



Citizens Research Council of Michigan



Regional Approaches to Economic Development

Survey of Regional Economic
Development Organizations

March 2007

Report 345-3

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Regional Approaches to Economic Development

PART 3

SURVEY OF REGIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS

Summary

Citizens Research Council of Michigan analyzed 50 responses to a nationwide survey of regional economic development organizations. Nearly all of the responding organizations, which also included chambers of commerce, other types of membership organizations, and councils of government (COGs), reported that both local government agencies and other organizations are engaged in economic development in the same service area, indicating significant layering of efforts in most regions. Nearly all regional economic development organizations reported that they coordinate strategic approaches to regional economic development, create economic development plans, conduct research and report data, among other functions. Many of the organizations that responded to the survey had responsibilities in addition to economic development, but the success of these organizations in attracting businesses and jobs appears to reflect the number of full-time staff devoted entirely to economic development.

In general, contributors and board members of chambers and other membership organizations represent for-profit companies and those of COGs represent member governments. Organizations that are 501(c)(3) non-profits appear, on average, to have boards that are relatively more balanced among government, for-profit companies, and non-profit organizations. Although 31 respondents noted the

workforce as one of their region's primary strengths, and 12 respondents noted the lack of a skilled workforce or the need to train the workforce as one of their region's primary problems, the people who train the workforce and the people who represent the workforce are conspicuously absent from the boards of organizations engaged in regional economic development.

The small and non-randomized sample of regional economic development organizations in this survey argues for caution in interpretation of data, but it is clear that there is wide recognition that regions are appropriate bases for economic development efforts, that regions have been defined by a number of methods which may or may not reflect the best strategic approach to economic development, and that various structures are being employed to engage in regional economic development. Each type of regional economic development organization has a particular perspective that reflects its constituents and influences its goals and programs.

Michigan has an opportunity to institutionalize and systematize regional approaches across this state to maximize regional advantages and address regional challenges. Because Michigan is such a diverse state, empowering regional organizations could provide new insight and energy in economic development.

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Survey Results

In September 2006, Citizens Research Council of Michigan initiated a nationwide survey of 120 regional economic development organizations. The survey recipients were selected from a variety of sources including membership lists of Michigan and international economic development associations. The organizations that received surveys identified themselves as having a regional focus (not representing one city,

county, or state) and engaging in business attraction and related activities. Usable responses were received from 50 organizations, although not every respondent answered every question. Organizations represent a variety of organizational structures and diverse geographical regions in the United States. A copy of the survey is included in this report as Attachment A.

*Table 3-1
Responding Regional Economic Development Organizations*

<u>Region</u>	<u>Number of Organizations</u>	<u>Type of Structure</u>	<u>Number of Organizations</u>
Michigan	7	501(c)(6), Not a Chamber	20
Midwest, excl MI	15	501(c)(3)	12
West	11	Chambers of Commerce	11
Southeast	9	Councils of Government	5
Northeast	8	501(c)(4)*	2

*501(c)(4) social welfare organizations are non-profits that promote the common good and general welfare of the community. They differ from 501(c)(3) non-profits in their greater latitude to engage in non-exempt business activities and more relaxed lobbying restrictions.

The sample includes two 501(c)(4) organizations, the CEO-led Bay Area Council (San Francisco, CA) and the public-private St. Cloud Area Economic Development Partnership (St. Cloud, MN). For purposes of this

analysis, they have been included with membership organizations that are not chambers of commerce. Organizations of various structures are distributed geographically as follows:

*Table 3-2
Organizational Types by Geographic Region*

	<u>Chambers of Commerce</u>	<u>501(c)(6), but Not Chambers*</u>	<u>501(c)(3)</u>	<u>Councils of Government</u>
Michigan	2	1	2	2
Midwest excl. MI	7	5	3	-
Northeast	-	5	2	1
Southeast	1	5	2	1
West	1	6	3	1

*Includes two 501(c)(4) organizations

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The regions served by responding economic development organizations represent varying degrees of urbanization: 11 respondents include cities of over 500,000 residents (2 Michigan respondents, the Southeast Michigan Council of Governments and the Detroit Regional Economic Partnership, include the city of Detroit in their service area) and 12 respondents serve regions with fewer than 50,000 residents.

While the sample size is small, some national, regional and organizational trends and tendencies can be identified. It is hoped that this information can be used to inform the discussion of economic development strategies in Michigan.

*Table 3-3
Urban/Rural Characteristics*

	<u>Urban</u>	<u>Large City</u>	<u>Suburban</u>	<u>Mid-sized City</u>	<u>Small City</u>	<u>Rural</u>
Michigan	2	-	1	2	1	1
All Other	9	8	3	7	5	11
Total	11	8	4	9	6	12

Urban: Regions in which a city of at least 500,000 residents is located

Large City: Regions in which a city of 300,000 to 499,999 residents is located

Suburban: Regions within 30 miles of a large or urban city

Mid-sized City: Regions in which a city of 100,000 to 299,999 residents is located

Small City: Regions in which a city of 50,000 to 99,999 residents is located

Rural Area: Regions which have populations under 49,999.

The Regions Respondents were asked to define the geographic region served by their organization. Nine of the 50 responding organizations (none from Michigan) reported that their service area encompasses parts of 2 or more states, and of these 9, 2 (Select

Greater Philadelphia, and the Panhandle Regional Economic Development Coalition, Inc. headquartered in Guymon, OK.) indicated that their service area extended over parts of 3 states.

*Table 3-4
Definition of the Region Served*

	<u>Number of Organizations</u>
Parts of two or more states	9
Multiple counties in a single state	27
Multiple sub-county level governments	14

The Lewiston-Auburn Economic Growth Council (Lewiston, ME) reported that it encompassed only 2 sub-county units of government. In contrast, the Southeast Michigan Council of Governments includes 150 sub-county level units of government and 7 counties. For Michigan respondents, the average number of local governments reported in service areas is 49 and the range is 7 to 150. The average number of counties in Michigan service areas is 5 and the range is 2 to 7. For all 50 respondents, the average number of local governments in service areas is 28 and the range is two to 150. For all respondents, the average number of counties in service areas is 7 and the range is one to 16.

The method used to determine the service area varied by organizational type. The boundaries of councils of government are generally determined by the voluntary agreement of member communities. The service area of the Mid Columbia Economic Development District (The Dalles, OR) is based on the federal Economic Development Administration designation, and the state defined the Southeastern Regional Planning and Economic Development District (Taunton, MA).

Eight chambers of commerce, including the Green Bay Area Chamber of Commerce, indicated that their economic development service area boundaries were determined by their boards of directors, and two reflect the MSA (though the MSA definition informed board decisions in two others). The Jacksonville Regional Chamber of Commerce service area grew from an agreement between two counties to market as one unit, which other counties subsequently petitioned to join.

The service areas of 501(c)(6) membership organizations that are not chambers of commerce were defined by a variety of means. The South Bay Economic Development Partnership, Inc. (Torrance, CA) and the Regional Growth Partnership (New Haven, CT) are coterminous with their COGs. The Greater Houston Partnership uses the MSA definition. Other areas are defined by agreements among local governments; actions of founders, interested parties, or boards of directors; agreements between local governments and boards of directors; or state designations. Similarly, organizations that are 501(c)(3) non-profits reported a variety of means of defining the service area: agreements among local governments; agreements or con-

tracts between local governments and the board; state designations; board actions. The Gateway Cities Partnership (Paramount, CA) service area was defined in a study conducted by McGraw Hill at the behest of the Office of Economic Adjustment as a result of base and defense industry related factory closings. The Charlotte Regional Partnership represents 12 counties in North Carolina that were assigned to the region by the state general assembly and 4 counties in South Carolina that participate on a voluntary basis as part of the Charlotte region.

Of the 50 respondents, 14 reported that local governments within their regions had their own economic development departments and there were no other regional organizations focused on economic development. Six organizations reported there were overlapping regional organizations, but no local government agencies in their service area. Twenty-seven respondents (four in Michigan) indicated that there are both local government agencies and other organizations engaged in regional economic development in the same service area, indicating significant layering of efforts in most regions. Some of the overlapping economic development organizations are industry focused or focused on regions with boundaries encompassed within, or overlapping, the boundaries of the reporting organizations. Only 3 of the respondent regional organizations reported neither local government agencies nor other regional organizations doing economic development in their service areas: Priority One in Cedar Rapids, IA; Kenai Peninsula Economic Development District in Kenai, AK; and Galesburg Regional Economic Development Association in Galesburg, IL.

Nearly all respondents reported cooperative working arrangements with other economic development organizations, often citing established structures such as steering committees and economic development advisory boards, or processes including monthly economic development forum meetings and serving on each others' committees. Select Greater Philadelphia reported formal memorandums of understanding with public economic development organizations. Some regional organizations reported that they focused on national and international, or very high profile, or industrial, manufacturing, and distribution center attraction efforts, while local departments focused more on

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retail. The Greater Phoenix Economic Council focuses on international and national attraction while the regional chamber concentrates on retention. The Bay Area Council engages in specific projects such as bidding for the Olympic Games or bidding for the headquarters of the California stem cell research institute. Councils of government were more likely to provide technical assistance, including data collection and analysis, issues analysis, and legislative monitoring, to other economic development entities.

Strengths Regional economic development organizations were asked to identify the top three economic strengths of their regions (this was an open response item with no listed strengths from which to pick). The most frequently identified strength was a skilled and

productive workforce (31 of the 50 respondents; the Greater Washington Initiative noted that 46 percent of the workforce has a BA), followed by an existing industrial and/or business base (19 responses, concentrated in the Midwest), and proximity to markets (17). A few assets were qualified, such as the Economic Development Authority of Western Nevada's low cost of doing business *as compared to California*. All regions listed at least three strengths: Greater New Orleans listed ports, oil and gas industry, higher education, and health care. While four of the seven Michigan respondents reported some variation of "cooperative and business friendly government," no Michigan respondent claimed that this state has low business costs.

Table 3-5
Identified Regional Economic Strengths

<u>Strength</u>	<u>Total</u>	<u>Michigan</u>	<u>Mid- West</u>	<u>North- East</u>	<u>South- East</u>	<u>West</u>
Skilled/Productive Workforce	31	5	9	5	4	8
Industrial/Business Base	19	6	5	1	4	3
Location/Proximity to Markets	17	1	6	5	2	3
Knowledge/Education Assets	11	2	4	1	1	3
Business Climate	9	4	1	-	1	3
Business Costs	8	-	3	-	3	2
Quality of Life	8	-	1	3	1	3
Transportation Infrastructure	8	1	2	1	4	-
Cost of Living	4	1	1	1	1	-
Innovation, R & D, Technology	4	1	-	2	-	1
Other Infrastructure	4	-	2	1	1	-
Cooperative Spirit	3	1	2	-	-	-
Size/Diversity of Economy	3	-	2	1	-	-
Healthcare	3	-	2	-	1	-
Population/Job Growth	3	-	-	-	2	1
Natural Resources	3	1	-	-	1	1

Recent economic development literature focuses intensely on technology, innovation, and entrepreneurship, but only seven of the 50 respondents included the terms “innovation,” “research and development,” or “technology,” usually as adjectives (research universities, tech parks, or high technology business climate and labor force), only once as a noun (innovation). The Allegheny Conference on Community Development noted their innovation and research and development strength; the Greater Washington Initiative included their knowledge economy workforce; and the Bay Area Council listed their leading edge clusters of innovation industries and world class research institutions. Neither entrepreneurship nor an entrepreneurial environment were mentioned as strengths, possibly because surveyed organizations are more focused on attracting established businesses than on growing new businesses.

Problems The survey also asked respondents to identify the top three problems related to economic development in their region (this was also an open response item). Some of the problems listed are very familiar to Michiganians: the Green Bay Area Chamber of Commerce noted “downturn in manufacturing, loss of large employers, loss of local ownership, and retaining talent.” The Youngstown Warren Regional Chamber in Youngstown, OH lamented their union reputation and rust belt identity. Every one of the Michigan respondents referred to the decline of manufacturing as a major challenge. Image was also reported to be problem in Michigan, the Midwest, and Southeast. Some of the problems listed, such as low unemployment and managing rapid growth, are conditions to which other regions aspire. Anti-growth sentiment was listed by organizations serving Denver, CO and Columbia, MO.

Table 3-6
Identified Regional Economic Problems

<u>Problem</u>	<u>Total</u>	<u>Michigan</u>	<u>Mid- West</u>	<u>North- East</u>	<u>South- East</u>	<u>West</u>
Industrial Decline or Restructuring	14	7	3	-	2	2
Lack Skilled Workforce or Need To Retrain Workforce	12	1	3	1	2	5
Lack Transportation Infrastructure	12	-	4	3	2	3
Image	9	3	3	-	3	-
Educational Attainment or Outcomes	7	1	-	2	1	3
Infrastructure Investment	7	1	2	2	2	-
Loss of Population or Talent	7	2	4	1	-	-
Limited Land or Buildings	6	-	2	2	1	1
Business Costs	5	-	-	4	-	1
High Taxes or Tax Structure	5	-	2	3	-	-
Lack Affordable Housing	5	-	-	2	1	2
Lack of Regional Plan/Strategy	4	-	-	1	1	2
Union Attitude/Perception, High Wages	3	2	1	-	-	-
Tight Labor Market	3	-	-	1	1	1
Un or Underemployment, Low Wages	3	-	1	-	1	1
Government Policies	2	-	1	-	-	1
Fragmented Government	2	-	1	1	-	-
Cost of Real Estate	2	-	1	-	-	1
Lack of Diversity/Segregation	3	1	1	-	-	1
Lack of Business Incentives	3	-	2	-	-	1
Growth Issues	3	-	1	-	1	1
Rural Conditions	3	-	1	-	2	-
Availability/Cost of Healthcare	2	-	2	-	-	-
Lack of Venture Capital	2	1	1	-	-	-
Anti-Growth Sentiment	2	-	1	-	-	1
Lack of Funds	2	-	1	-	1	-
High Cost of Living	1	-	-	-	-	1
Seasonal Economy	1	-	-	-	-	1

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No Michigan respondent indicated that transportation infrastructure was a problem, although it is reported to be a challenge in other parts of the country: traffic by the Greater Washington Initiative; lack of viable air service by the Regional Economic Development, Inc. in Columbia, MO; lack of a north-south interstate by the Economic Development Coalition of Southwest Indiana; no deep water port by the Greater Omaha Chamber of Commerce. The lack of appropriately skilled workers or need for retraining was also noted as a problem in other areas of the country (particularly in the West), though only one Michigan organization cited that issue. The state's loss of young people was noted by two Michigan respondents. Union attitude and high wages were also noted by two Michigan respondents. No responding Michigan regional economic development organization reported high taxes

or other negative government policies, or lack of a regional plan, as a problem.

Thirty-seven of 50 respondents indicated that their regions had a shared vision and plan for economic development. The Metro Denver Economic Development Corporation reported that in 2003 a community process identified six strategic goals for sustainable economic growth, chose nine employment clusters that were critical to success, and set about developing the physical and human infrastructure necessary to accomplish that vision. The Economic Development Authority of Western Nevada reported that Angelou Economics just completed a six county study to better identify target industries and what needs to be done to attract those industries.

*Table 3-7
Shared Regional Vision and Plan (By Location)*

	<i><u>Have a Shared Plan</u></i>	<i><u>Plan in Process</u></i>	<i><u>No Plan</u></i>
Michigan	4	1	2
Midwest excl MI	9	4	2
Northeast	5	1	2
Southeast	6	2	1
West	7	1	3

Chambers of commerce were most likely to report that their regions have a shared vision and plan, while 501(c)(3) non-profits were least likely to report that

their regions have a shared vision and plan. The Greater Omaha Chamber of Commerce developed a five-year plan that has been adopted across the region.

*Table 3-8
Shared Regional Vision and Plan (By Type of Organization)*

	<i><u>Have a Shared Plan</u></i>	<i><u>Plan in Process</u></i>	<i><u>No Plan</u></i>
Chambers of Commerce	8	1	2
Membership Organizations	14	4	4
501(c)(3) Non-profits	6	3	3
COGs	3	1	1

The Organizations Three fourths of the responding chambers of commerce, membership organizations, and 501(c)(3) organizations indicated that between 76 and 100 percent of their activities were devoted to economic development, but 4 of 5 councils of government reported that less than 25 percent of their activities were devoted to economic development. Four of 7 responding Michigan organizations reported that 50 percent or less of their activities are devoted to economic development; 3 reported that 76 to 100 percent of their activities are dedicated to economic development.

There is significant variance in the length of time these types of organizations have been engaged in economic development activities. Councils of government reported the longest involvement, an average of 32 years. Membership organizations that are not chambers of commerce reported an average of 23 years; chambers reported an average of 22 years; and 501(c)(3) organizations reported an average of 16 years. Responding organizations in the Southeast have been

engaged in regional economic development for the longest average period of time, 28 years. Those regional economic development organizations in Michigan and the Midwest have been engaged, on average, for the briefest period: 18 years (the range for responding Michigan organizations is 5 to 38 years). Four organizations reported they have been engaged in regional economic development for longer than 50 years: the Allegheny Conference (60 years); Bay Area Council (60 years); Greater Kansas City Chamber (119 years); and Greater Houston Partnership (150 years, their charter was signed by David Burnett, the then-president of the Republic of Texas).

The average annual operating budget of the 50 responding organizations was \$2.7 million; the range was \$98,000 to \$12 million. COGs reported average annual operating budgets of \$3.8 million, 83 percent of which came from government sources. Regional chambers reported average annual operating budgets of \$3.4 million, 74 percent of which came from private sector members.

Table 3-9
Sources of Operating Revenues, by Type of Organization

	<u>Average Operating Budget</u>	<u>Government Sources</u>	<u>Private Sector Members</u>	<u>Earned Income or Fees</u>	<u>Foundations</u>	<u>Other Sources</u>
Chambers of Commerce	\$3.4m	12%	74%	12%	2%	-
501(c)(6)	1.9	35	49	9	6	1%
501(c)(3)	3.0	41	26	11	17	5
COGs	3.8	83	-	7	1	9

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Responding organizations from Michigan reported operating budgets that range from \$1 million to \$12 million, with an average of \$3.2 million. Revenue sources for regional economic development organizations are more reflective of the type of organization than of the geographic location of the organizations, but in Michi-

gan, five of the seven receive at least 50 percent of their operating revenue from government (federal, state, or local) sources; only the Holland Area Chamber of Commerce receives no revenue from government sources.

*Table 3-10
Funding Sources for Responding Michigan
Regional Economic Development Organizations*

	<u>Range</u>
Government Sources	0- 100%
Private sector members or investors	0- 75
Service fees or earned income	0- 50
Foundation grants	0- 9
Other	0- 10

While the largest average annual operating budget is found in responding Michigan organizations; the smallest is in Western organizations (\$1.5 million), where proportionately less funding is provided by government (30 percent on average) and more funding is derived from earned income and fees (23 percent on average).

All responding councils of government and four other responding organizations employ a dues structure based on population. Eight respondents, including the Allegheny Conference on Community Development, employ a formula based on the size or revenues of the donor. Nine organizations rely on voluntary, contributor-determined contributions. Other bases for support include graduated membership levels, board determined or set minimum levels and negotiated amounts. The Tampa Bay Partnership has adopted four financial contribution levels. The Metro Denver Economic Development Corporation has established a pay-to-play minimum investment of \$10,000 per company. Investors in the Panhandle Regional Economic Development Coalition, Inc. select one of several a contribution levels that earn corresponding levels of voting rights on the board.

Contributors to responding regional economic development organizations are either overwhelmingly private sector or overwhelmingly public sector. Regional chambers of commerce reported an average of 1,106

non-governmental investors (one organization reported 8,000 investors, the second largest reported 1,300, and the third largest 400) and five governmental contributors. Membership organizations that are not chambers reported an average of 201 private investors or contributors and six governmental contributors, and 501(c)(3) non-profits reported an average of 78 private investors or contributors and 11 governmental contributors. Councils of government reported an average of 53 governmental contributors and four non-governmental contributors. On average, Midwestern organizations report the largest number of non-governmental members (774) and Northeastern organizations the fewest (64). In Michigan, four of seven organizations reported a number of governments, but no non-governmental, sources of revenue. One organization reported only private contributors, and two organizations reported both governmental and private supporters.

Thirty-one of the organizations reported that they have increased in size over the past five years; 13 have stayed the same size; and 6 have decreased. In Michigan, 4 of 7 responding regional economic development organizations have not increased in size, even though economic restructuring has created significant challenges in the state. In none of the 4 U.S. regions excluding Michigan did more than half of the responding organizations fail to grow over the past five years.

Table 3-11
Growth in the Past Five Years

	<u>Total Respondents</u>	<u>Increased in Size</u>	<u>Stayed the Same</u>	<u>Decreased in Size</u>
Michigan	7	3	2	2
Midwest excl MI	15	10	5	-
Northeast	8	4	2	2
Southeast	9	6	2	1
West	11	8	2	1

Board of Directors and Staff Although 31 respondents noted the workforce as one of their region's primary strengths, and 12 respondents noted the lack of a skilled workforce or the need to train the workforce as one of their region's primary problems, the people who train the workforce and the people who represent the workforce are conspicuously absent from the boards of organizations engaged in regional economic

development. In general, board members of chambers and other membership organizations represent for-profit companies and board members of COGs represent member governments. Organizations that are 501(c)(3) non-profits appear, on average, to have boards that are relatively more balanced among government, for-profit companies, and non-profit organizations.

Table 3-12
Average Numbers of Board Members from Various Sectors

	<u>Government</u>	<u>For Profit</u>	<u>Non-Profit</u>	<u>College or University</u>	<u>Community College or Workforce Board</u>	<u>Union</u>
Chambers	3.8	25.2	4.6	1.4	0.4	0.2
501(c)(6)	6.6	27.5	3.3	1.7	0.7	0.3
501(c)(3)	9.7	17.2	4.9	1.3	0.7	0.3
COG	30.8	2.2	1.0	0.6	0.2	0.0

A number of organizations reported more than one method of selecting board members. In 21 of the reporting organizations, including the Bay Area Council and the Greater Houston Partnership, all board members are appointed or elected by the board. Ten organizations, including the Greater Washington Initiative and the Tampa Bay Partnership, reported a pay-to-play approach. Six respondents, including the Charlotte Regional Partnership, reported appointment to their boards by member entities. Three organizations, including the Metro Denver Economic Development Corporation, reported designated seats on the board. Nine organizations are like the Economic Develop-

ment Authority of Western Nevada in employing some combination of board election, pay to play, and designated seats.

Thirty-three of the 50 responding organizations reported that their board members are primarily CEOs. These include nine of 11 responding chambers of commerce, 16 of 22 organizations that are non-chamber 501(c)(6) entities, and eight of 12 organizations that are 501(c)(3) entities.

On average, responding organizations have 17 full-time employees. Councils of government on average have

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28 full-time employees; chambers of commerce have 27; 501(c)(3) organizations have 18; and 501(c)(6) organizations have ten. Chambers of commerce, on average, have the largest number of employees working full time on economic development (10). Organizations in Michigan tend to be larger, with 32 full-time employees on average (6 of them working full time on economic development), while organizations in the West tend to be smaller, with an average of 12 full-time employees (5 of them working full time on economic development).

Organizational Role: Functions, Partnerships, and Performance In Michigan, only 3 of 7 responding organizations indicated that they target specific industries (these included automotive research and development, alternative energy, life sciences, advanced manufacturing, transportation research and development, manufacturing, medical devices, eco (sic) innovation). In the Midwest excluding Michigan, 11 of 15 organizations reported targeting industry clusters (capital-intensive industry, rail-related industry/distribution, engineering and management services, wholesale trade, printing and publishing, machinery, metal and instruments manufacturing, business services, science-based, life sciences, technology, high-wage growth, medical-pharmaceutical, regional office facilities, healthcare technologies, polymers, advanced manufacturing, aerospace, financial services, logistics). In the Northeast, all responding organizations indicated that they targeted a particular kind of development (bioscience, creative, IT, headquarters, life sciences, biotech, chemicals, financial services, marine

science, health care, medical devices, tourism, advanced materials). In the Southeast, six of eight organizations target industry clusters (advanced manufacturing, aviation and aerospace, distribution and logistics, financial and insurance services, life sciences, IT, headquarters, manufacturing, office headquarters, warehouse distribution, logistics, film and television, medical devices, corporate shared services, energy, chemicals, biotech/nanotech, healthcare, automotive, plastics, assembly). Six of 11 organizations in the West indicated that they target particular industries (high wage sectors, life sciences, biotech, software, advanced business services, high tech/advanced manufacturing, trade, aerospace, bio, financial services, energy, software, clean energy, advanced logistics, business and financial services). The North Eastern Strategic Alliance in South Carolina targets automotive and ten responding regions target manufacturing.

In the following table, in which categories reflect organizational structure, an x indicates that more than half of responding regional economic development organizations reported that they provide the indicated functions and services. A bold capital **X** indicates that at least 75 percent of respondents in that category provide those functions and services.

Functions that are common among all types of organizations are coordinating strategic approaches to regional economic development (45 of 49 respondents), creating economic development plans (40 of 48 respondents), and research and reporting of data (38 of 49 respondents).

Table 3-13

Common Functions and Services Provided (By Type of Organization)

	<u>Chambers of Commerce</u>	<u>501(c)(6) But Not Chambers</u>	<u>501(C)(3)</u>	<u>Councils of Government</u>
Business retention	X	X		
Business attraction	X	X	x	
Assistance to business relative to local government requirements and procedures	x	x	x	
Branding, image campaign	x	x	x	
Research, reporting of econ. dev. data	X	X	X	X
Inventory of available sites	x	x	X	
Involvement in quality of life issues				
Affordable housing				X
Mass transit	x	x		X
Education	x	x		
Infrastructure	x	x		X
Member services, such as seminars, health insurance, networking opportunities				X
Advocacy on legislative issues, lobbying	X			x
Creating economic development plans	X	X	x	X
Coordinating strategic approaches to regional economic development	X	X	X	X
Advice to local government to improve competitiveness		x	x	X

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The same data, organized by geography, is presented below:

Table 3-14
Common Functions and Services Provided (by Location)

	<u>Michigan</u>	<u>Midwest Excluding Michigan</u>	<u>North- East</u>	<u>South- East</u>	<u>West</u>
Business retention		X		x	x
Business attraction		X	X	X	x
Assistance to business relative to local government requirements and procedures		x	X		x
Branding, image campaign	x		X	x	
Research, reporting of econ. dev. data	X	X	X	X	x
Inventory of available sites		X		x	
Trade missions				x	
Involvement in quality of life issues					
Affordable housing	x			x	
Mass transit	X		x	x	
Education				x	x
Infrastructure	X		X	x	x
Member services, such as seminars, health insurance, networking opportunities	x			x	
Advocacy on legislative issues, lobbying	X			X	
Creating economic development plans	x	X	X	X	X
Coordinating strategic approaches to regional economic development	X	X	X	X	X
Advice to local government to improve Competitiveness	X		X	x	x

While the mix of responding organizational types dictates the functions reported by geography (Michigan respondents include two chambers, two councils of government, two 501(c)(3) organizations, and one 501(c)(6) organization that is not a chamber), it is of note that less than half of responding Michigan regional economic development organizations engage in business retention, business attraction, assistance to

business relative to local government requirements and procedures, inventory of available sites, trade missions, and education issues.

Fifty percent or less of the responding economic development organizations, whether categorized by organizational structure or by geographic region, provide the following functions and services:

Table 3-15
Less Common Functions and Services Provided

	<u>Number that Provide This Function or Service</u>
Involvement in the quality of life issue of arts and culture	18
Low interest loans, gap financing	13
Workforce training	10
Industrial park	9
Buy, improve, lease, sell real property for economic development purposes	7
Equity investing	5
Venture capital	3
Business incubator	3
Operate a business improvement district	2

The Allegheny Conference on Community Development engages in export development. The Lewiston-Auburn Economic Growth Council organizes business to business trade shows. The Fund for Our Economic Future in Cleveland makes grants to economic development organizations.

Regional economic development organizations were asked to rate the quality of their partnerships with universities, community colleges, workforce development agencies, state economic development agencies, and local government officials on a scale of 1 to 5, with 5 being the best.

Table 3-16
**Quality of Partnerships between
Regional Economic Development Organizations and Other Entities**

	<u>1</u>	<u>2</u>	<u>3</u>	<u>3.5</u>	<u>4</u>	<u>4.5</u>	<u>5</u>	<u>Total</u>
Universities	-	2	10	-	12	1	24	49
Community Colleges	2	1	7	-	9	1	27	47
Workforce Development Agencies	1	4	11	-	11	1	21	49
State Econ. Dev. Agency	1	5	3	-	16	-	23	48
Local Government Officials	-	4	6	1	12	1	24	48

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With the exception of the Northeast region, more than half of respondents in each U.S. region rated relationships with universities and community colleges at the highest (best) end of the scale. Relationships with workforce development boards were more problematic, with respondents in the Midwest excluding Michigan and in the Northeast indicating a less than excellent relationship. There appear to be issues affecting the relationship of regional economic development organizations and state economic development agencies in the Northeast and to a lesser extent in Michigan and the Midwest, as well as strains in the relationship of regional economic development organizations and local economic development officials in the Midwest excluding Michigan and in the Northeast, and some troubling indicators in the West, where four of 11 organizations rated that relationship at 2.

The effectiveness of regional economic development efforts is difficult to evaluate because effectiveness is measured in a variety of ways. Job creation and retention, and business attraction and retention, are metrics

that are frequently, but not universally, reported by responding regional economic development organizations. Capital investment and benchmarking against strategic plans are also frequently reported performance measures. Other metrics that were reported include number of contacts, policy outcomes, number of articles placed in local and national publications, number and amount of business loans, funding for priority projects, number of completed projects, support for cultural amenities, payroll growth, business incubation successes, infrastructure development, change in population and per capita income, development of partnerships and relationships, and quality and type of jobs created. The Tampa Bay Partnership produces a quarterly economic scorecard. The Greater Washington Initiative mentioned user surveys of research quality and usefulness.

The following table reflects the totals of businesses attracted, jobs attracted, businesses retained, and business problems solved that were reported by responding organizations.

*Table 3-17
Performance Indicators: Totals
(Past 12 Months)*

	<i><u>Businesses Attracted</u></i>	<i><u>Jobs Attracted</u></i>	<i><u>Businesses Retained</u></i>	<i><u>Business Problems Solved</u></i>
Chambers of Commerce	136	41,038*	450	659
501(c)(6), Not Chambers	189	24,875	1,096	3,323
501(c)(3)	58	13,316	52	317
COG -	-	15	48	
Total	383	79,229	1,613	4,347
Michigan	52	3,639	1,070	616
Midwest excl. MI	75	11,492	420	557
Northeast	40	7,464	5	234
Southeast	111	21,432	60	2,063
West	105	35,202*	58	877
Total	383	79,229	1,613	4,347

*The Metro Denver Economic Development Corporation reported attracting 25,000 jobs.

Although a number of responding organizations did not report these particular metrics, it is of interest to note the averages of these performance indicators for those organizations that did report, by category of organization. Thirty organizations reported attracting a total of 383 businesses to their regions, for an overall average of 13 new businesses per organization. Thirty respondents reported attracting a total of 79,229

new jobs, for an overall average of 2,641 per organization. Twenty-two respondents reported retaining a total of 1,613 businesses, for an overall average of 73 businesses per organization. Thirty-one respondents reported helping 4,347 existing businesses solve a problem, for an overall average of 140 companies helped per respondent.

*Table 3-18
Averages of Responses from
Organizations that Reported Selected Performance Indicators*

	<i><u>Businesses Attracted</u></i>	<i><u>Jobs Attracted</u></i>	<i><u>Businesses Retained</u></i>	<i><u>Business Problems Solved</u></i>
Chambers of Commerce	19	5,863*	75	110
501(c)(6), Not Chambers	13	1,658	110	222
501(c)(3)	7	1,665	10	45
COG	-	-	15	16
Michigan	13	910	268	123
Midwest excl. MI	8	1,149	53	62
Northeast	8	1,492	5	59
Southeast	22	4,286	30	516
West	18	5,867*	8	97

*The Metro Denver Economic Development Corporation reported attracting 25,000 jobs. Absent that outlier, the average of jobs attracted by chambers of commerce would be 2,673 and the average for jobs attracted in the West would be 2,040.

Obviously, the effectiveness of reported regional efforts depends on a host of factors: size and mix of types of regional organizations (COGs do not generally engage directly in business attraction); role of regional versus local economic development organizations (some regional organizations focus exclusively on very large deals and leave retention efforts to local agencies); status of existing major industries; business climate including incentive programs; labor market;

availability of educational and other assets; resources available to the economic development organization, etc. In general, the success of regional economic development organizations in attracting businesses and jobs appears to reflect the number of full-time staff devoted entirely to economic development (an average of 10.4 in responding chambers of commerce, 6.5 in 501(c)(3) organizations, 5.7 in 501(c)(6) organizations, and 2.2 in councils of government).

Conclusion

Across the nation, regional organizations of various types have been developed, given various kinds of institutional capacity and incentives, and assigned or assumed the task of economic development. While the small and non-randomized sample of regional economic development organizations reported in this document argues for caution in interpretation of data, it is clear that there is wide recognition that regions are appropriate bases for economic development efforts, that regions have been defined by a number of methods which may or may not reflect the best strategic approach to economic development, and that various structures are being employed to engage in regional economic development.

Regional organizations reported different strengths and weaknesses, reflecting urban and rural economies, different values and aspirations, and different strategic approaches. Regional organizations reported that overlapping of economic development organizational efforts is the norm, and relations with other regional players are generally good, facilitated by frequent, structured contacts. Most regional organizations have increased in size over the past five years.

As public and private leaders struggle to find the right strategies and structures to create both immediate and enduring competitive advantages for our state, Michigan's political and economic development lead-

ers should consider a new approach to economic development. In the first report of this series on economic development, a recommendation was made to consider the organization of all of this diverse state into economic development regions. Regional structures could be established to create or mediate economic development plans that are right for each region, coordinate strategic approaches, assess the efficacy of programs, help define and market a regional identity and regional goals, and perform other functions required to increase the effectiveness of economic development efforts. These regional organizations need not supplant existing organizations, but could coordinate the efforts of participating players to achieve agreed upon goals for the region. Many of the organizations that responded to the survey had responsibilities in addition to economic development, which reduced the amount of resources those organizations could devote to economic development. The creation of regional organizations that focus only on regional economic development could increase the effectiveness of those efforts.

Each of the economic development organizations that responded to the survey has a particular perspective that reflects its constituents and influences its goals and programs. Because Michigan is such a diverse state, empowering regional organizations could provide new insight and energy in economic development.

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Attachment A

September 15, 2006

Dear Regional Economic Development Organization Official;

Citizens Research Council of Michigan, a non-partisan, non-profit, public policy research organization that was established in 1916, is gathering data on regional economic development agencies to determine how these organizations are structured and funded, what kinds of activities they engage in, and how they measure their success. The attached survey is part of that research effort.

The survey questions are designed to be answered quickly and easily by someone who knows your organization well, and to generate answers that can be compiled into meaningful information about the state of regional economic development efforts. A number of the questions were included at the request of regional and state economic development officials in Michigan.

We would very much appreciate your taking a few minutes to complete the survey, and we would be happy to share the compiled results with you. If it would be more convenient for you, the survey can also be accessed and returned on a dedicated website, <http://surveys.crcmich.org>. The general website for Citizens Research Council, <http://www.crcmich.org>, contains recent CRC publications that may be of interest to you, including a Survey of Economic Development Programs in Michigan (Report No. 334).

If you have any questions or comments, please do not hesitate to contact me at bbuss@crcmich.org, telephone (734) 542-8001, or fax (734)542-8004.

Thank you for your participation.

Sincerely,

Bettie Buss
Senior Research Associate

CRC Report

REGIONAL ECONOMIC DEVELOPMENT ORGANIZATION SURVEY

Name of your organization

Mailing address

Contact person and e-mail address or telephone number

Your Region

1) What region does your organization represent?

Would you primarily define your region as: (please check whatever is relevant)

A group of local governments (cities, villages, and townships)? If yes, how many?__

A group of counties? If yes, how many?__

Parts of two or more states? If yes, how many?__

2) How was the boundary of your region determined? (MSA, agreement among local governments, state designation, decision of your board, etc.)

3) Do local governments within your region have their own economic development departments?

Yes_____ No_____

If yes, how does your organization interact with these departments?

4) Are there other organizations involved in regional economic development in your region?

Yes_____ No_____

If yes, please explain.

5) What are the top three economic strengths of your region?

6) What are the top three problems related to economic development facing your region?

7) Does your region have a shared vision and plan for economic development? Please explain.

Your Organization

8) What proportion of your organization's activities is devoted to economic development?

0-25%

26-50%

51-75%

76-100%

9) Please indicate the structure that describes your organization:

Chamber of commerce _____ Council of governments _____

Local unit of government _____ Part of state government _____

501(c)(6), but not a chamber of commerce _____ 501(c)(3) _____

If your organization has a different structure than those noted above, please explain.

10) How long has your organization been focused on regional economic development?

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11) Compared to five years ago, has your organization
Increased in size _____ Stayed the same _____ Decreased _____

12) What is your annual operating budget?

13) Please indicate how much of your operating revenues come from the following sources:

Federal government _____ State government _____ Local government _____

Private sector member or investor contributions _____

Service fees or earned income _____

Foundation grants _____

Other (please explain) _____

14) How many governmental units contribute financially to your organization?

15) How many non-governmental members or investors contribute financially to your organization?

16) How are member contributions determined?

17) Does your organization have taxing authority? Yes _____ No _____

18) Does your organization have bonding authority? Yes _____ No _____

Board of Directors and Staff

19) Please indicate how many of your board members fall in the following categories:

Government officials _____

Representatives of for-profit companies _____

Representatives of colleges and universities _____

Representatives of community colleges or workforce training boards _____

Union officials _____

Representatives of non-profit organizations _____

Other (please explain) _____

20) How are board members selected?

21) Are board members primarily CEO's of their organizations? Yes _____ No _____

22) How many employees are in your organization? Full-time _____ Part-time _____

How many employees are on your regional economic development staff?

Full-time _____

Part-time _____

Your Organization's Role

23) Does your organization target a particular kind of economic development such as technology, high wage-high growth, medical-pharmaceutical, etc.? If so, what is that focus?

24) Which of the following functions and services does your organization now provide?

	Directly	By referral	Not some- thing we do
Business retention	_____	_____	_____
Business attraction	_____	_____	_____
Assistance to businesses relative to local government requirements and procedures	_____	_____	_____
Low interest loans, gap financing	_____	_____	_____

CRC Report

Venture capital	_____	_____	_____
Equity investing	_____	_____	_____
Branding/image campaign	_____	_____	_____
Operate a business improvement district	_____	_____	_____
Workforce training	_____	_____	_____
Research, reporting of economic development data	_____	_____	_____
Inventory of available sites	_____	_____	_____
Business incubator	_____	_____	_____
Industrial park	_____	_____	_____
Buy, improve, lease, sell real property for economic development purposes	_____	_____	_____
Trade missions	_____	_____	_____
Involvement in quality of life issues	_____	_____	_____
Affordable housing	_____	_____	_____
Mass transit	_____	_____	_____
Education	_____	_____	_____
Infrastructure	_____	_____	_____
Arts and culture	_____	_____	_____
Member services such as seminars, health insurance, networking opportunities	_____	_____	_____
Advocacy on legislative issues/lobbying	_____	_____	_____
Creating economic development plans	_____	_____	_____
Coordinating strategic approaches to regional economic development	_____	_____	_____
Advice to local governments to improve competitiveness	_____	_____	_____
Other (please explain)	_____	_____	_____

25) On a scale of 1 to 5, with 5 being the best, how do you rate your partnership with your local:
Universities_____ Community colleges_____ Workforce development agency
State economic development agency_____ Local government officials_____

26) How does your organization measure success in its economic development efforts?

27) In the past 12 months, how many new businesses has your organization attracted to your region?

28) In the past 12 months, how many new jobs has your organization attracted to your region?

29) In the past 12 months, how many businesses has your organization retained in the region?

30) In the past 12 months, how many existing businesses has your organization helped to solve a problem?

Would you like a copy of the compiled results of this survey? Yes_____ No_____

If you have questions or comments about this survey, please contact Bettie Buss at bbuss@crcmich.org, phone (734) 542-8001, or fax (734) 542-8004.

Thank you for your participation. We invite you to visit our web site at <http://www.crcmich.org>.