Charter
North Central Regional Solutions Advisory Committee
Adopted June 27, 2014

Background
The Regional Solutions Program, attached to the Governor's Office, was created by Governor Kitzhaber in 2011 and was sanctioned by the legislature in 2014 with the passage of HB 4015. The Regional Solutions program works with state agencies, local governments, public and private sectors and philanthropic organizations as appropriate to identify regional priorities for community and economic development, develop and coordinate regional implementation projects and address issues and seize opportunities.

The Regional Solutions Program includes regional state agency teams including representatives from the Governor's Office, the Oregon Business Development Department, Department of Transportation, Department of Environmental Quality, Department of Land Conservation and Development and Oregon Housing and Community Services. Other state agencies and Oregon Solutions and Oregon Consensus (the state's collaborative problem solving and dispute resolution organizations) participate as necessary. The program also includes Regional Solutions Centers where team members are co-located and regional Advisory Committees that set priorities and direct the work of Regional Solutions Teams.

Geographic Coverage
The North Central Oregon Region is comprised of Hood River, Wasco and Sherman counties (this region aligns with the Oregon counties included in the Mid-Columbia Economic Development District - the federally designated Economic Development District).

Advisory Committee Membership
Each Region shall have an Advisory Committee consisting of a minimum of five members appointed by and serving at the pleasure of the Governor. Advisory Committees shall be comprised of:

- One local convener who represents the region and who shall serve as the Advisory Committee Chairperson
- One representative recommended by the League of Oregon Cities
- One representative recommended by the Association of Oregon Counties
- One person who represents local and regional business and industry
- One person who represents philanthropic organizations

Advisory Committee members appointed by the governor may appoint additional Advisory Committee members in consultation with the Regional Solutions Coordinator. In selecting additional members the goal is to maintain balanced membership from the public, private, tribal, philanthropic and higher education sectors. Additional members appointed by the group of five identified above are authorized to participate fully in committee decision making. These additional members shall be appointed by consensus of at least four out of the five members (this is intended to allow forward movement in the event it is not possible to schedule a discussion with all five at the same time). Additional members shall serve for 36 months from the date of their appointment.

The full committee shall strive to make decisions by consensus (i.e. no one objects); where consensus cannot be reached, decisions will be made by a majority vote of the five members appointed by the governor.

Advisory Committee Mission

- Provide a forum for public, private and civic sector stakeholders to discuss, understand and leverage resources to address priority community and economic development issues and opportunities in Central Oregon.
- Communicate regional community and economic development issues to the public, neighboring regions, area legislators and other interested organizations.
- Advise the Governor's Office, state agencies and other organizations on state and regional policies affecting community and economic development issues and opportunities in the region.

Advisory Committee Members - Roles and Responsibilities

- Establish regional priorities for community and economic development in the region.
- Consider, review and recommend regional implementation project proposals.
- Identify opportunities to connect technical and financial assistance resources to implement regional projects.
- Advocate regional priorities and community and economic development issues and opportunities to other sector, community and regional advisory groups and state and federal elected officials.

Regional Solutions Team Roles and Responsibilities

- Assist Advisory Committee in the identification and implementation of projects that address regional priorities.
- Identify and coordinate state agency technical and financial assistance resources with other available resources in alignment with regional priorities.

Public Involvement

All meeting information and materials where the Regional Advisory Committees will be reviewing regional priorities or discussing regional implementation project proposals will be posted at http://www.regionalsolutions.oregon.gov. Meeting materials and agendas shall be posted at least seven days prior to the meeting. During advisory committee meetings where regional priorities are discussed and/or established there will be an opportunity for public testimony during that agenda item. There will also be opportunities for public testimony during meetings where regional implementation projects are discussed/recommended.

Meeting Materials

- An advance agenda shall be provided at least one week prior to the meeting.
- For decision items information shall be distributed to everyone in attendance at the meeting.

Meeting Schedule

- The Advisory Committee shall meet no less than twice a year.

Meeting Minutes

Minutes shall be taken for all Advisory Committee meetings and shall contain:

- List all members present;
- All motions, proposals and resolutions proposed, and their disposition, will be in the minutes;
- Results of all votes/decisions; and
- Minutes will be posted on the Regional Solutions web page.

North Central RST Project Quick list

	Status	Next Step
The Dalles Workforce Housing	City Considering Code Amendments	TAC, April 29
Cascade Locks Industrial Land Build Out	Completing contract for pFriem Buildout, MOU with Renewal	
Hood River Wetlands Mitigation Bank	With local partner	
Kingsley Reservoir Improvement	USACE 30 day complete	Response to DEQ, USACE
Hood River Housing Phase III	City scoping, RARE application submitteded	
Hood River Wetlands Mitigation Bank	With local partners	Carolyn to check in
Hood River Waste Water Project	Stakeholder work complete	Late May meeting
Sherman Broadband Phase II	Fully funded	County to release RFP for Wasco-Rufus line; fiber buildout underway in Wasco, Grass Valley, Moro.
Mosier Joint Use Facility	Seeking additional funding	Follow up on available loan progams
City of The Dalles Dog River Pipeline	Received OWRD funding, Business Oregon working on funding	TD will reach out when they begin state regulatory process
City of The Dalles Foundation Project	City, other partners scoping	
City of The Dalles Brownfields Inventory and redevelopment plan	Study underway	TAC to meet in May
City of The Dalles Economic Opportunity Analysis	Final TAC, April 19	
City of Maupin Economic Opportunity Analysis	Public meeting complete	Final TAC May 7
Sherman County Economic Opportunity Analyses	Study nearly complete	Public meeting May 2
CGCC Skills Center and Student Housing	Funding secures	Team working with college on seeking programmatic funding
Attainable Housing Revolving Loan Fund (monthly developer check in)	Jovanovic app pending; outreach to blook	
Mosier Enhanced Wetlands Treatment	City scoping	Dependent on outcome of feasibility
Grass Valley Hemp Company (ongoing check in)	State released draft rules	
Fire season recovery preparation	State group convened; meeting with MCEDD for regional	

Remaking Economic Development

THE MARKETS AND CIVICS OF CONTINUOUS GROWTH AND PROSPERITY

"It's time to shift and broaden the purpose and practice of economic development to generate **continuous growth**, **prosperity**, and **inclusion**."

Remaking Economic Development

THE MARKETS AND CIVICS OF CONTINUOUS GROWTH AND PROSPERITY

AMY LIU

THE BROOKINGS INSTITUTION | METROPOLITAN POLICY PROGRAM | 2016

Remaking economic development

The idea in brief

The lackluster U.S. economy is delivering a humbling lesson about economic development: Top-line growth doesn't ensure bottom-line prosperity. The potential of economic development is to do what markets alone cannot do: influence growth through action and investments.

Leaders in cities and metro areas have an opportunity to remake economic development—to adopt a broader vision of economic development that can deliver continuous growth, prosperity, and inclusion in cities and metro areas. While some creative and committed leaders and organizations are embracing this version of economic development, it needs to be further scaled up.

This requires understanding the purpose of economic development and getting both the markets and civics right:

The goal: To put a regional economy on a trajectory of higher growth (growth) that increases the productivity of firms and workers (prosperity) and raises standards of living for all (inclusion), thus achieving deep prosperity—growth that is robust, shared, and enduring.

The markets: Industry clusters form the foundation of regional economies. Different industries concentrate in certain metro areas to access specialized local assets—innovation and entrepreneurship, other firms in traded sectors, skilled labor, infrastructure, and governance—that enable them to be productive and generate income from the sale of their products and services. Economic development should prioritize building strong business ecosystems for core industries, improving the productivity of firms and people, and facilitating trade—the market foundations from which growth, prosperity, and inclusion emerge.

The civics: To get the markets right requires good civics: the work to organize and implement strategies and initiatives that engage stakeholders and partners to achieve long-term goals. A data-driven economic narrative and sense of urgency, networked leadership with high capacity organizations for implementation, and engagement of diverse stakeholders and perspectives to ensure strategies are inclusive are all essential.

The idea in practice: Five action principles

1. **Set the right goals**—expand the scope and metrics of economic development to reflect a more foundational and holistic understanding of how to expand the economy and opportunity

2. **Grow from within**—prioritize established and emerging firms and industries, invest in the ecosystems of innovation, trade, talent, infrastructure, and governance to support globally competitive firms and enable small businesses to start and grow in the market

3. **Boost trade**—facilitate export growth and trade with other markets in the United States and abroad in ways that deepen regional industry specializations and bring in new income and investment

4. **Invest in people and skills**—incorporate skills development of workers as a priority for economic development and employers so that improving human capacities results in meaningful work and income gains

5. **Connect place**—catalyze economic place making and work at multiple geographic levels to connect local communities to regional jobs, housing, and opportunity

Introduction

The lackluster economy is delivering a humbling lesson about economic development: **Top-line growth doesn't ensure bottom-line prosperity**.

Yet, in too many communities, the practice of conventional economic development remains focused solely on the former while the latter is deemed someone else's responsibility.

One sees this in local marketing efforts touting their latest economic successes—new firm relocations, jobs "created," and expanded private-sector investments.

Indeed, aggregate growth matters. But more growth isn't always better growth. Firm gains are not the same as worker gains. Ignoring the plight of workers who are under- and unemployed limits future growth.

The challenge of economic development is to embrace that lesson—fully and urgently.

To be fair, many state and regional leaders want more than growth for growth's sake. They want to grow good jobs, connect young adults and workers to those jobs, and keep their industries competitive. This is hard, long-term work. It requires blending programs, working across systems, forging new partnerships, and working with both long-term goals and shorter-term metrics for success. Yet the existing structures and missions of organizations and programs make this important work nearly impossible.

It's time to shift and broaden the purpose and practice of economic development to generate continuous growth, prosperity, and inclusion.

Every three to five years—including every election cycle—influential groups of leaders in cities and metro areas across the country convene to update or set a new economic development agenda, with goals, priorities, strategies, and initiatives they operationalize through investment of time and resources. Who participates, the work of those leaders, and the systems they shape help establish the future trajectory of their communities and are at the heart of how regions can redefine and expand the vision and practice of economic development.

The power of getting together to promote economic development is to do what markets alone cannot do: influence growth through action and investments. The purpose of economic development should be to put a regional economy on a trajectory of higher growth (growth) by increasing the productivity of firms and workers (prosperity) that raises standards of living for all (inclusion).[1] This brand of economic development can lead to deep prosperity—growth that is robust, shared, and enduring.

This generative work must occur within metropolitan regions because metro areas represent the basic unit and geography of the economy—and the nexus of public and private networks that shape regional economic ecosystems and address highly local market failures.

Given this purpose, economic development here refers to the system of economic growth and development in regions. It is broader than the traditional practice of economic development. The system involves not just economic development professionals but also elected officials, employers, workforce and education leaders, and other civic and nonprofit executives. The economic

development system includes a wide range of policies and strategies that enable industries, workers, and communities to contribute productively to the economy.

There is a great deal of knowledge about how an economy grows.[2] Yet, conventional economic development remains largely misaligned to what matters. It favors recruiting new firms over helping existing firms become more productive and expand. It relies too often on taxpayer-funded incentives geared to one-time job creation, rather than positioning industries and assets for long-term growth. And when regions need to keep an eye on how to proactively respond to global, technological, and demographic forces, conventional economic development remains largely reactive, driven by deals in the pipeline. The systems and incentives that sustain these habits are so embedded in organizational missions and established practices—backed by strong political pressures—that even well-meaning leaders find it hard to break free of the status quo.

What's promising is that change is underway. Amid these long-established norms, some of the most creative and committed leaders are embracing this broader version of economic development, including many mainstream economic developers. They understand the competitive needs of their region's firms and organize industry-wide solutions to support them.

Many leaders are also seeking to increase economic participation in their communities as part of their regional economic agenda, not as a moral imperative but as a competitive proposition. If the next generation of workers is not prepared to meet the needs of major employers, that stifles business development and retention efforts. If people are unemployed, they cannot purchase many of the goods and services the economy produces, hurting small businesses and entrepreneurs. Inefficient use of land and infrastructure hampers job access, limits productivity, and hurts property values.

In short, economic development that improves living standards for only the few undermines current and future human capital, depresses economic demand, and dampens a region's overall competitiveness and potential for growth.

The shift in economic development toward a focus on achieving deep prosperity is notable but nascent. For the early adopters, this kind of economic development is new terrain and would benefit from more partners pushing the field forward in new directions and sharing lessons along the way. Meanwhile, other leaders are eager to re-assess and figure out how to evolve their existing economic development activities.

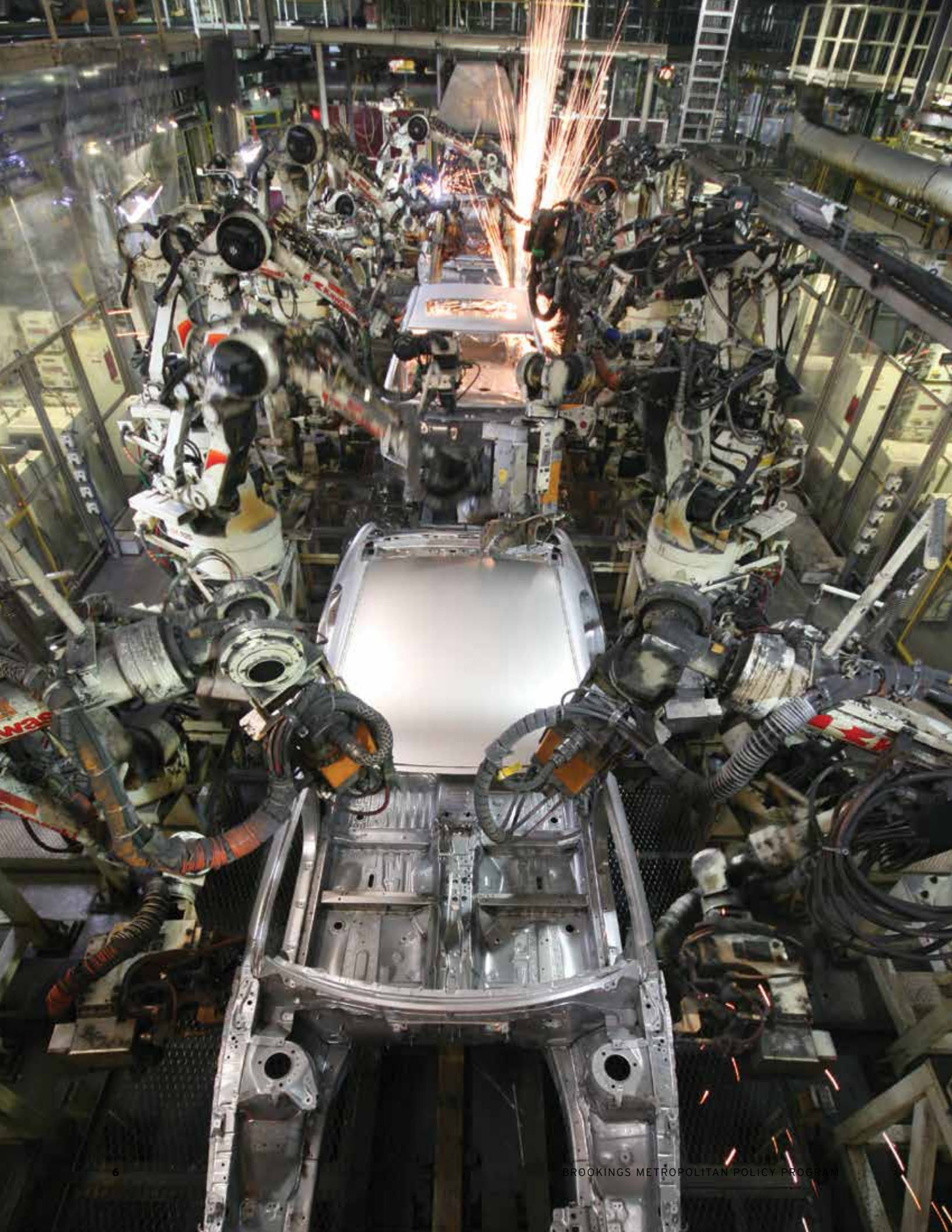
Today, local and regional economic development remains a patchwork of important innovations and legacy practices at a time when the global economy is fast-moving and not working for most people. For the United States to become a network of dynamic inclusive metro economies, a broader vision of economic development must be implemented at scale.

To that end, this paper offers regional and state leaders a beginning framework for a broader vision of economic development designed to generate continuous growth, prosperity, and inclusion—all urgent tasks today. This framework is based on evidence about what matters and the promising actions emerging in cities and metro areas across the country.[3]

The paper opens with a case for why state and regional leaders should remake economic development. It argues that leaders must start with the basics: a firm grasp of both the markets and the civics required, which equally undergird this economic development framework. The paper closes by describing five key action principles for implementing this vision of economic development, including concrete examples of how sound market economics and good governance are being applied.

We hope this paper sparks positive discussions and new directions among public and private sector leaders who are working together to improve economic growth and opportunity in their regions. This audience includes local, regional and state leaders, as well as those who work in economic, workforce, community, and infrastructure development. They all play important roles, whether as public officials, board chairs and members, neutral conveners, community stakeholders, implementers, funders, or employers.

Today's economy requires leadership and innovative problem solving to adapt to major trends in the global economy. This is true as well for economic development. Those who adapt and innovate will be at the vanguard of metropolitan regions generating deep prosperity; those who fail to make the shift risk their communities falling behind.



Why remake economic development?

Embracing a broader vision of economic development is an economic and fiscal imperative. Our nation's economic competitiveness and social cohesion remain threatened.[4]

> "**Growth**, **prosperity**, and **inclusion** are complementary, not contradictory, goals for meaningful economic development."

First, growth is not assured. U.S. leadership in advanced industries—those that are the most technology-driven and R&D intensive—is slipping. Productivity continues to lag. New business formation and labor force participation rates are declining. Household incomes and wages are stagnant or losing ground for all but the top tier of earners.[5]

While 95 of the 100 largest U.S. metro areas experienced aggregate job and output growth since 2009, smaller numbers have seen improvements in living standards, earnings, and employment, particularly for workers of color.[6] In terms of job quality, more than 40 percent of all metropolitan areas have lost jobs in advanced industries, and, nationally growth in low-wage jobs has far surpassed growth in middle-skill and higher-wage occupations. While income inequality is widening across the United States, the divide is even greater between racial and ethnic groups and among the 50 largest cities.[7] Further, the number of people living in neighborhoods of concentrated poverty, as well as the total number of such neighborhoods, has increased dramatically in cities and suburbs.[8]

The acceleration in globalization, disruptive technologies, and demographic change is roiling industries and labor markets, adding complexity and further testing the wisdom and prudence of hanging onto long-standing practices.

One further complication: Federal government reforms are few and stymied by partisan gridlock.[9] Public resources are waning as federal, state, and local discretionary dollars are squeezed by mandatory obligations, such as entitlement benefits at the national level, or pension obligations at the state and local levels. These forces taken together create mounting pressures on state and regional leaders to demonstrate meaningful progress on economic growth and development while also delivering more with less.

The opportunity to do so is great. States and localities spend $50 billion to $80 billion on tax breaks and incentives each year in the name of economic development, despite a mountain of evidence showing that tax incentives produce mostly marginal returns.[10, 11]

When used strategically and in the context of broader objectives, some incentives can bring solid benefits or address key market gaps, such as tax credits to remediate polluted sites or incentives to targeted suppliers that strengthen an existing industry cluster. Many more are questionable in form and focus: tax-increment financing to support suburban malls and sports arenas; tax rebates for businesses to move from this town to that and back again; subsidies to build far-flung industrial parks and office towers; tax credits to lure film productions that offer a momentary boost at best. At worst, the prevalent use of tax incentives, coupled with multiple separate taxing jurisdictions in a region, pit jurisdictions against one another in ways that erode value in the economy and drain precious resources away from the people and assets that matter.[12]

So it's time: Every metro area must do the hard, intensely local work to devise and deliver meaningful economic development—most effectively in partnership with state leaders who also embrace this vision.

Removing impediments to progress across the complex systems that make up regional economies is the best and most cost-effective way to expand regional economies, yielding larger benefits at lower costs than paying high-cost public subsidies that benefit only the few.

Maryann Feldman, an authority on innovation, technological change, and economic growth, and her colleagues summarized the distinctive value of economic development this way: "While economic growth is simply an increase in aggregate output, economic development is concerned with quality improvements, the introduction of new goods and services, risk mitigation and the dynamics of innovation and entrepreneurship. Economic development is about positioning the economy on a higher growth trajectory."[13]

They go on to say that economic development "contribute[s] to the advancement of society through the realization of individual, firm, and community potential." This means that true innovation includes making more effective use of all resources, including underutilized land and labor. This involves, for instance, getting under- and unemployed workers onto good career pathways, helping businesses—new and old—stay competitive, and bringing market traction to neglected downtowns and neighborhoods.

Achieving this vision requires investing in the underlying drivers of growth: innovation, industrial strengths and clusters, trade, skilled labor, and the systems that support them, including infrastructure and effective governance and finance. By focusing on these capacities, and how they interact, the new model of economic development can extend the benefits of growth to more firms and workers in more regions.

The work to stay on a higher growth trajectory doesn't end but is iterative and designed to bring about continuous improvement, addressing market failures and increasing the economic participation of more people and assets.

Many perceive the goals of innovative, productive growth as being in tension with the goal of inclusive growth. Certainly not all programs or initiatives will achieve both, but the need is to develop portfolios of mutually reinforcing strategies and initiatives that manage the benefits and trade-offs that emerge from collective efforts, such as supporting new applied research capability for advanced industry firms, while also providing STEM training for low-income young adults to prepare them for jobs in those advanced industries.

Further, as already noted, continuous productivity improvements can only occur if gains from economic growth reach more firms and people, particularly those who are underemployed. And inclusion is likely to be more politically and economically successful if it comes through expanding the economic pie rather than by redistributing fixed resources. Thus, growth, prosperity, and inclusion are complementary, not contradictory, goals for meaningful economic development.

To be sure, actions at the level of the metropolitan region alone are insufficient. To achieve deep prosperity, cities and metro areas will also need supportive federal and state programs, policies, and investments.[14]

But with the structure of growth and opportunity so uniquely regional, it is essential that local and metro leaders pioneer and drive a new vision of economic development that leads to growth, prosperity, and inclusion.

The basics of economic development

There are two basic components to economic development—engagement with markets and market actors to create growth and purposeful organizing of the right assets and capacities to improve, sustain, and extend that growth to more participants. Thus, leaders need to get both the markets right and the civics right to put their metro areas on the path to deep prosperity.

Getting the markets right

First and foremost, economic growth matters. An expanding economy creates jobs and opportunities for people and firms to maximize their potential. When labor markets are tight, wages are more likely to increase. When there is insufficient aggregate demand, workers are more likely to see wages erode, particularly lower-skilled, minority, and younger workers.[15]

How an economy grows matters too. A regional economy can expand simply by attracting more firms and more people into the market. But accumulating more people and a higher job count does not always mean that workers and firms are better off or that regional assets are improving.

Achieving deep prosperity requires improving the productive capabilities of businesses and people in the region. That requires building strong ecosystems for core industries, improving productivity, and engaging in trade—the market foundations from which growth, prosperity, and inclusion emerge.

Clusters and regional ecosystems

Industry clusters form the foundation of regional economies, not a collection of unrelated firms. Understanding the unique composition of industry clusters in each metro area is essential to improving the performance of regional economies.[16]

In today's technology-fueled global economy, advanced industries comprise the most important clusters in a region. As the nation's most R&D- and STEM-intensive sectors, advanced industries—such as aerospace, medical diagnostics, and data processing—are most likely to endure and thrive in the future. These highly innovative sectors blur the distinctions between production and services, as software and digital offerings increasingly are components of manufactured goods including cars, phones, and televisions. Given their global relevance, advanced industries generate the bulk of the nation's patenting and exports.[17]

Further, wages in advanced industries have grown steadily since 1975 while all other industries have stayed relatively flat. Half of the jobs in advanced industries do not require workers to have four-year college degrees.[18]

The majority—70 percent—of advanced industries are located in metro areas, with each metro area specializing in its own capabilities: semiconductors in **Portland**; aviation in **Wichita**; advanced energy in **Oklahoma City**; and computer systems design in **Boston**, to name a few.

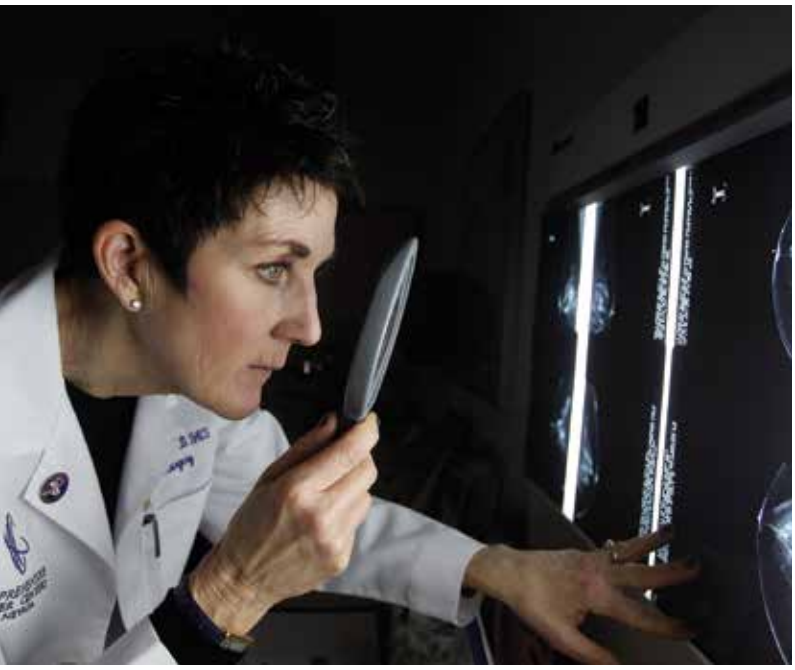
As Michael Porter, the Harvard authority on competitiveness, describes it, the anchor firms, supply chains, supporting entities and organizations, research centers and specialized knowledge assets that make up industry clusters arise from a "highly localized process" that creates differentiated competitive advantages tailored for particular industry clusters.[19]

Those assets are sometimes called "market drivers," "factors of production," or the "industrial commons"—because they benefit a wide array of firms. They include applied research and technical expertise, supports for entrepreneurial activity, robust pipelines of skilled labor, deep benches of suppliers and related firms, globally connected infrastructure, and responsive, predictable governance to maintain them all.[20] It is the productive mix and synergy among these distinctive drivers—innovation, traded sectors, human capital, infrastructure, and governance—that create the conditions in which industries thrive, create value, and generate growth and income.

Globalization and technology have not dispersed these market assets but instead have further concentrated them in cities and metropolitan regions, with leading centers of knowledge and production capturing an increasingly greater share of specific market opportunities.[21]

That is in part because innovation today reinforces the power of place. The rapid pace of competition requires solutions often developed through collaborations among firms, research institutions, national labs, competitors, customers, venture capitalists, and entrepreneurs—collaborations that are most readily forged through the networks formed within metropolitan regions.[22]

Notable examples exist in several regions. Some, like the Clemson University International Center for Automotive Research in **Greenville** become specialized regional hubs for key sectors. Others, like EWI, the nationally recognized center for innovation in manufacturing based in **Columbus**, emerge from a



university and expand into multiple regions. EWI now operates centers in **Buffalo**, **Detroit**, and **Washington** and is exploring a new location in **Phoenix**.

Thus economic development is most effective—and cost-effective—when it focuses on improving the shared assets that support clusters and advanced industries, rather than providing subsidies and solutions to individual firms.

One caution: Efforts that focus solely on regional clusters or regional economic performance often miss uneven growth within the region, such as lagging investment in the urban core or the stark north-south or east-west divides in many metro areas.[23]

Ignoring intraregional disparities and concentrated poverty can drag down a region's overall economic potential, as well as perpetuate cycles of disinvestment in certain areas, primarily central cities but increasingly older suburbs as well.[24] On the flipside, neighborhood revitalization efforts undertaken in isolation from the regional economy fall short as well. They can improve housing and services but miss the potential impact that comes from connecting to regional markets for employment, investment, and access to opportunity.[25]

As leaders strengthen and align their assets to the demands of the global economy, they must be conscientious about engaging people and places all across the region if they are to put their metro areas on a higher growth trajectory to attain deep prosperity.

Productivity

There is a broad consensus that productivity gains are the primary source of growth in any economy. Federal Reserve Chair Janet Yellen put it simply: "Over time, sustained increases in productivity are necessary to support rising incomes."[26]

The income and higher earnings generated from increased productivity can be recycled through the economy in several forms:

- as increased wages that workers spend at local stores, restaurants, and other firms
- as new investments in the productive capacities of firms, equipment, and workers and the formation of new businesses and
- as higher tax revenues that pay for more of the public goods on which prosperity depends: infrastructure, education, and transportation, as well as other improvements in quality of life

Economic development must create the conditions that enable firms in distinct clusters to be more productive, so they generate higher value from each input. There are three ways that regions can increase productivity: by helping firms and industries innovate and invest in R&D and technology (including those supplied by other firms), by helping industries access skilled labor or invest in training, and by improving the industry mix in the region to include more innovative, higher-value sectors of the economy.

Meanwhile, state and regional leaders must anticipate and manage the tensions that result from the "creative destruction" that comes with productivity improvements.[27] New technologies that increase productivity, such as faster computing or robotics, will eliminate certain tasks.[28] They can also create new demand for workers with specialized skills and boost the productivity of existing workers.[29] This highlights the need for leaders to build in mechanisms for continuous investment in people, their skills, and their mobility and access to new occupations.

Finally, much has been written about the gap between productivity and wage growth.[30] Absent macro policies to address biases toward increasing returns to capital, local and regional leaders have turned their attention to other approaches to shore up earnings.[31] This includes raising state and local minimum wages and working with employers to prepare workers for in-demand skills in good jobs in expanding industries.

Trade

Like a business that grows through sales, regional economies grow and expand through trade. Productivity gains bear fruit when industries and firms sell highly specialized goods and services to customers outside of the local market, injecting new income into the region.[32] Trade can take many forms. Metro Portland shipping an Intel processor to Korea is an export but so is the spending of business travelers to Portland or the tuition payments of out-of-state students attending Portland State University.

It is this activity that spurred Jane Jacobs to assert that cities are the wealth producers of the nation because the foundation of cities is trade.[33]

Traded sectors—particularly advanced industries—anchor a region's economy. Their income drives the viability and growth of local serving businesses, such as restaurants, retail, and real estate development. Gene Sperling, former head of the National Economic Council, once explained this dynamic: "If an auto plant opens up, a Walmart can be expected to follow, but the converse does not necessarily hold—that a Walmart opening does not definitely bring an auto plant with it."[34]

Thus economic development should prioritize the needs of a region's traded sectors, including aligning and investing in the assets prized by their leading industries.

It should also include facilitating international trade, which is particularly important in today's hyper-integrated global marketplace. The recent slowdown in global markets, the rising dollar, and concerns about possibly declining returns of globalization have created doubts about the benefits of exports.[35] Yet, the opportunities in the global economy cannot be ignored. More than one-third of the world's economic output comes from the global flow of goods, services, and capital—a sizeable source of export demand and foreign investment for U.S. firms and regions.[36] Also, it is projected that the vast majority, 86 percent, of future global economic growth will occur in foreign markets.[37]

Meanwhile, trade and innovation are highly intertwined. Firms that face the rigors of global competition generate more patents than non-exporters.[38] Firms that export are more likely to experience revenue growth and add employees than firms that don't.[39] Foreign-owned firms in the U.S. also tend to pay better wages and invest in more R&D than their domestic counterparts.[40]

As with technology, the globalization of supply chains and capital comes with risks.[41] Globalization tends to favor highly productive firms, skilled workers, and innovative regions. In addition, trade doesn't make sense for all firms, as entering and sustaining relationships in international markets requires a great deal of capital and specialized skills. In fact, studies have found that firms that are at least mid-sized or larger are most likely to benefit from exporting.[42]

Moreover, as a result of productivity improvements in traded goods and services, export increases are associated with smaller employment gains than they once were.[43] Traded sector jobs still support many local jobs, but regions cannot afford to ignore job quality in primarily local industries, such as health care and real estate, that account for most employment.

Getting the civics right

Getting the economics of economic development right is crucial, but it is also insufficient. The civics must be right, too. For economic development is fundamentally a civic enterprise and a civic process: the work to organize and implement initiatives that engage stakeholders and partners to achieve long-term goals.

Inadequate attention to the civic nature of transformative change explains why so many economic development plans, as well as community visioning and goal-setting exercises, "end up in the graveyard," as one regional business leader observed.

As Nobel Laureate Michael Spence noted, the economics of economic growth is only part of the story. Sustaining growth, he said, "has more to do with leadership, governance, institutions ... and the interactions of these factors and processes with economic outcomes."[44]

Thus, it is smart civics—the "how"—that enables the "what." It takes intentionality to create and sustain a portfolio of mutually reinforcing initiatives that enhance the productivity of firms and workers and put a region on a path to improving growth, prosperity, and inclusion.

The path to getting the civics right varies for each metro area. So much is predicated on a region's unique history, culture, circumstances, leadership, and institutional capacity. The process is rarely linear but emerges organically, steered and shaped by networks rather than handed down by government or business hierarchies. And the work is more complex the higher the region's aspirations.

But, more and more, leaders in economic development are tired of what one calls: "episodic excellence and persistent systems failure." They are searching instead for insight and evidence to deliver more systemic change with significant and enduring results.

Although effective practices remain a work in progress, the pioneering formulation of "collective impact" in social change by John Kania and Mark Kramer offers concepts that are also applicable to large-scale economic change.[45] That learning points to a set of common characteristics in the art and science of civic governance in regional economic development:

Urgent and visible

Undertaking transformative economic change requires developing a sense of urgency and high visibility. That starts with an economic narrative grounded in hard data and clear-sighted assessment of the region's competitive strengths and weaknesses—gauging how it really stacks up in the global economy and where there are challenges and market failures to address.

Data can dispel illusions and overcome complacency. Lack of solid data and analytic capacity can stymie regions at this initial stage. Establishing a common economic narrative brings leaders and the community together to mobilize action.

In **Kansas City**, the market assessment in "Prosperity at a Crossroads" prompted concerns that the region's once reliably stable economy was not assured. Troubling indicators related to productivity and competitiveness pointed to underlying weaknesses in core industries and the drivers that support them.[46] The new economic narrative launched the development of a new civic agenda, called "KC Rising."[47]

Major initiatives that require collective action must have visible leadership to elevate the work, create a center of gravity, and sustain focus, as plans evolve or competing priorities emerge. This is true whether for comprehensive strategies or more targeted initiatives, such as a plan for boosting exports.

Regions that create high-level steering committees composed of corporate, political, and philanthropic leaders, joined with broadly representative community partners, are better positioned to succeed—and to survive inevitable transitions in leadership. Without visible champions, such as prominent co-chairs, to reinforce the sense of urgency and centrality, even well designed plans can founder or get lost amid other initiatives.

In **Phoenix**, planning for what evolved into its ambitious Velocity strategy got underway slowly, as organizing the civics took precedence. Moving into implementation, the region has refreshed its governance structure, expanding the circle of active partners and renewing commitment to carry out the plan.

> "Networked regions need strong flexible cross-sector institutional infrastructure and capacity with staying power."

Long-term efforts also require visible milestones to demonstrate progress and keep leaders at the table. In the **Syracuse** region of Central Upstate New York, regional leaders launched their economic planning with fanfare but waited to release the plan until they had operationalized several key initiatives.[48] Leaders in **Memphis** did the same, delaying releasing the plan until they could also announce the formation of their potentially groundbreaking skills initiative, with substantial funding in place and a respected community college president ready to take the helm.[49]

In both cases, the goal was to demonstrate that the plan was not just a plan but producing concrete action, with adequate staffing and funding.

Networked with high capacity institutions

Leading transformative change in economic development depends on relationships and trust. It requires navigating complex relationships and collaborations among a wide variety of stakeholders and across multiple boundaries, including jurisdictional boundaries.

This networked leadership puts an "end to the hero economy," as Bruce Katz and Jennifer Bradley wrote. No one elected official, institution, or civic organization has the power to own or manage the necessary efforts at the scale of the region.[50]

As diverse organizations and leaders come to the table with equal input and ownership, new civic structures take shape and new institutional capacities develop, as form follows function.

Aspects of collective impact apply to regional economic development, such as the need for shared agendas, goals, and performance metrics to keep the work focused and to hold partners accountable.

Networked regions need strong flexible cross-sector institutional infrastructure and capacity with staying power. Leaders need to work through designated quarterback organizations capable of building trust and maintaining communications to keep everyone on the same page. And they need equally able implementation organizations to carry out the work.

As the structures and leadership best suited to planning give way to implementation, the partnerships expand to organizations with more specialized capacity for executing, for example, a skills initiative that reaches across the region and down to the neighborhood level, or business groups with expertise in entrepreneurial supports or cluster strategies.

In **Chicago**, World Business Chicago serves as home base for the city's "Plan for Economic Growth and Jobs," but it relies on public and private sector leaders to co-chair strategy design and implementation committees and key organizations such as the Instituto del Progreso Latino and the University of Chicago to carry out specific initiatives. In **Northeast Ohio**, the Fund for Our Economic Future serves as the regional quarterback or backbone organization, guiding the overall strategy and standing behind implementation groups such as PRISM, WorkAdvance, and Jumpstart, which work directly with firms, workers, and entrepreneurs on manufacturing innovation, skills, and startups. In other regions, the quarterback function is shared. In **Kansas City**, KC Rising is jointly staffed and driven by three organizations—a CEO group, a regional economic development agency, and the council of governments.

The **Pittsburgh** region exemplifies the far-reaching potential of sustained collaboration and iterations of planning and investment by public, private, and philanthropic actors over many years to rebuild its older industrial economy.[51] That region has joined with neighboring NE Ohio to build a global hub for high-tech manufacturing. In announcing a major win for the effort, a local writer christened the Cleveland-to-Pittsburgh corridor the "Trust Belt."[52]

Transparent and inclusive

Transparency and inclusion are essential to building the trust required for on-going collaboration and partnership at the scale of the region. And regions pursuing deep prosperity have learned that it requires deliberate steps to ensure that regional efforts deliver inclusive outcomes.

A case study of **Minneapolis-St. Paul** shows the evolution of its significant capacity for civic leadership and the widening circle of partners involved to focus on making it more equitable and inclusive. Over the last decade, major stakeholder groups in different configurations have built stronger regional collaboration, founding a new economic development entity, Greater MSP; piloting new approaches to skills building; and coming together to ensure that transit-oriented development benefited low-income communities.

At the same time, seminal reports on the region's economic performance highlighted significant racial and income disparities.[53] Diverse stakeholders, such as the Northside Funders Collaborative, along with the Itasca Project CEO group, and Greater MSP, have coalesced behind a vision for a more competitive, equitable, and sustainable region. Its story illustrates the path taken by a nimble, high-performing region with significant institutional capacity and an increasingly shared commitment to more inclusive growth.

In most regions, ensuring inclusiveness requires tailoring strategies to specific sub-regions or populations, including disadvantaged and minority communities, as is happening in **Milwaukee** and the Greater Chatham area on the south side of **Chicago** for example. In the case of **Syracuse**, an institutional approach evolved from a neighborhood-based skills initiative to a recent change in the mission and structure of its lead economic development entity, the CenterState Corporation for Economic Opportunity.

The work to put a region on a higher growth trajectory never stops. Regional leaders must balance tangible and visible progress against shorter-term goals with the recognition that the vision is long term, requiring constant adaptation as conditions and leadership changes. It also remains a work in progress, with much exploration and experimentation still to be done to deliver new insights, new techniques, new finance tools, and new business models to get the civics right.

Where the **status quo** falls short

If the goal of economic development is to put a region on a continuous path to growth, prosperity, and inclusion, then traditional practices fall far short. The problem is less the tools of the trade than how they are used—and how they overshadow more important strategies.

Too often, leaders treat the tools—tax incentives, marketing and business attraction, sales tax driven development—as ends rather than the strategic means to achieving deep prosperity. The following summarizes the ways in which conventional economic development practices get the markets and the civics wrong, hindering progress. They:

Produce siloed, short-term gains. Too many economic strategies remain highly fragmented and transaction-oriented, resulting in narrow short-term wins. A firm recruitment here, a tax break for a new retail center there. A career academy opening without a connection to a nearby community college-industry partnership in the same field. Limited public resources stretched to support duplicative, uncoordinated, or small-scale efforts.

An elected official can tout the arrival of a new headquarters firm with its associated jobs, but if the firm relocated from a neighboring town or suburb, the regional economy didn't gain any long-term advantage or new industry capability.

Regions themselves are fragmented. Each local government, chamber of commerce, and economic development organization produces its own economic development plan. At best, this leads to missed opportunities for creating mutually reinforcing regional strategies with greater impact; at worst, it creates intraregional competition for jobs and tax base.[i]

Leaders in economic development, workforce development, community development, and transportation development still see their tasks as disconnected and distinct, rarely collaborating to co-design strategies and maximize the effectiveness of existing programs to better deliver economic opportunities to workers and communities.

Target individual firms or the wrong sectors: Too often, economic development efforts target individual firms or less-productive sectors of the economy, which is inefficient and ineffective.[ii]

Firms that take an incentive are not more likely to create jobs than those that move into a state or region without one.[iii] Defraying property tax obligations (through vehicles such as tax increment financing) to attract a firm or commercial development removes revenue from the tax base that could have supported schools, community policing, and other public services that matter to industry and workers.[iv] In general, the attention paid to firm attraction far outweighs the small portion of jobs that result from such moves.[v]

Subsidies for consumption-oriented industries are similarly limiting. Tax incentives for shopping malls and retail centers, sports and entertainment venues, convention centers, and casinos may generate some new business vitality and tax revenue in the near term. But such taxpayer-funded development does not enhance a region's competitive advantages in advanced industries, disproportionately creates low-wage jobs, and primarily transfers discretionary spending from one location or sector to another rather than creating net new income in the economy.[vi]

"Firms that take an incentive are not more likely to create jobs than those that move into a state or region without one."

Offer incentives and subsidies that benefit the few. With public coffers tight and demand for results high, taxpayers can't afford multi-year economic development incentives for short-term transactions without more transparency and scrutiny of the costs and accountability for the promised benefits.[vii]

There is value to investments in public goods that serve multiple firms in related sectors (such as applied research centers or workforce training) or that address important market failures, such as tax credits for brownfields remediation and skills development. But for every meaningful success, there are more examples of the reverse: states and localities using tax incentives in zero-sum competitions for retail sales and real estate development that deliver less than promised.

To be fair, local jurisdictions are often pawns in the game, as savvy firms and site selectors play states and localities against one another for the best relocation packages, even as firms fill out surveys that indicate they prefer specific local assets over tax breaks.[viii]

Many seasoned economic development professionals are aware of the limits of conventional approaches. They use incentives, infrastructure improvements, and real estate deals more strategically. Thoughtful, forward-leaning leaders strive to expand the scope and reach of their efforts and partnerships to break down the silos and move into new areas of problem solving.

But they often confront stakeholders who urge sticking to traditional tools and transactions—or risk losing the game as it's primarily played. Acting as prime movers to break from the status quo is admittedly difficult—unless other actors and competitors do the same. But there is also another reality: If leaders want change, they must change too. ■

i. For an inefficiency argument, see Edward Alden, and Rebecca Strauss. May 2014. "Renewing America: Policy Memorandum No. #45". Council on Foreign Relations. For case studies of successful strategies to eliminate intraregional incentive packages, see Leigh McIlvaine and Greg LeRoy. "Ending Job Piracy, Building Regional Prosperity". July 2014.

ii. For a look at the ineffectiveness of incentives for individual firms, see Greg LeRoy, Kasia Tarczynska, Leigh McIlvaine, Thomas Cafcas and Philip Mattera. "The Job Creation Shell Game: Ending the Wasteful Practice of Subsidizing Companies that Move Jobs From One State to Another." January 2013.

iii. Nathan M. Jensen, "Evaluating Firm-Specific Location Incentives: An Application to the Kansas Peak Program" Kauffman Foundation, April 17, 2014.

iv. Baltimore provides an example of how reliance on tax increment financing for economic development has negatively impacted school funding: Luke Broadwater, "Baltimore's Development Boom Leads to Loss in School Aid," Baltimore Sun, February 7, 2015. Local leaders seek a new model for incentives that benefits the community: Luke Broadwater, "Baltimore Officials Declare New 'Standard' for Passing Development Subsidies," *Baltimore Sun*, February 1, 2016.

v. Jed Kolko, "Business Relocation and Homegrown Jobs, 1992–2006," Public Policy Institute of California, 2010.

vi. Michael Spence and Sandile Hlatshwayo, "The Evolving Structure of the American Economy and the Employment Challenge," Council on Foreign Relations, March 2011.

vii. For a look at subsidies given to large versus small businesses, see Greg Leroy et al., "Shortchanging Small Business" Good Jobs First, October 2015. For a look at how subsidies align with public transportation, see Leigh McIlvaine, and Greg LeRoy. "Breaking Down Silos Between Economic Development and Public Transportation: An Evaluation of Four States' Modest Efforts In Making Job Subsidies Location-Efficient," *Good Jobs First*, September 2012.

viii. "28th Annual Survey of Corporate Executives: Availability of Skilled Labor New Top Priority," *Area Development*, March 31, 2014.

The actions: Five principles

The work to put a region on a higher growth trajectory begins with getting the markets and the civics right, but applying these basic principles in practice is not easy. Leaders in the vanguard of this movement are taking action to achieve the fuller promise of economic development to generate growth, prosperity, and inclusion. These actions fall into five broad categories, reflecting the combined power of good economics and good governance.

1. Set the right goals

Leaders at the forefront of remaking economic development "begin with the end in mind," as Steven Covey famously advised.[54] They set long-term goals that go beyond traditional headline economic indicators to achieve more robust measures of regional growth, productivity, and inclusion while also setting shorter-term metrics to monitor progress.

As discussed above, leaders in **Minneapolis-St. Paul** focused on the civics and the endgame as they undertook the design of a new regional economic strategy. A diverse set of stakeholders from economic development, philanthropy, business, government, and community development came together to hash out priorities and reach consensus on more than 50 indicators of economic, social, and environmental progress that will guide their efforts. They prioritized indicators such as the "percent of population employed in advanced industries" (to gauge the economy's movement up the value chain) alongside "percent of jobs that are family sustaining" (to gauge whether workers are benefiting from growth). With inclusion as a fundamental goal, they elevated measures of poverty, broken out by race, and included such focused measures as the "percent of foreign-born population aged 16-64 that are working."[55]

The result is a broadly shared definition of economic competitiveness that embraces the value of equity and inclusion as core to regional development, and a new regional dashboard to measure progress toward achieving it.

For some stakeholders, the marriage between competitiveness and equity generated some natural tensions and honest debate, but leaders in Minneapolis-St. Paul worked as hard to get the civics right as they did to get the goals and metrics right. After months spent discussing the dashboard with a wider group of stakeholders, the key partners entered the next phase: establishing the Regional Competitiveness Working Group focused on moving the needle on the dashboard indicators, tracking and publicizing results.

Minneapolis-St. Paul is not alone in thinking more broadly about the goals of economic development. The **Portland** region recently launched its "Greater Portland 2020" plan with a vision to create "economic prosperity for all" and strategies organized around "people, business, and place."[56]

Those regions embrace the understanding that meaningful economic development is, by definition, a long-term undertaking and requires ongoing change in systems and policy to bring about continuous improvement.

Experts have reinforced the limits of measuring economic development with traditional economic measures alone, such as total jobs and investment, or new firm attraction. Economist Timothy Bartik has argued that the single most important purpose of economic development is to raise per capita income because, if broadly shared, it demonstrates whether growth is improving the well-being of people.[57]

Brookings research shows that regional economic performance in the near- and longer-term can be tracked along three broad dimensions:

- **Growth:** Expansion in jobs, output, and average wages as a proxy for job quality
- **Prosperity:** The extent to which growth is produced by improving productivity, which leads to higher living standards and better wages for workers
- **Inclusion:** The extent to which the entire population is participating in growth and prosperity, such as through employment, particularly among key segments of the population by race and ethnicity

Leaders can also measure performance on the key drivers of the regional ecosystem that produce those outcomes:

- **Innovation:** The share of jobs and output in advanced industries, venture capital access, patent production, business formation and expansion
- **Trade:** Trends in export volume, number of firms exporting and entering new international markets, foreign investment
- **Talent:** Levels of educational attainment across racial and ethnic groups and credentials for higher-wage occupations in demand in the region
- **Infrastructure/Built environment:** The share of residents and jobs with access to transit, level of freight congestion; quality of information networks; number of affordable housing units in opportunity-rich corridors; availability of industrial land

Examples of these indicators can be found in the goals and metrics adopted by leaders in Minneapolis-St. Paul, Portland and other regions.

One takeaway: Progress in economic growth can be measured monthly or quarterly; gains in economic development will be realized over years or decades. Leaders are learning to set both long-term goals and short-term metrics to track continuous regional improvement.

2. Grow from within

Leaders in new approaches to economic development focus on strengthening assets that enable their distinctive industries to flourish and grow from within, rather than rely primarily on marketing to recruit individual firms from elsewhere.

Most state and regional leaders have some insight into their leading industry clusters. Identifying and quantifying a region's dominant industries is different, however, than developing deep relationships with the firms and institutions in key clusters, understanding their competitive needs and market pressures, organizing firms and institutions to come together to solve industry challenges, and creating a vibrant ecosystem that supports their growth and entrepreneurial action.

This orientation is how economic development can be relevant to core industries. Leaders can shape highly specialized environments for industry success—a hyper-focus on the combination of innovation capacity, skills, global access, infrastructure and how they come together in a local context. By doing so, regions benefit from solidifying their competitive advantage, rather than emulating, attracting, or stealing success from elsewhere. The reward is organic growth that leads to more productive industries, new products and services, more firm formations and expansion, and, indeed, new firms locating in the market to take part in this rich ecosystem of growth and innovation.

To reinforce this point: At a recent convening about how to support advanced industries, industry executives noted the extreme importance of local ecosystems to the "stickiness" that keeps firms in the market as they grow and expand.[58]

Central Upstate New York provides a good case study in the power of marrying industry data with firm engagement to generate important insights for economic development. It's also a story of how an investigation into specific industries and firms produced new insights about technologies that cut across multiple sectors.

Still battered by the decline of its once-mighty manufacturing base, leaders in the **Syracuse** region struggled to identify an industrial center of gravity with enough strength to anchor long-term, durable growth in the new economy. Close analysis found competitive strengths in a number of small but widely

scattered technology sectors. Through interviews with firms, it was discovered that those technology firms shared certain capabilities related to precision sensors, decision support, and data analytics, including specialized technologies that emerged from the region's legacy as a center for military research and operations related to unmanned aerial aircraft.

The result was the identification of an emerging cluster called "Data to Decisions" embedded across more than 50 firms involved in technology applications for industries as diverse as aerospace, cybersecurity, environmental management, and smart appliances.[59] The region's comprehensive growth strategies, including the D2D cluster strategy, recently won a $500 million Upstate Revitalization Initiative award from the state of New York and, separately, early designation as a testing site for civilian applications of unmanned aerial aircraft technology.[60]

Another hallmark of success in mobilizing clusters comes from regions that have the capacity to organize the mix of firms, research institutions, and other related entities on an on-going basis. The most effective efforts are not focused as much on policy advocacy as on programs that enable firms and institutions to forge relationships and develop collaborations to solve common market challenges. For more than a decade, leaders involved in the life sciences cluster in **Indianapolis** have deployed a portfolio of strategies under the umbrella of "BioCrossroads" including supports for entrepreneurs, connecting startups to capital, and nurturing business relationships across the cluster. Their efforts have contributed to the formation of over 300 companies and significant export growth, among other achievements.[61]

As a result of an unprecedented partnership between mayors in **Louisville** and **Lexington** to elevate the importance of advanced manufacturing in their often-competing regions, institutions in that cluster began to forge their own solutions. The Bluegrass Economic Advancement Movement (BEAM) brought together top employers such as GE Appliances and Lighting and Toyota Motor Manufacturing, Kentucky, Inc., smaller firms, and the universities of Louisville and Kentucky, to focus on strengthening the regional ecosystem for manufacturing. As a result of relationships built around BEAM, leading firms formed collaborations to invest in employer-sponsored apprenticeships. To spur new product innovation, GE also founded FirstBuild, a research and development lab for makers and entrepreneurs operating in partnership with the University of Louisville.

Throughout the country, governors have launched new economic development initiatives that empower and fund regional leadership—and align state policies and programs behind regional assets, including major investments like those in **New York**. In **Tennessee**, **Colorado**, and **Oregon**, state leaders have taken special aim at advanced industries with initiatives in innovation, skills development, and supporting regions to move up the value chain and compete globally. States are making community colleges tuition-free, supporting sector alignment in workforce development, targeting STEM skills, and vouchers for small firms to access R&D and technology services.

Business attraction and real estate development can fit in this model—when used strategically to enhance or fill out key clusters or enrich the industrial commons, as in bold initiatives such as Applied Sciences in **New York City**, **New York** state's investments in the nanotechnology research and cluster that has grown up around Albany, or **Pittsburgh's** persistent civic focus and investments to transform its economy into a global center for strategically targeted technologies. In **San Diego** and **Columbus**, firms in life sciences and automotive production (respectively) expressed the need for foreign capital and suppliers to fill gaps in the industry ecosystem.[62] Local leaders responded with foreign direct investment strategies focused on those areas.

Finally, with innovation prizing proximity, cities as diverse as **Cambridge**, **Detroit**, and **Pittsburgh** have created innovation districts, connecting university research to firms, entrepreneurial resources, and bringing innovators together in a dynamic space to maximize collaboration and spillover.[63] Improving the built environment can help fuel the markets that enable growth from within.

3. Boost trade

Contemporary economic development leaders actively support and promote export growth and trade with other markets in the United States and around the world to deepen their industry clusters and bring new resources and income into the region.

Especially notable is the growing number of local economic development officials working together to grow their traded sectors.

As with the mandate to "grow from within," these leaders anchor their strategies in market research, gathering insight from data, surveys, and interviews with firms, universities, and export service providers.

They undertake analysis to understand the share of their economy driven by trade, what traded goods and services the region produces, which firms are selling products abroad or not, which foreign markets represent the best targets, and the key barriers to increasing exporters and export sales. Their work doesn't involve subsidies for export sectors but smart, more cost-effective interventions to overcome barriers to exporting. For instance, some regions have created a more streamlined, transparent, and coordinated system out of existing services, including but going beyond state and federal export programs, to help firms better understand what's available.

There are many lessons about strategies, programs, and civics that have emerged from the 28 U.S. metro areas engaged in the Global Cities Initiative: a Joint Project of Brookings and JPMorgan Chase and its peer exchanges on exports and foreign direct investment strategies.[64]

San Diego is evolving beyond reliance on defense spending and tourism (what locals call "sun, zoo, and Shamu") to emerge as a center of innovation. In developing an export strategy, their market analysis uncovered some surprising insights: Despite sitting on the U.S.-Mexico border, the region was not very global compared to many metro areas more extensively engaged in trade. While they assumed the NAFTA corridor would be a priority market, they learned that San Diego firms also looked to Asia for growth.

Regions focus on industry specializations that distinguish their economy in a competitive global landscape, so San Diego is prioritizing advanced industries such as life sciences and wireless

communications. **Portland** packaged its competencies in sustainable planning, architecture, and building as a "We Build Green Cities" marketing brand. **Wichita's** initiative centers on its aviation industry, including plans to build support systems to help secondary and tertiary suppliers penetrate international markets.

Many regions, such as **Columbus** and **Los Angeles**, leverage the powerful roles of their universities and their links to international locations and students. In some cases, such as **Chicago**, **Salt Lake County**, and **Portland**, the focus on trade provides common cause between cities and surrounding counties—a vehicle for overcoming regional competition for growth and jobs.[65]

The work goes far beyond delivering traditional export services to integrating the goal of increased trade and global engagement into all aspects of economic development so that regions become "globally fluent" and globally competitive.[66] In **Columbus** and, more recently, **Atlanta**, work on exports and trade is prompting new insights into business retention and expansion programs, including efforts to improve supply chains, access to capital, worker skills, and infrastructure.[67]

Being a trading economy requires strengthening what a region does best—growing from within by engaging globally.

4. Invest in people and skills

The skills of workers and level of human capital in a region are critical factors in determining the competitive position of firms and the path to growth, prosperity, and inclusion.

People produce value for firms, formulate the ideas that underpin innovation, produce and apply the latest technologies, raise productivity and interact with customers to create the new products and services that drive today's knowledge economy.

With waves of retirements in the baby boom generation already underway—and increasing diversity amongst the youngest cohorts of workers—the economic potential of every metro region depends on its effectiveness at mobilizing talent and equipping workers with the skills demanded by the leading industries in their community.

The proliferation of low-wage, part-time employment, declining labor force participation rates, and the erosion of incomes and stagnation in wages require more intensive, nimble, and creative responses from a wide range of institutions than current systems allow. In a Midwest region, an analysis showed that more than 40 percent of residents living in poverty were employed either full or part-time—a not-uncommon finding.

Those realities present a compelling challenge on both the supply side and the demand side of the labor market, including the need to focus on growing more good jobs and the imperative to address disparities in educational attainment that leave too many younger and minority workers without the skills they need to succeed.

Until quite recently, many employers and economic developers largely stayed on the sidelines of skills development, insisting it was not their job to take on the hard work of building skills for productive growth and closing gaps in education and access to jobs.

A 2014 study of Harvard Business School alumni by Accenture, Burning Glass, and the school still found that only a minority of firms where alumni worked provided opportunities such as internships and apprenticeships and almost half preferred to invest in technology or outsource work rather than hire additional workers.

That is slowly changing, although not far enough and fast enough. As Karen G. Mills wrote in a recent report from the U.S Competitiveness Project at Harvard Business School, achieving the improved performance in workforce systems essential to building an advanced economy "will require more than fine-tuning the current system. It will require three central actors in skills development—employers, educators, and policymakers—to acknowledge that only substantial change will bring about a substantially different result. Employers must recognize that they cannot rely on the 'spot market' for skilled workers, posting job openings with the expectation that qualified workers will simply appear on demand. Rather, they should begin to embrace the responsibility of leading the skills development system by defining job requirements and helping educators refine their programs to meet those needs."[68]

While still early, some employers are taking more leadership, developing new models of work-based learning and up-skilling front-line workers. Tech sectors are innovating new approaches, including boot camps and quick routes to high-skill certifications. Leading firms and industries, particularly in manufacturing and health care, are eliminating artificial barriers particularly for jobs that do not require four-year degrees, more precisely defining job skills and necessary qualifications, and adopting skills-based credentialing.[69] Recognizing shrinking labor supplies as a major challenge, one national workforce leader argues to employer partners that they "need a talent supply chain that reaches all the way into the church basement."

There's a strong business case that demonstrates solid returns from investing in workers, including low-skill workers. In a recent review of the empirical literature, Aaron Bernstein and Larry Beeferman from Harvard Law School found that the majority of studies show a positive effect between investments in skills training and a battery of financial outcomes, including profitability and stock price.[70] Despite the prevailing views in many firms, employers in all industries have improved business performance by investing in their people, from financial firms to low-cost retailers, from public-school systems to retail chains.[71, 72]

On the workforce systems side, the most promising practices involve approaches very much like what's required to craft effective cluster and export strategies: understanding the needs of firms and industries and building relationships and partnerships that are effective at aligning employers' needs with the needs of workers seeking opportunity. While that sounds

straightforward, it requires major reworking of complex, fragmented, and frequently unresponsive systems that fund and deliver education and workforce training in the United States. Secondary schools, postsecondary schools, technical institutes, community colleges, universities, workforce boards, non-profits, private and proprietary schools—they're all part of the picture.

The focus on skills is a growing priority for economic developers, increasingly cited as a high priority in recent surveys of the members of the International Economic Development Council. Smart strategies better align workforce development with economic development, leveraging new state and federal policies that set those directions, and facilitate employers ramping up training and reshaping public systems through collaboration and co-investment.

Central Upstate New York's "Agenda for Economic Opportunity," Velocity in **Greater Phoenix**, **Chicago's** "Plan for Economic Growth and Jobs," **Portland's** 2020 plan, Talent NEO in **Northeast Ohio**, all include a significant focus on talent and skill development. **Michigan** is implementing a version of the European apprenticeship model; **Kentucky** manufacturers of all sizes are collaborating to sponsor paid apprenticeships and contracting directly with community colleges for training. In **South Carolina**, Apprenticeship SC has worked with more than 670 companies and 11,000 employees, including work with automotive clusters in **Greenville-Spartanburg**.

A telling example of the important changes underway comes out of **Memphis**, where the skills agenda emerged as the top economic development priority. Launched last year, the Greater Memphis Alliance for a Competitive Workforce has galvanized exceptional civic consensus behind its mission to more effectively link low- and middle-skill workers to solid opportunities by reaching across traditional boundaries to build a streamlined system aligned with employer demand.

"We obviously understand that if we were starting over from scratch developing an educational model in this country, it probably wouldn't look a whole lot like the one we inherited," said Glen Fenter, a former community college president leading the alliance.

"One thing that's unique about the circumstances that we're in is that, because of the skill deficit, I don't know if there's ever been a better time to change the educational model to create shorter, more powerful opportunities for people.... It doesn't mean it's going to work; it just means if it's ever going to work, this is the time."[73]

5. Connect place

The most forward-leaning leaders are harnessing regional markets and connecting local communities to them. Markets—industrial, labor, and housing—are regional, but the people and assets that matter to markets are local.

Industrial land, airports, community colleges, universities, and affordable neighborhoods are assets found in different parts of any metro region, scattered across multiple jurisdictions but not necessarily uniting cities and suburbs or small towns and rural areas in networks of economic activity.

To create the market lift that raises incomes and opportunities for as many people as possible, economic development should focus on regional scale solutions to support strong, innovative industry clusters. But working solely at the regional level and measuring progress against that geography can miss stark disparities in opportunity: rising concentrations of poverty in suburban neighborhoods, lagging investments in central cities, the stark divides between affluent and poor communities that demarcate many metro areas.[74, 75] A large body of research shows that persistent intra-regional disparities, racial and economic segregation, and low-density sprawl can drag down a region's overall economic potential and widen inequality.[76]

Meanwhile, markets also prize density and the close proximity of assets that can enable smaller areas to emerge as centers of productive, income-generating opportunities. Consider the emergent energy around Midtown **Detroit**, plans to renew suburban Tysons Corner outside **Washington**, and innovation districts popping up around universities and anchor institutions in cities across the country.[77] Weak market cities in particular benefit from downtown and neighborhood redevelopments that concentrate strategic investments in community assets, infrastructure, and creative place making in order to jumpstart market activity and better connect to regional markets.

Thus, regionally minded economic development leaders must be "place-conscious," as one scholar put it, working at the intersections of place and the economy.[78]

Milwaukee's local and regional leaders get this emphatically. Beginning a decade ago, public and private sector leaders from the seven-county Milwaukee region cast aside their traditional competitive efforts and began the collaboration that eventually produced a shared regional economic development strategy. As an early step, they signed a "code of ethics" that forbade poaching jobs from neighboring jurisdictions—an agreement modeled after the pioneering one in metro **Denver**.

The city has taken the regional strategies to ground in very practical ways using the M-7 plan as its framework and shaping the city's economic development agenda around it. "We need the regional plan for our work," Rocky Marcoux, commissioner for the Department of City Development, said. "We look at it as 'Here's where we fit into the regional plan' and identify certain specific things that the city can do with the unique capabilities of one jurisdiction to respond to the regional plan."

For example, the city's practice of buying, cleaning up, and recycling older industrial sites—and creative use of TIFs and other carefully targeted incentives—generated an initial inventory of "shovel-ready" sites that it is now converting into hubs for key regional clusters targeted by the M7 leadership group.

Enforcing design standards, environmental sustainability guidelines, and job coverage ratios, while taking a disciplined approach to firm deals—"I said no to probably a dozen companies who didn't meet the criteria before we said yes to one," Margoux said—the city is systematically pursing the adaptive reuse of land and buildings to create attractive industrial centers for advanced manufacturing; the energy, power, and controls industry; food and beverage, and water technology, all targeted clusters in the regional plan.

As an outgrowth, M-WERC, an industry collaborative in the energy, power, and controls cluster is developing a shared research platform that will seed and support early-stage innovation that individual firms will take through proprietary development.

The city has applied a similar approach to downtown projects planned or under construction on land cleared by relocation of a highway interchange, and to new

corporate headquarters along the lakefront. Included within every TIF deal are requirements to provide training and employment opportunities for Milwaukee residents. Thirteen neighborhood plans to shore up and improve older areas surrounding the "new" industrial zones round out the picture—placing equal emphasis on clusters and job growth driven by regional markets and neighborhood vitality.

The focus in all these efforts is less on building tax base than on securing family-wage jobs and connecting city residents to them. That priority is baked into every deal the city strikes with a goal of producing 22 new family-wage jobs per acre on industrial land that the city returns to economic activity.

Many regions are also working to better link transportation, land use, housing, and economic development to connect low-income neighborhoods to opportunities throughout the metro area. The **Minneapolis-St. Paul** "Corridors of Opportunity" initiative combined development in regional transit corridors with investments in small business and affordable housing.[79] It also emphasized the importance of diverse community engagement and decision-making, providing grants to bring neighborhood and community groups to the planning table.[80] In **Northeast Ohio**, an ambitious plan is underway to make a 3.5 mile roadway redevelopment in **Cleveland** into an "Opportunity Corridor." In partnership with adjacent low-income communities, corporate and philanthropic leadership groups are focused on making the corridor a gateway to grow better jobs in areas that are among the most economically distressed and disinvested in the Cleveland area.[81]

All of these strategies navigate between regional clusters and jobs opportunities, working to strategically connect cities, suburbs, neighborhoods, and underserved populations to the broader regional economy. These efforts represent the latest wave of innovations to extend economic participation across the region.

Conclusion

No one has cracked the code on bringing deep prosperity to cities and metro areas across the United States.

It is time to aim higher and act bigger to improve the economic performance and future of our communities. Leaders need to expand the purpose and impact of economic development, not as a narrow field of practice, but as a new way of doing business designed to put metropolitan regions on a higher growth trajectory—and a path to a sustained, inclusive, and deep prosperity.

It requires getting the markets right so that strategies are anchored in deep knowledge and understanding of how economies grow and produce income and opportunity. It requires getting the civics right so that the "what" and the "how" are both carefully designed with shared responsibility and accountability across the leadership community.

To do that, leaders in the vanguard adopt cost-effective economic development strategies that overcome market barriers to growing from within, boosting trade, increasing skills and human capital, and connecting places to the regional economy. They also need to know when to end interventions when the market gains traction so that they can spend precious time and resources on other opportunities.[82]

Finally, an explicit and deliberate focus on rectifying disparities by race and place is not a social agenda but an economic imperative to boosting productivity, improving regional incomes, and sustaining long-term growth.

Similarly, equity proponents need to understand that without a functioning economy, opportunities for low-income people, disconnected workers, and communities are limited. "When the economy does not work, people do not work." As Chris Benner and Manuel Pastor put it in their seminal work "Just Growth," "Poor people are most dependent on economic growth and most in need of the jobs created by a region's economic drivers."[83]

Leading transformative economic change is hard, complicated work. Leaders must bridge disparate worldviews and competing priorities within communities. It requires building regional trust, taking collective risk, and redefining what matters.

We hope this paper provides leaders in states and metropolitan regions an evidence-based framework for action—with examples of promising efforts underway—demonstrating that the creation of a next generation of economic development is both urgent and feasible to deliver deep prosperity. ■

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Metropolitan Policy Program at Brookings
1775 Massachusetts Avenue, NW
Washington, D.C. 20036-2188
Telephone: 202.797.6000
Fax: 202.797.6004
Website: **www.brookings.edu**

Amy Liu
Vice President and Director
Metropolitan Policy Program at Brookings
aliu@brookings.edu

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