimore they discovered that there are 3 people in need of work for every entry / low-level job. There is a lack of jobs at the mid-level, jobs that pay living wages and require skills but not a college degree. Many of the jobs are not where the people are, and many high (bachelors level) level jobs go unfilled because there is not the support available to move people from low-level jobs to more advanced positions. Money is going into job development, economic development and transportation without looking at what's happening for the people who need the services.

## Q&A

*How important is image for a city's economic development—Camden Yards for instance. I believe that people of color who succeed move and do nothing for those who have ignored the needs of people of color who have not achieved success.*

City image is important, as are things like business friendly policies. Baltimore's greatest challenge is the absence of a trained, ready workforce which is part of the image and also the reality. Residents are not prepared to take part in the prosperity embodied by the Inner Harbor etc. So far, people have been able to run away from the problems of our cities while still enjoying the benefits. People move to the suburbs rather than deal with people they fear. At Camden Yards it's people from the suburbs who go to the game while city residents sell the hotdogs and clean up. Remember this came at a \$200 million price tag to the people of the city.

As for people of color abandoning other people of color, Ransom does not believe it. People do make sure their children can have a good education, and want to live in safe neighborhoods. It's a tremendous sacrifice to stay. But many people who live outside the city work very hard to achieve social justice. There was abandonment after the civil rights movement of the 60's.

People thought things had come farther than actually had. We relied on institutions to take care of things.

*You talked about the power of ownership, what steps has Baltimore taken to increase owner-occupancy?*

Baltimore has taken steps because they have been pushed to do so by groups like BUILD. There are federal and state dollars available that can be leveraged with private dollars. BUILD has a project that has built 3-400 homes. These are underwritten with federal and city dollars such that someone making less than \$15,000 can get a home for what they were paying in rent. It's important that these programs reflect the push by organized people—not some sort of altruism on the city's part.

*What is the number of people who have fulltime jobs with BUILD's temp agency who have come from other temp employment.*

About 10 percent of BUILD's temp workers have been placed in full time positions. No one came to the temp agency from full time employment. There are 250 people signed up at the agency, they regularly place about 50, and 20-25 have full time work.

*Have you looked into the home health care aid opportunity? Has this made it more accessible and acceptable for people of color?*

Another cooperative has teamed up with Johns Hopkins to look into this. In the African American community it is most common to care for people at home, policies don't recognize the value of that. These families save the state an incredible amount of money but receive no support for the care they give.

## PANEL DISCUSSION

Ed Kochian moderated the panel that included Avis Ransom; Carl Spencer, former budget director for the city of Syracuse and currently with Knowledge Systems Research; and Eloise Dowdell Curry, executive director of the Urban League; and Paul Nojaim, from Nojaim's Family Markets.

Spencer opened the panel, describing the morning session as insightful. He found two points especially interesting. First, the importance of understanding who benefits from economic development activity and investment is an important consideration. It is difficult to bring everyone to the table—investors, residents, businesses, tourists, etc. When Spencer worked in the city, its people were often viewed as a collection of neighborhoods, each unique in its needs and strengths. Even at that level it was difficult to bring so much diversity together. The second point he found important was the notion of engagement of communities in making transformation.

Ransom responded that all stakeholders need to be at the table in powerful ways. Investors see return, it's easy to see, measure, and achieve. Residents interests are not so easily quantified. They cannot be brought to the table, they must be support in getting there on their own. She cautioned, don't be afraid of the anger you'll see or of the significance of genuine differences.

Eloise Curry noted that many of Ransom's points were right on target. In Syracuse in the past two years a lot of decisions have been made based on presumption, not on knowledge. The responsibility to change beliefs does not always rest with those presumed about. She applauds the idea of energizing residents in their own transformation. But, she cautioned, organizations



can get in trouble unless they are willing to yield power and authority. The issue is power and control. If we talk about sharing that implies a willingness to give that usually operates out of self-interest. “Willing to share” means giving up some wealth. If we have a national surplus but not a living wage where is the sharing?

Curry remembered the Gateway Manor project. Developers walked away with the money and residents didn’t get jobs or decent housing. Residents need to be supported in developing self-interest.

Paul Nojaim remembered that his family had been in the neighborhood for 80 years. He is from the third generation in the family business. He has continued the family tradition of activism and neighborhood involvement. Under the Young administration he helped with Rebuild Syracuse, a program that’s still around though no longer funded by the state. The community still talks about building houses and neighborhoods, but look at how things are today. We need to improve to market Syracuse. If families won’t stay, if they won’t move here, what will make these economic development strategies work? Kids need to believe in the future. Families are not what they used to be and kids now get their need for kinship from “gangs, work and girlfriends.” We need to develop more than just the Inner Harbor and Armory Square.

“Look at our beautiful buildings all boarded up,” Nojaim cautioned, “no one is reinvesting in the city. Over the past 35 years the county has had growth, it built OCC, the ballpark, etc. But what’s the plan to any of it?”

## Q&A

*Define a living wage and relate that to economic development strategy. What could it do for the economy?*

Living wage means approximately \$8.00 an hour. People need training to reach the middle level jobs that get them from one tier to another. Without support, people lose hope. The answer is in shared power and unless you’ve been involved in grassroots action it’s a hard concept to understand. Power is shared but not given, you must bring your own power to the table. The people in power need to see their own self-interest served when the “have-nots” succeed. The “haves” suffer when this is ignored. The deterioration of the social fabric affects everyone’s quality of life.

Living wages benefit employees and the business, turnover is reduced and spirits are improved. The benefit to the community lies in reduced social service needs and lower rates of criminality. The savings to society is hard to quantify.

*A living wage provides for basic daily needs, what about the needs over the years, to be secure and create savings?*

The answer lies in education, including adult education. Baltimore made a huge mistake when it took the arts and physical education out of schools. A ten year old cannot endure an unbroken day of academic curriculum. We need to have a strategy for educating a workforce.

*What happens when the “haves” are not willing to share?*

When it doesn’t come easily or freely, remember don’t change perceptions—change reality. Civil disobedience is still a powerful tool. Most government agencies cannot use this but the people can. Labor and the faith community need to act together. Residents need to hold

government accountable. Don't expect whites to turn down mortgages, but don't patronize businesses that discriminate.

*The modern phenomenon of "temps" allows employers to try out an employee while paying low wages and no benefits. How did you organize the hospitality temp workers?*

We worked through larger organizations like the Campaign for Human Development to get the word out. We were growing so fast we were in a cash crunch and needed organized people backing it and significant investment for working capital. It was a struggle because it isn't easy to see early success.

*How does the temp co-op operate? Are all the workers part of it?*

Temp agencies use people, even professionals. Huge numbers of people use these services. In our case it requires 150 hours and \$100 fee to be a member. The year end surplus is distributed to individuals before taxes in proportion to the membership. This was the second strong year of surplus. Temp agencies are, theoretically, very profitable and this surplus can be passed back to members.

*You mentioned "one-on-one," what is it?*

It's the cornerstone of how we operate. Of all members of BUILD, 10 percent are there because of a one-on-one. It develops the passion of people who are culturally disadvantaged. We are respectful of time in what we do. To begin you must take on do-able challenges.

*Are the people in meetings already leaders?*

No. Leadership belongs those who have the time and inclination to be engaged. A leader is someone with a following, not someone who runs a meeting.

*Is the co-op incorporated?*

Yes, but it's not a 501(c)(3)—it's a for-profit organization.

*What is civil disobedience today?*

We packed two busses with people who sang songs to the board of estimates. We challenged banks with penny deposits at noon on Friday. Naming names publicly is effective.

*What about your mayor? What about voter education regarding the mayor and the council?*

I won't claim we're advocates for each other, but we're often partners. The mayor is both friend and foe, he has done some good and missed some opportunities. As a 501(c)(3) we can't be political activists. Our power comes from creating the agenda candidates must respond to. We don't always set the bar high enough—the candidates can all measure up if they try. Telling the truth about performance is not the same as advocating.

*People are leaving Syracuse. If we spend so much on the military what can we do about a living wage? What about economic justice? What about small business? What about consumption—affluenza—that means we're spending so much we're creating pollution?*

Wealth disparity also affects the middle class, though they often don't see how much they're losing. They don't see their affiliation with the poor. For the past 20 year the lower 3/5 of the population has lost economic ground. We cannot wait to change policies.

*What policy would you change?*

Income taxes. Policies that reinforce poverty. Ownership is protected and creates wealth. Access to capital determines privilege.

*Are the temps tied to job training?*

We do our own training for jobs, but just joined the Chesapeake Education program to help with training. But the question is, can the need for training be fairly borne by the agency?

*You received an E-zone designation, what did you do with it?*

We created village centers with the intent to build capacity in neighborhoods. The jury is still out. The \$100 million created power struggles and we didn't always have the skills at the table.

*What are the numbers of people who have benefited from BUILD?*

We have 10 after-school programs, are affiliated with 50 churches, and have built 300 houses. In the temp agency we have 10 members, 200 people signed up and 50-60 placed regularly. We offer \$8.00 an hour and minimal benefits to members.

*Minutes from the June 10, 1999 meeting*

## **Skip Stitt and Linda Ard, Indianapolis, Indiana**

Frank Forte, president of local CSEA, introduced the speakers. ASCME, parent organization to CSEA, represents 5,500 public employees locally. He posed the questions: how many people like to live here? How many people want to pay more taxes? How many people want less in services? This frames the dilemma between keeping taxes down and providing improved service. Under the leadership of Nick Pirro, we have done just that. They have formed a partnership for excellence in public service. We will continue to need to change to grow. Indianapolis is an excellent model of successful collaboration and innovation.

Skip Stitt former senior deputy mayor of Indianapolis founded a company called Competitive Government Strategies in 1998. The topic of "the Indianapolis experience: improving government performance through managed competition" covers details about how state and local government works, but is not a cookbook for how to do business in New York.

He listed two key points. First, what is managed competition? Second, why is it relevant to economic development? Managed competition, as developed in Indianapolis, asks public sector employees to compete with private sector employees to provide services. It's important because cities, communities and regions are changing. There is competition all over for jobs, economic development, and opportunity. Businesses are very mobile, more than at any previous time in history. If they are not satisfied with local services or the cost of those services, they will leave. Controlling the cost of government, and the quality of services is critically important.

Indianapolis is a very conservative city with Republican mayors for 32 consecutive years, a solidly Republican council of 29 members. They have been a "unigov" city since 1969, when then-mayor Dick Luger (now senior Senator Luger), expanded the city boundary to become coterminous with the county line. This achieved some economies of scale, changed the demographics of the community, expanded the areas for growth as well as the tax base, and changed the political dynamic as well.

In 1991 the mayor ran on a platform of downsizing government by 25 percent, in a place where government was already very lean. The challenge therefore was to rally support for an agenda

that no one saw as really necessary. Indianapolis looked good compared with Chicago or Los Angeles. But in reality, the city doesn't compete with those cities for jobs as much as it does with its own suburbs. There were problems, however, with unfunded infrastructure liabilities. The combined sewer overflow problem of \$230 million. The month before the mayor was elected the city signed with United Airlines to build an unfunded \$219 million maintenance hub. The police and firemen's pension had a \$50 million hole. This totaled a 1.5 billion dollar hole over ten years against annual revenues of \$450 million.

Competition became the strategy for change. Began by setting up a commission. These commissions sometimes work well, but most often don't work at all. They make beautiful reports but nothing ever happens. This commission, SELTIC—Service Efficiency for Lower Taxes in Indianapolis County—was composed of nine entrepreneurs, over 100 volunteers and charged with finding what businesses the city should be in or not in, relying on market forces to drive down prices and drive up quality. Had only two rules: no reports, no sacred cows. Found they were in 250 businesses—very hard to run so many business effectively.

They looked for small, low-hanging fruit to begin change, areas where efficiency could be found. They began with the microfilm department, knowing few taxpayers felt strong ownership of this process. Sent out a traditional RFP to vendor that included a formal solicitation, purchasing guidelines, finance guidelines and legal guidelines of over 100 pages. No one responded so Stitt called the vendors to find out why and they told him: bad systems across the board. He sent out another RFP, one page long, that identified the real priorities of quality and price and got 14 responses, the most expensive of which was half their price and they now save \$1,000 a day on microfilm. Have now replicated that process over 100 times in the last few years.

The process does have challenges, four big barriers: human resource, purchasing, finance, and legal. These groups always say no despite the fact that there can be no change without innovation and risk. It is also critically important to understand costs. (when the process started no one could say how much it cost to fill a simple pothole) so you can benchmark improvement.

The most important thing to do is to get good people. You cannot do this without good leadership. And you cannot do this without the leadership of the chief executive. It takes strong support from the business community. It also takes excellent leadership at the employee level.

Lessons learned: You must have congruence of goals among employees and between labor and management, and you must break down fiefdoms. In Indianapolis employees knew they either got with the program, or they were gone—a powerful motivator. People must win when they succeed, and there have to be downsides for a lack of success. Indianapolis has a robust incentive plan—if goals are achieved, employees take home 25 percent of the savings. In the first year of the incentive plan \$14 million was left in the budget at the end of the year and they have underspent their budgets every year since then. In 1992 the city's budget was \$462 million and last year it was \$438 million. Within that reduced number, they have added \$40 million to the police and fire department's budget. They have a \$101 million surplus and have lowered property taxes three times. They completed their infrastructure work and their debt service level is lower than ever in the past. They have funded CSOs and the United Airlines project. Police and fire pensions are funded and have generated about \$420 million in savings.

Although they had a very rocky start with labor, no union employees have been laid off. There has been a 90 percent reduction in labor grievances, an 85 percent reduction in accidents, pay and benefits have increased and customer satisfaction is on the rise. One of the great myths is that labor and management can't get along—not true. And, you can have better services and lower taxes.

Linda Ard, executive director of Indiana ASCME council 62, represents blue collar city workers. The labor perspective is important. At the beginning, the union "did everything it could to see

that Goldsmith was not elected.” The message of privatization signified a loss of jobs. The relationship was strained at the beginning.

One of the first clashes was over the wastewater treatment project. The city ran an RFP looking to achieve savings. City workers ran the award winning project and the union did not believe there could be savings without hurting the quality of service or losing jobs. They filed grievances, formed coalitions against the proposal, created fear in the public. They went to court, to the media, to the council. After a long bitter struggle they lost the privatization battle but won the seniority rights. At that point the director of public works and the head of the Indiana union negotiated a safety-net agreement which said that any employee who was not hired by the new operator of the plant would be given a temporary job at the same pay, until an equivalent level job opened up. At that time the employee had the option of taking the job or leaving city employment. That safety net stayed in place until all employees were permanently placed or left (two did leave).

In the RFP it was stipulated that employees would be given equivalent wages and benefits and the union would continue to represent the employees and negotiate a new contract. Two things would have helped at that point: better and earlier communications and an earlier safety net contract.

The union knew that the people who do the work every day can tell you the best way to operate as long as jobs aren't threatened. They feared that if they revealed the best way, they would be downsized out of a job. The city guaranteed them job security and asked the union to show how to best do the job by entering into the competition themselves. After much debate, the union agreed to on the conditions that there would be full involvement by the union from the very beginning, training for competitive bidding provided on work time by city at city cost. They also needed to eliminate overhead—excess management jobs. To their surprise, the city agreed.

When the bidding process started employees knew how to do the work, but not how much it cost to do it. Now they can tell you how much it costs to fill a pothole to the penny. They bid on the fleet garage contract and won by giving up one year's worth of raises in exchange for 25 percent of savings the first year and 30 percent of saving in the second and third years, written into the contract.

There really has been a three-way win in Minneapolis. The mayor has accomplished his goals. The employees and the union have won they have not lost one union job to downsizing, in fact the number has gone up. They have brought in some work that has allowed them to increase the number of jobs. And the citizens have obviously won—taxes are lower, the infrastructure is stabilized, and services are better. There is great pride in Indianapolis. The next dilemma is over who to support now that Goldsmith is not planning to run again.

## Q&A

*When you talked about getting rid of excess overhead, who actually runs the Department of Public Works—is it a mayoral appointment? Or does it come from within the department?*

Indianapolis is one of the strongest mayoral systems in the country. The mayor the majority of 60 boards and the senior staff. There isn't much civil service staff, so with the exception of the union staff he's got broad power. In terms of managers, the excess overhead, we've still got issues with the number of managers. For example, for a group of 90 truck drivers there were 32 supervisors—a rather narrow span of control. That has been significantly reduced.

*In partnering with the business in the community, you have a world-class partner in Eli Lilly, we don't any more. Has this been helpful?*

Yes they are an essential player. But, Indianapolis has just a couple of major employers, a few large health care organizations and a couple of universities and—after that things get pretty small. Lilly is an extraordinary corporate citizen. One of their top people chaired the SELTIC commission and put ten volunteers on that. Indianapolis has one of the strongest public / private partnerships in the country that has been going on for thirty years. The mayor can pick up the phone and call 25 CEOs today and probably get 25 of them committed short term on any project. It's a community where people go back and forth between the public and private sector a great deal and they are very generous with their time. There has been some erosion in the banking area as banks have left the state due to bad policy made twenty years ago.

*City / County boundaries now coterminous, how did it happen and what have been the results?*

It happened in 1969 when for the only time in Indiana history there was a Republican House, Senate, Governor, Mayor, and council—all of whom it took to make this happen. The success has not been partisan, it results from our ability to move quickly, to plan strategically and to earn results over the long term. Consensus is great, but sometimes you need to be able to move quickly. For instance, if you want to know what economic incentives there are if you move to Indianapolis you will know in 24 hours, period. The answer is probably no, by the way because there is essentially a negative unemployment rate. The ability to be very focused and to have an integrated system is essential. Unigov has been successful at making suburban residents into stakeholders in the urban downtown. You probably could not do this in 1999, suburban folks would perceive this to be a subsidy of inefficient city government.

Indianapolis still has over 40 taxing districts, nine fire departments, two police departments, nine school corporations. In 1969 Indianapolis could not get one school district and that is probably okay. Statistics show an inverse performance measure as district size increases. A couple of places are "excluded cities," Republican strongholds where people vote for the local mayor and the Indianapolis mayor.

*What are the mechanics involved in giving incentives to public employees?*

Incentives can be given based on savings—they are not bonuses per se. The first time these were given we were soundly ridiculed for rewarding obviously lazy public employees. Now it's accepted. Everyone is eligible except sworn police officers. The results have created support, it's business as usual. If you're not going to do it right, to put the savings back in to services or into tax reductions, don't do it at all.

*Philosophically, do the union employees work for the city or the union?*

They are city employees and work for the city.

*Beside the unfunded infrastructure liabilities you mentioned, what was the condition of the departments in the county and city when you started? Were they okay budget-wise, or was there a belief that they were underfunded at that time?*

The answer may sound incongruent, but I've never met a public entity that had enough money, we can do more with more. The question is the tradeoff. What can't those resources do if they are placed here or there? Generally the budgets were seen as satisfactory although the departments would have been delighted to do more.

*Regardless of the sector, most of us like to think we're doing a good job. The end user is probably the only one who can really determine that. Have you institutionalized a process to get continuous feedback from citizens, specifically users of services? If so, what is that process?*

We do several things. We measure 258 performance measures every month in the city on virtually everything imaginable. Frankly, we measure too many things. Once it really got started everyone got gung-ho about measuring things. It's remarkable what happens when you measure something, and it's remarkable what happens when you tell people you're going to measure things. It's even more remarkable when you begin to measure it and then publish the results to the mayor, the council and on the internet every month. People pay attention.

We've also implemented secret shopper programs. Using the executive service corps. they shop our parks and other services. That has been fascinating. Park operators know if a candy wrapper hits the ground someone will hear about it. We have a 99 percent satisfaction rate at our public golf course and they now generate \$1 million a year for disadvantaged kids when they used to lose \$300 thousand a year.

We also have a program where we call 100 people randomly each month. We found out we were doing a lot of things people didn't care about. For instance, in public parks people care about bathrooms. Instead we were spending money on trimming the edges of grass along the sidewalk. Customer satisfaction went through the roof when we tripled the budget for bathrooms.

*Would Goldsmith consider running for the presidency?*

The mayor ran for governor and was defeated. There are no awards for this—no ribbon cutting for saving money, and it's hard to convey the meaning of it. The mayor will spend next year with governor Bush working on his exploration of the presidential election.

## PANEL DISCUSSION

*Ed Kochian opened the discussion and introduced the panel: Frank Forte with CSEA; Joe Mareane, chief financial officer for the county and former resident of Indianapolis; Gary Lim director for the Case Center's entrepreneurship and emerging technologies program.*

Kochian recalled when the city was known by the disparaging nickname of India-no-place. Public and private investment turned it around. Frank Forte noted that there is local discussion about privatization, it's about working smart and continuing to improve. He cautioned that you can do 99 things right, but it's the one you do wrong that gets remembered. He also took exception to the idea that consolidation was a subsidy of city services—it's an economy of scale and a downsizing of management. It's important to be collaborative. In our county Pirro provides strong leadership. Onondaga did TQM. Employees fear cooperating themselves out of a job and management fear giving away information that will make their role meaningless. County government is always looking for ways to do things better, faster, cheaper and they actually are doing more with less—nothing is sacred.

Joseph Mareane grew up in Speedway, a town outside of Indianapolis but left because he didn't see a future there. At that time, the tallest building in town was a grain silo. It's impressive to see how far they've come, the success story everyone in government studies. The first seeds were sown in the late 60's with unigov, the efficiency improved but more important the attitude, the can-do spirit, made people want to commit.

Gary Lim described himself as the newcomer, neither an academic nor a bureaucrat. He spent 20 years in Silicon Valley and saw business from start-ups to maturity. This area has a lot of opportunity for growth. He heard a number of useful lessons from the 100 page RFP to

innovative incentive-based pay. Too often the process can become more important than the end result. It's also important to understand the cost of details. And it's important to have strong leadership, both public and private.

Linda Ard cautioned that she receives calls from all over the country asking about how to do this. There are no quick fixes—it can't be done overnight.

Skip noted that when he started in city government, the mayor commented that he was "unencumbered by knowledge and experience." It proved to be an asset. There were three strategic problems they faced. First, the concentration of harm. In the case of the microfilm department that meant 5 employees—did the average citizen care? No. Momentum is hard to build, it grows in small increments. Second, identify stakeholders for each area, for instance in regulatory reform it seems like no one cares. Unless, it now means you can't put a fence in your own back yard or fill in a swampy area. They changed how they did business and cultivated legislators who did not understand the real tradeoffs. And third, it's important to remember that people care about police, not budgets. Need to put change into commodity language.

## Q&A

*How much new business is there in Indianapolis?*

Mayors don't create jobs, they create environments where jobs are created. They have been rigorous in what they support. Once the public sector gets its act together, the private sector will follow. Meaningful investment is important but no silly deals. Business moves to where it's wanted. Speak in the language of business, they read meaning into zoning.

*What did the union community do in support?*

We had discussions but really didn't know what we were doing. Once the conditions were met there was some trust. Many local labor leaders resistant at the start, this was very new. Now we're not sure how to make it continue.

*How did you bring the city and county together with 25 village governments, fire departments, etc.?*

Republican leaders saw they were going to lose the city and chose to hang together. There are still nine fire departments but sooner or later the union itself will bring them together and get them on the same pay scale. Here there are many more incorporated areas. It did take time, and thousands of community meetings and neighborhood forums. As goes the city, there goes the region.

*What about incentives?*

The basics of attraction go much deeper. If the only reason a business locates with you is the incentive, what happens when the incentive is over and the novelty wears off? Incentives are the weakest link, although they sometimes serve as tiebreakers.

*What about quality of life, the arts etc?*

Indianapolis has no natural amenities—its flat, has no great rivers, etc. If you're in Indiana it's for another reason. The city focused on sports and the arts. The Lilly family still lives in Indianapolis and supports the arts. There is still debate about whether public dollars should



support the arts or sports. But the best way to get money for the arts is with good jobs that pay good money.

*How do you decide what to do and how to get people to do it?*

Just like when the power brokers came together for a stadium, you build an base of support and involve hundreds of volunteers. When the infrastructure shortfall became apparent we went out to the neighborhoods and spent two years listening. When it came time to float \$70 million in bonds there was enormous buy-in. You need to use at least a twenty year scale and be in it for the long haul.

*The military base, does that contribute?*

There are two bases, both were scheduled for closure. One became a park. With the other there would have been a loss of a billion dollars in jobs. The mayor went to the military and asked if they would privatize the jobs and kept almost 2,000 jobs in the area when it was taken over by Raytheon. The mayor, the business community and an aide to president Clinton made it happen.

*How do you get good numbers?*

You must have an absolute commitment to saving money. You need to be clear about what things need to be done and at what costs. Every dollar spent on getting good numbers save \$100 in costs. The blue collar workers now bring laptops with them to meetings to review costs. The training that went into that cost money but was extremely important.

*You said as taxes went down school tax went up—explain.*

Frankly, Indianapolis schools are a disaster. The exception is Speedway where scores are excellent and the cost per student is the lowest. In this area the mayor has no control.



## Community Leadership Conference at Minnowbrook

---

*Prepared by conference co-chairs, Dennis Lerner and Russell Andrews*

### Conference Summary and Themes

A selected cross-section of the central New York Community came together at Minnowbrook to discuss community economic development. In addition to the program facilitators and presenters, the conference attendees had the opportunity to see and hear video interviews with 16 community leaders who discussed their perspectives on the particular issues of community economic development in Syracuse. A number of clear themes and subtler rhythms came out of the conference and were reflected in the individual pledges the conference members made and the three areas of consensus priority that the group developed.

### Consensus Priorities

1. Upgrade skills, train and educate the members of the community who were termed the invisible workforce. It is important that all of the members of the community participate in the benefits of economic development. Efforts to attract and retain a well educated, trained, skilled workforce should not overshadow efforts to bring along those who are non-participants or marginal participants in the community's economic development.
2. Improve the quality of life in central New York. The focus here was to attend to economic, social and environmental negatives experienced by those in the community who are economically disadvantaged. It is important to understand this priority in the context of the genuine enthusiasm of the conference participants for the generally high quality of life experienced by other community residents and the degree to which existing community assets were central to the conference's hopeful view of the future.
3. Be positive about this community to ourselves and to others, here and away. After examining the positives and the negatives the conference participants noted that the positives were plentiful and in important areas such as education and quality of life, but that the negatives received greater attention and prominence in our characterizations of our community. Secondly there was the recognition that other successful communities (many with fewer total assets) had a central theme (some expressed it as a catchy slogan or PR campaign) around which their various community economic development efforts were focused. There was a general recognition that this community is particularly self critical and that the negative way we describe ourselves colors the perceptions and attitudes of others, detracts from the community's assets and successes, and makes those responsible for the many positives of the

community feel unrecognized, unappreciated and unmotivated to continue their efforts and involvement here.

## Themes

1. The community is “Syracuse” which should be recognized as including the area within a 1 hour car drive of the City. Some felt that this should be based on consolidation of governments and/or governmental functions. Consolidation was also seen as important for improved efficiency and accessibility. The proliferation of political jurisdictions was seen as a basis for internal (wasteful) competition for community development and tax base. At the same time it was clear that the City of Syracuse is not a source of community pride. Concerns were expressed with the poor political leadership, the quality of public education, the lack of downtown retail activity and activity generally outside of Armory Square. The deterioration and “disinvestment” in Syracuse neighborhoods and the loss of City workplaces were seen as contributors to the Syracuse identity problem. The comments of the participants made it clear that it is hard to have pride in a community where the unavoidable impression one has upon coming into it is one of deterioration and neglect.
2. The community has extraordinary educational resources including, in addition to SU, LeMoyne, Colgate, Hamilton, Cornell, Hobart/William Smith, Oswego State, etc. representing the third largest concentration of colleges and universities in the country. But the community is not doing enough to retain the best graduates of these colleges and help them build their lives and careers here. A relatively small increase in the percentage of graduates who stay in the community would have a dramatic impact on the economy of the community. Retention requires catering to the interests and activities of young singles and providing opportunities for them to work, start their careers, their families and their businesses.
3. There was also discussion of the more active positive role the colleges could play in guiding and providing community leadership. Note was made of the innovative and important efforts such as the Case Center, and the Maxwell School’s Community Benchmarking project.
4. The community suffers from a lack of committed political leadership. Without obvious exception the community’s elected officials were seen as lacking a larger community vision. Narrow political self interest was seen as predominating at all levels over community interest. Some participants saw this as a reflection of the loss of strong resident business leadership with the political and economic power to direct the political forces of the community. The MDA was not seen as an effective substitute.
5. The economic development resources of the community were identified as being well intentioned, of mixed effectiveness, numerous, turf competitive, overlapping and uncoordinated. This perception persists despite recognized recent efforts within the economic development community to overcome these issues. Underlying the overt efforts of the economic development community is a strong current of negativism about growth. Multilayered governments have multiple review and permitting processes. The same

community voices that call for more and better jobs, protest against new facilities and construction in their areas. Governmental roadblocks to efficient development and expansion of facilities, together with an eagerly negative press and public, are significant discouragers of new growth and development. (Not mentioned as a negative were the strong environmental regulations of the State.)

6. The economic development resources have been too focused on relocating major industries to the community (a worthwhile, but unlikely scenario), keeping existing large industry (where too many resources have been used on lost causes) and new and mid sized business needs have been neglected.
7. A number of presenters referenced efforts by the State to deal with taxation, power cost, and Worker's Compensation issues, but all felt that the efforts, while good, were not sufficient, were not happening quickly enough, and were not targeted to assist this community.
8. The virtues of this community in terms of location, natural resources, recreation, culture, transportation, education, crime, housing and natural beauty were widely recognized and celebrated. A notable exception was the airfare situation. The weather was recognized as a neutral or positive, with 4 distinct seasons. This led to recognition that the community retains a self image and a broader recognition as a place with terrible weather and the "Home of the Orange." This in turn led to a recognition that it will be necessary to actively build a different image and perception of the community (one which everyone supports) if the community is to attract its share of economic development interest. There was also a feeling that the community possesses the necessary tools to compete effectively in the economic development marketplace. The participants wanted to support the MDA's 2010 plan, but lacked the necessary exposure to the plan.
9. A personal observation. Our community seems to have one foot solidly planted in the "fifties," its economic heyday, and the other foot in the air, undecided about where it wants to come down. We are in a difficult period of transition from the leadership of the "fifties" to that of the next century. The outcome will be the net result of all our efforts or indifference.



## Appendix 3: Previous OCL Studies

---

- 1979 Equality and Fairness in Property Assessment
- 1980 Young People in Trouble: Can Our Services be Organized and Delivered More Effectively?
- 1981 The County Legislature: Its Function Size and Structure
- 1982 Declining School Enrollments: Opportunities for Cooperative Adaptations
- 1983 Onondaga County Public Works Infrastructure: Status, Funding and Responsibilities
- 1984 Police Services in Onondaga County: A Review and Recommendations
- 1985 The City and County Charters: Time for Revision?
- 1987 Blueprints for the Future: Recommendations for the Year 2000
- 1988 The Role of the Food Industry in the Economy of Onondaga County
- 1989 Poverty and its Social Costs: Are There Long-term Solutions
- 1990 Syracuse Area Workforce of the Future: How Do We Prepare
- 1991 Schools that Work: Models in Education that Can be Used in Onondaga County
- 1992 Town and Village Governments: Opportunities for Cost-effective Changes
- 1993 The Criminal Justice System in Onondaga County: How Well is it Working
- 1994 The Delivery of Human Services: Opportunities for Improvement
- 1995 Reinvesting in the Community: Opportunities for Economic Development
- 1996 Building a Non-Violent Community: Successful Strategies for Youth
- 1997 Security Check: Public Perceptions of Safety and Security
- 1998 Onondaga County School Systems: Challenges, Goals, and Visions for the Future

