

*Regional Economic Development  
In Mid-Michigan's Tri-County Region*

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## I. Executive Summary

This policy brief is intended to inform and guide leaders of Mid-Michigan's Regional Economic Development (RED) Team on the future of regional economic development and alternative regional economic strategies and organizations. The policy brief examines several regional economic models and provides tentative recommendations on best practices that could be adapted and successfully implemented in the Lansing region. The analysis herein, drawing on some of the early research outcomes generated by the RED Team, focuses on three main dimensions: (1) a brief lit review on the concept of regional economic development and why it is important; (2) a critical analysis of three case studies that describe different models of regional economic partnerships; (3) an analysis of the key findings and how they could be relevant for the region of Lansing.

The models of regional economic partnerships include the Northeast Wisconsin Regional Economic Partnership (NEWREP) in Wisconsin, The Nashville Economic Market (NEM) in Tennessee, and the Saginaw Future, Inc. (SFI) in Michigan. The three models were analyzed utilizing the Regional Economic Development Organizational Matrix describing six characteristics (1) Service Area, (2)

Organizational Structure, (3) Mission, (4) Services Provided, (5) Resources, and (6) Outcomes.

Regional cooperation has been called for from the federal level. We no longer compete within cities and states for business. We contend in an international market due to globalization. The *Strengthening America's Communities Initiative* admonishes us of the transition that economic development is now going through. We have evolved from an export base to innovation and entrepreneurship, and must rely on our human capital and regional assets. Our analysis of the three models and literature review suggest that an effective regional economic organization is feasible.

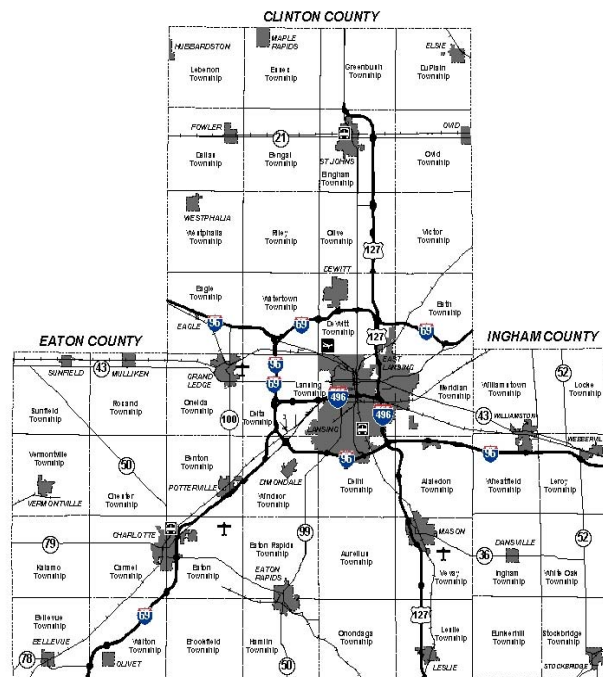
Our recommendations for the RED Team emphasize rethinking the role and functions the organization should play in relationship to its service area. Because of the nature of contemporary regional economies, we suggest that the RED Team should redefine its service area as to expand beyond the boundaries of political jurisdictions and to include the regional economic dynamics. RED Team has the potential to become more active within the region; the organization needs to restructure itself as to be able to take better advantage of the opportunities that exist within the region and become more actively involved in assisting businesses and marketing the region.

## II. INTRODUCTION

### *Purpose of the Policy Brief*

This policy brief is intended to inform and guide leaders of Mid-Michigan's Regional Economic Development (RED) Team on the future of regional economic development and alternative regional economic strategies and organizations. This policy brief examines several regional economic models and provides tentative recommendations on best practices that could be adapted and successfully implemented in the Lansing's Tri-County Region. For the purpose of this brief, Lansing's Tri-Michigan Region includes Clinton, Eaton, and Ingham Counties, as indicated on Map 1.

**Map 1: Lansing's Tri-County Region: Clinton, Eaton, and Ingham Counties**



Our client, the RED Team is currently trying to develop some possible regional economic partnership models for the region of Lansing. RED Team and its members are concerned that the Lansing region is lagging behind other similar regions in the state of Michigan. In a preliminary 2005 study (White Paper<sup>1</sup>), the RED Team has identified several other regions such as Grand Rapids, Ann Arbor that are more active with regard to promoting regional economic development.

The analysis herein drawing on some of the early research outcomes generated by the RED Team, focuses on three main dimensions: (1) a brief lit review on the concept of regional economic development and why it is important; (2) a critical analysis of three case studies that describe different models of regional economic partnerships; (3) an analysis of the key findings and how they could be relevant for Lansing's Tri-County Region.

### *The Regional Economic Development (RED) Team<sup>2</sup>*

The Regional Economic Development Team, Inc is a non-profit corporation working to improve the economic well-being of the Lansing and Tri-County region. Member organizations include federal, state, and local governments and their agencies, area utilities, institutions of higher education, developers, employers, local businesses, and private individuals having a vested interest in state and local economic and workforce development in the Tri-County region. Their mission, as redefined in 2005, states:

*“The Regional Economic Development Team (RED Team) is a cooperative effort to enhance economic development and regional cooperation within the Greater Lansing, Michigan region. The RED Team is an organization that promotes partnerships in quality economic development, relationship building and implements targeted activities that benefit the region.”*

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<sup>1</sup> Our policy advisor provided us with an initial draft; it is not final yet.

<sup>2</sup> All the information presented in this section are taken from the RED Team's web site on line at <http://www.theredteam.org/index.cfm>;

The specific goals accompanying the mission are:

- Promote a regional approach to economic development.
- Strengthen the relationships between economic development practitioners in the region.
- Actively market the RED Team mission and purpose by providing value to members and others.

The RED Team is governed by an elected board of directors and employs one staff member, the Executive Director. Members meet once a month on the first Thursday of each month, except in January when they meet on the second Thursday; they do not meet during the month of July.

### *Outline of the Policy Brief*

The policy brief is separated into five main sections: 1) literature review, 2) regional economic development cases, 3) key findings, 4) conclusions, and 5) recommendations. The cases include the Northeast Wisconsin Regional Economic Partnership (a Wisconsin model), Nashville Economic Market (a Tennessee model), and Saginaw Future, Inc. (a Michigan model).

### **III. Literature Review**

The idea of regional cooperation is currently gaining momentum as various stakeholders at the local, regional, and state levels begin to understand how a regional approach may represent the only tool available to cope with contemporary economic and social trends (globalization, new federalism, a shift toward a knowledge-based economy, etc.). Regional cooperation potentially allows policy makers, interest groups, and implementing agents to create a policy network (Hecl, 1978) or advocacy coalition focused on shared spatial interests and resources (Sabatier & Jenkins-Smith, 1993). For local communities, regionalism holds the promise of escaping the atomistic characteristics of home rule and of obtaining a critical and complementary mass of resources that separately they do not have (Bluechel in Gatrell & Spiker 2002). Though various

stakeholders acknowledge the potential benefits of regional cooperation, significant disagreement rests upon what types of regional structures and regional financial cooperation should be implemented. This literature review, therefore, focuses on the potential of regions and regionalism to spur economic development in the United States.

## **Regions**

The concept of *region* is used differently in different disciplines. In the field of *geography*, regions are usually seen as sub-national entities—either historical provinces (which could have become nation-states) or more recently created geographic units. In *international relations*, regions are often treated as supranational subsystems of the international system. Within the field of *economics*, regions are often associated with trade blocks (i.e. the European Union). In the realm of *public policy*, regions are usually defined by political boundaries, though there has been a recent trend to consider going beyond the existing political boundaries (Bluechel in Gatrell & Spiker 2002). A region is both *a space* and *a social and political construct* (Hettne, Inotai & Sunkel, 2001). The socio-political aspect suggests that a region reflects certain beliefs and norms that exist within a society.

Regions can also be examined in terms of their organizational structures. According to Gatrell & Spiker (2002), there are four general types of organizational structures constructed at the regional level. These types are: (1) governance, (2) area-wide infrastructure districts, (3) collaborative partnerships, and (4) local associations.

Regional governance: Regional government represents another tier of the local government in addition to existing cities, villages, and townships. Regional government is not a new concept in the US, as back in the 1950s and 1960s different types of regional governments were created. There are various types of regional governmental structures including regional

planning commissions, councils of local authorities (SEMCOG is an example), associations of cities (the twin city model with a tax-base sharing model in place). Other variations and hybrid types are possible as well. The authors argue that a unified model of government is an especially effective model for simplifying the intra-metropolitan competition for investment—as well as an effective means of constructing and conveying a unified public image.

Area-wide infrastructure districts: Area-wide infrastructure districts were among the first regional cooperation arrangements to emerge. They can be described as policy implementation zones. Special districts allowed local governments to cost share expensive regional infrastructures and maintain delivery of crucial services and infrastructures. In the process, special districts provide a shared platform for economic development and create a unified set of policy goals. As such, special districts have proven to be an effective tool for coordinating, planning, and implementing a range of policies including sewer and water resources, air quality control authorities, and transportation networks. In large regions with shifting employment centers and ever sprawling suburban landscapes, transit authorities have contributed to a sense of a shared regional identity. In fact, one of the most tangible differences that can be observed between urban and non-urban areas has long been the scale, scope, and regional integration of metropolitan public transportation resources

Collaborative partnerships: The authors identify collaborative partnerships to take place in regions with eroding manufacturing bases that have sought to engineer new policy regions to make their region more attractive than a single community. Such partnerships represent a collaborative effort between counties, chambers of commerce, and state governments to preserve the existing manufacturing base, through the coordinated use of financial incentives. However,



tax-base sharing is not considered among the tools the regions can use. Tax-base sharing is only identifies as applicable within the framework of regional governance.

Local associations: Like those networks describe above, organizations are created to empower individuals, groups and communities to compete in the marketplace and give voice to their specific policy concerns. Over the past 30 years, growing collections of urban neighborhoods have mobilized to protect capital investment. In many cases, the local associations have grown as individuals organize traditional neighborhood associations. They often accompany contemporary housing developments and/or seek special designation as “historical districts” to aid and preserve capital investment through the process of gentrification. However, these grassroots efforts may not be big enough in scope to generate regional impacts.

In addition to these more “local” regions, the authors argue more “global” policy regional structures also exist, like the Appalachian Regional Commission and the Tennessee Valley Authority. It needs to be mentioned that **different types of regional structures will most likely address different aspects of regional development and will implement different strategies in order to achieve their goals.** There are inherent limitations associated with some of these organizational structures and we have to be aware of them. For example, Kanter (2001) points out that business coalitions- a type of collaborative partnerships according to Gatrell & Spiker (2002) classification, are less likely to address issues such as tax-base sharing, social and environmental equity, education. They are more likely to focus on those issues that can be defined from an economical perspective and tend to benefit the members of these regional economic coalitions/partnerships.

## Regionalism

Regionalism has been a concept in the United States since the 1920s. Most often, it took the form of governmental agencies that focused on matters of infrastructure (area-wide infrastructure districts under the classification above). It has evolved into central city and suburban coalitions that include multiple actors and stakeholders. Actors and stakeholders include businesses, environmental and social advocacy groups, and institutional sectors. Author Robert McNulty even links regionalism to public policy discussions regarding the globalization of the economy. Regionalism can be defined as the interdependency between central cities and their suburban counterparts. Many suburbs have come to recognize that they now have as much, if not more, in common with large cities than with their suburban counterparts (Orfield 2002). Regionalism in the US has often been viewed as a potential solution to increased disparities among communities and lack of social equity; also often envisioned as a tool to address the lack of efficiency in the delivery of services, and public finance.

Regionalism is commonly predicated on three main rationales. These rationales are as follows:

- (1) Redistribution: Every nation chooses its social welfare parameters. One argument for regional structures is that our definition of social welfare should include having the benefit of economic growth anywhere within a metropolitan region shared across the whole region.
- (2) Service efficiency: It deals with delivering services across the optimal size area, which is likely to involve crossing local jurisdictional boundaries. Services may include sewage and water, other public utilities as well as mass transit.
- (3) Finance efficiency: There is a basic efficiency tenet of public finance that requires those who receive external benefits (i.e., benefits flowing from decisions outside their jurisdiction) to pay for them. Finance efficiency raises the question of whether or not suburbanites are fully paying for the benefits they receive from their association with their central city. Research evidence shows significant economic interdependencies between suburbs and their cities, leading to the conclusion that the economic health of suburbs is better if their central city is healthier (Summers 2000).

## Local Economic Development

Here we shift the focus of the analysis from the concept of region and regionalism to economic development. First, we will briefly provide several definitions and outline the main elements underlying the concept. Then we explain how regionalism and economic development are connected.

There is no clear-cut definition of what economic development means. Different scholars and policy makers stress different aspects in connection with economic development. The following definitions have been selected (compiled online at <http://www.sitelocationassistance.com/cned.htm#pd>):

*“Typically economic development can be described in terms of objectives. These are most commonly described as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well being of a community”* (International Economic Development Council).

*“The process of raising the level of prosperity and material living in a society through increasing the productivity and efficiency of its economy. In less industrialized regions, this process is believed to be achieved by an increase in industrial production and a relative decline in the importance of agricultural production”* (*The Politics of International Economic Relations* by Joan Spero and Jeffrey Hart).

*“Economic Development is the process of creating wealth through the mobilization of human, financial, capital, physical and natural resources to generate marketable goods and services”* (American Economic Development Council 1984).

All these definitions stress three important aspects that need to be kept in mind with regard to economic development: first, there are specific goals associated with economic development such as job creation/retention, enhancement of life quality, wealth creation, etc; second, it is a dynamic process which involves the interaction of various actors/stakeholders over time; third, economic development is carried out using a variety of resources (physical, financial,

human resources and social capital) among which human capital is becoming increasingly important.

Location has always been an important part of economic development; regional economies and regional economic partnerships are relatively recent trends that emphasize the importance of location at a regional scale. A decade ago economic development was mostly taking place at the local level- cities, towns, villages, and all these jurisdictions were encouraged to compete against each other in order to secure the best tax and economic base for their communities. However, economic development process has evolved and the focused has shifted. Economic development has undergone through three major phases over the last half of the twentieth century (*Strengthening America’s Communities Initiative*). These phases are: industrial recruiting, cost competition, and regional competitiveness. The following table summarizes the main characteristics of the economic development throughout the three stages.

**Table 1: Three different stages in the evolution of economic development**

	<b>Industrial Recruiting</b> 1950s to 1980s	<b>Cost Competition</b> Early 1980s to Early 1990s	<b>Regional Competitiveness</b> Early 1990s to Present
<b>Driver</b>	Export base	Scale economies	Innovation & Entrepreneurship
<b>Strategies</b>	<ul style="list-style-type: none"> <li>• Financial incentives to firms</li> <li>• Industrial parks</li> </ul>	<ul style="list-style-type: none"> <li>• Industry consolidation &amp; cost cutting</li> <li>• Deregulation</li> </ul>	<ul style="list-style-type: none"> <li>• Entrepreneurship</li> <li>• Clusters</li> <li>• Commercial research</li> </ul>
<b>Keys to Success</b>	<ul style="list-style-type: none"> <li>• Government funds for subsidies and tax breaks</li> <li>• Industrial infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Health of existing industries</li> </ul>	<ul style="list-style-type: none"> <li>• Distinct regional assets, such as:</li> <li>• Human Capital</li> <li>• Higher Education</li> <li>• Amenities</li> </ul>

**Source: *Strengthening America’s Communities Initiative*, July 2005**

While the overall goal of economic development is to enhance the wealth and the quality of life for a certain place, the specific objectives have expanded. The emphasis now is on

**innovation and entrepreneurship.** Regional economic development is dependent upon regional assets such as human capital, education and amenities.

Based on this evolution, regional economic development implies (Beer, Maude & Pritchard 2003):

- Creation of a separate organization or a set of organizations to administer economic development programs within a defined region. This agency may be a unit within a local government, a statutory Committee acting under an incorporated body or any other organizational structure such as business coalitions or public-private partnerships that covers more than a city or locality.
- Its primary focus should be on economic development.
- However, such organizations would straddle a number of fields (economic growth, transportation, amenities, etc). For these organizations there is a primary focus on the growth of a region or locality rather than one or a number of constituent industries.

Regionalism has been a concept in the US since the 1920s. However, over the time the perspective on different types of regional structures and functions has continued to expand. Currently, regionalism is perceived as being intertwined with economic development, as the region is becoming the proper scale for successful economic activities. Regional economic assets, among which human capital is perhaps the most important, are not identified at the regional level. Economic successes and impacts are also evaluated from a regional angle.

## **Regional Economic Development**

In this section we provide some general arguments about why regional economic development is important and it should be advanced on the policy agenda of local communities all across the country.

Globalization has changed the nature of economic development at the local level. As argued by the president G. W. Bush in the *Strengthening America's Communities Initiative*, regions now compete in a global market and each of them needs to find its unique niche. Local

economies are no longer competing just against each other for shares in the domestic US market they are also competing against local economies all over the world. Under these circumstances the existing political jurisdictions (cities, townships, villages) tend to become inadequate. A regional market can blur existing political boundaries and create networks and economic synergies beyond the political boundaries. This phenomenon is important because it can help various regions create a common regional identity that could be marketed as such. Also, taking into consideration the size of a global economy, individual cities and towns are just too small to be able to become significant competitors.

In a global economy, foreign investors want healthy regions where they can find a multitude of social and cultural amenities. For these investors the distinction between prosperous suburbs and decaying urban core is confusing. Their interest is in the whole region and not just certain parts. Kanter (2000) makes an interesting argument about how business coalitions first tried to implement regional partnerships in response to international pressures. She claims that for many foreign investors, it is important that the region they move into is successful and sound both in terms of inner city and suburbs. She claims that business location decisions are based not on single cities and towns, but on the facilities and amenities of several places. Site planners, especially from other countries, seek one-stop shopping services that inform them about many places within a region at the same time. A similar argument can be found in Thomas (1997). Discussing the case of Detroit, she points out that most international investors do not have a clue about the difference between downtown Detroit and the surrounding wealthier suburbs. From the perspective of these investors, Detroit's bad reputation infringes upon the suburbs as well.

According to public finance studies, many municipalities in the US are currently struggling with financial difficulties. There has been a significant increase in budgetary reduction with these cuts affecting important economic development sectors for local communities such as public transportation, education, etc (Rabenhorst & Reschovsky, 2003). The reasons for these cuts are numerous and they are not going to be addressed here. However, it is important to note that more and more often, proponents of regionalism are trying to market it as a means for communities to build regional infrastructure projects and to limit financial stringencies. Even though regional economic development may not achieve all these objectives, it has the potential to at least address some critical areas of development. Whenever a regional issue can be framed in economic terms, business coalitions are most likely to fight for it. Business coalitions need to find regional development in the self-interest of their members in order to act. Their motivation is mostly based on “bottom line” rather than on altruism or the public interest. There are several specific regional policies advocated by business coalitions that seem to support this argument. For example, business coalitions occasionally support regional transportation. They want workers to be able to commute from inner city areas to the suburban plants. In those areas where unemployment is low, businesses have a direct interest in pushing for a regional mass transit system as they depend on the work force in the region. Education is a similar example. In various regions across the US (Boston for example) private corporations and business coalitions became involved in financing schools in order for them to be able to buy computers and other technologies. Their main reason behind such initiatives was a perceived need for a highly educated population and future workforce.

The last argument with regard to the importance of regional economic development refers to the way in which communities have traditionally carried out the local economic development

process. All across the US, communities have offered generous incentives to private corporations to locate within their jurisdictions. The rationale underlying these actions stems from the fact that those private corporations were perceived as highly mobile, always able to move to the next community. As a result of such practices, businesses have been able to shop around for the best deal possible pitting local jurisdictions against one another. This trend is summarized in Peterson (1981) who argues that the city's only interest is economic development and that each city needs to pursue this goal individually rather than together with other cities. The reason is economic survival; if a city wants to survive it must out compete its neighbors. Regional economic development is a potential solution to counteract this counterproductive cycle. Regional strategies such as cluster development or the specialization of different sub-regions/localities within a region represent the only alternatives to mitigate the fierce competitive model Peterson describes.

### **A Role for Business Partnerships/Coalitions**

Business coalitions can represent an important input for economic development of the locality or region. Such stakeholders would include private corporations, small businesses associations, citizens, chambers of commerce, real estate agents and brokers, lawyers, and so on. In a recent collection of essays on regionalism, Kanter (2000) argues that nearly absent 25 years ago or discredited as a civic force with the public's interest in mind, business coalitions are now driving a renewed appreciation for metropolitan approaches to issues such as economic competitiveness, human resource development, infrastructure innovation, and protection of unique environmental and civic assets. Kanter (2000) also argues that contemporary business coalitions are different from their early predecessors (for example the growth coalitions of the



urban renewal era). After the “reinvention process” they went through during the late ‘80s, as a result of strong criticism with regard to their limited ability to foster broader social and equity concerns and lack of accountability, business coalitions are now considered entrepreneurial and innovative. In addition, they are often the forces that push for regionalism and regional economic development.

There are several characteristics that define business coalitions. These characteristics impact the way regional cooperation is carried out and determine up to a certain extent, the type of regional issues that are addressed at the regional level. These characteristics are (see Kanter 2000):

- Contemporary business coalitions transcend existing political boundaries (local, state, national) in terms of their membership or service area. They also tend to focus on issues that cut across multiple jurisdictions (regional transportation).
- Their legitimacy is often derived from the public’s perception that tends to regard them as being “above politics.” Kanter claims that people associate legitimacy with regional projects driven by business coalitions.
- The business coalitions are more likely than local governments to better understand the importance of regionalism when international players are involved.
- Business coalitions develop only around issues that, though regional in nature, have a bearing on the process of economic development and the corporations’ overall success and profitability. Business coalitions need to find regional development in the self-interest of their members in order to act.
- When they partner with the public sector, existing local or regional governments, business coalitions tend to regard governmental agencies as junior partners.

It is important to understand what business coalitions are and how they function because they represent the main drivers of regional economic development. Knowing the kind of regional issues they may address and what is their relationship with existing local and regional governments, it may be helpful in assisting economic development practitioners in creating a successful regional economy.

#### IV. Regional Economic Development: Case Method Analysis

The research method used in order to gather data about regional economic development in different regions of the US is a comparative case study analysis. We have selected three regional organizations that have as their main mission the promotion of regional economic development. These regional economic entities are: 1) Northeastern Wisconsin Regional Economic Partnership, (a Wisconsin model); 2) Nashville Economic Market, (a Tennessee model); and 3) Saginaw Future Inc, (a Michigan model).

The **selection criteria** for these different models were:

- **County-based efforts:** RED Team has identified the Lansing region as being composed of three counties, namely Ingham, Eaton, and Clinton. They requested for us to focus as much as possible on county-based efforts in order for the selected models to be comparable with the Lansing region from the perspective of the service area criterion.
- **Interest of the RED Team in specific states:** RED Team has done some preliminary research on models promoting regional economic development. During their initial research they identified several other states and examples in Michigan that have implemented successful regional economic models. Wisconsin and Tennessee have been identified by our policy advisor as being of interest to the RED Team.
- **Diversity:** The RED Team has just started to explore possible models for promoting regional economic development in the Lansing area. At this point in time they are willing to explore various models that use different tools and incentives to promote economic growth. As a result, we have selected models that are different with regard to their service area, organizational structure, and services provided.

The data have been gathered from web sites and official documents provided by the case study organizations. In the case of Saginaw Future, Inc, Michigan, a personal interview with the president was conducted in November 2005. The data were synthesized and analyzed using *Regional Economic Development Organizational Matrix* (see Table 2). Key findings and recommendations follow the analysis matrix. For each dimension of the matrix, we have made several recommendations to the RED Team.

**Table 2: Regional Economic Development Analysis Matrix**

	<b>Regional Economic Development Organization</b>		
<b>Dimension of Analysis</b>	<b>Case Study 1</b>	<b>Case Study 2</b>	<b>Case Study 3</b>
<b>Service Area</b>			
<b>Organizational Structure</b>			
<b>Mission</b>			
<b>Services Provided</b>			
<b>Resources</b>			
<b>Outcomes</b>			

*Service area:* The specifically designated geographical area or political jurisdictions that are serviced by the regional economic entity; under this dimension. We also list the key physical and non-physical assets that describe the service area such as infrastructure, higher education, etc.

*Organizational structure:* The division of authority, responsibility, and duties among members of the organization.

*Mission:* What the organization intends to achieve and which are the specific goals underlying its mission.

*Services provided to the region:* Types of activities and assistance offered to the region by the organization. We have attempted to distinguish between direct services- services that are provided by the organization in a direct manner, using its staff and budget, and indirect services- assistance provided to the region by marketing and disseminating information with regard to other incentives that are also available in the region.

*Resources:* Identifiable financial and non-financial resources employed by the organization to advance its mission and achieve its goals.

*Outcomes:* Measurable, quantifiable outcomes directly related to regional economic development. Such outcomes include jobs created/retained, increase of the per capita income, business start-ups, etc.

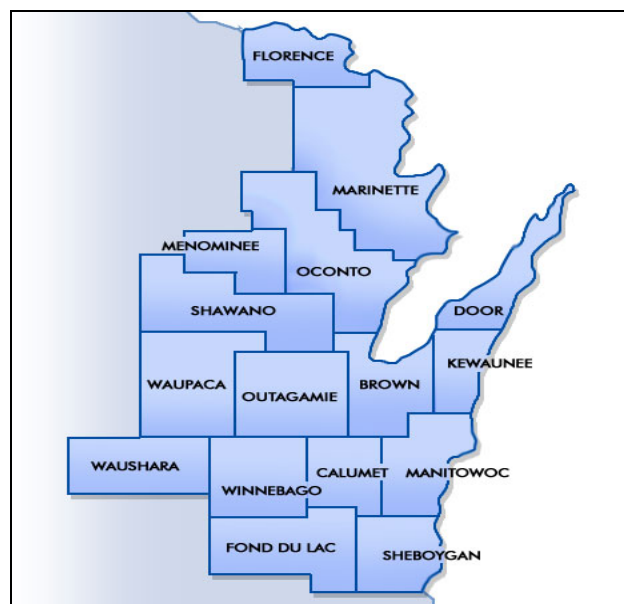
## V. CASE STUDIES

### *Northeastern Wisconsin Regional Economic Partnership (NEWREP) (Wisconsin Model)*

#### Service Area and Socio-Economic Data about the Region

NEWREP, as the name itself suggests, covers the northeastern part of the state of Wisconsin and encompasses the geographical territory of two regional planning commissions, namely Bay-Lake and East Central Wisconsin. It is however a county-based organizational structure. There are fifteen counties and one tribal nation under the jurisdiction of NEWREP. The counties are (1) Brown, (2) Calumet, (3) Door, (4) Florence, (5) Fond du Lac, (6) Kewaunee, (7) Manitowoc, (8) Marinette, (9) Oconto, (10) Outagamie, (11) Shawano, (12) Sheboygan, (13) Waupaca, (14) Waushara, and (15) Winnebago Counties and the Menominee Indian Tribe of Wisconsin. Map 2 shows their service area.

**Map 2: Service area for NEWREP**



Source: [http://www.northeastwisconsin.org/general/county\\_map.asp](http://www.northeastwisconsin.org/general/county_map.asp)

The following socio-demographic indicators are considered to be relevant for our analysis herein of NEWREP. The indicators used to describe the socio-economic profile of NEWREP are taken from a 2004 regional study- North East Wisconsin Economic Opportunity Study- that focused on the North East part of Wisconsin<sup>3</sup>.

## **NEWREP**

- Has the biggest service area among the other 7 technology zones created;
- Covers approximately 1/4 of the state.
- Total population: over 2.5 million people (2,687,091 based on 2004 census forecasts);
- An economy highly dependent on manufacturing: 25% to 29% of the workforce is employed in manufacturing which is more than double the national average;
- A manufacturing sector that needs to employ less and less people to increase its outcomes: Total wages and salaries earned in manufacturing declined by \$722 million from the first quarter of 2001 to the first quarter of 2004, while manufacturing income increased by \$118 million;
- Per capita income has fallen behind the state and national averages; over the last thirty years, new per capita income has decreased from equivalent to the state and U.S. average to significantly below those averages, 82% of U.S. average.
- Educational attainment is below both state and national level; at the national level 17.5% of the total population holds a bachelor degree; state level is 15.3% and for the NEWREP region 13.6%. The same trend is in place with regard to graduate degrees (national: 8.7 %; state: 7.2%; NEWREP 5.1%).

### *Background and context*

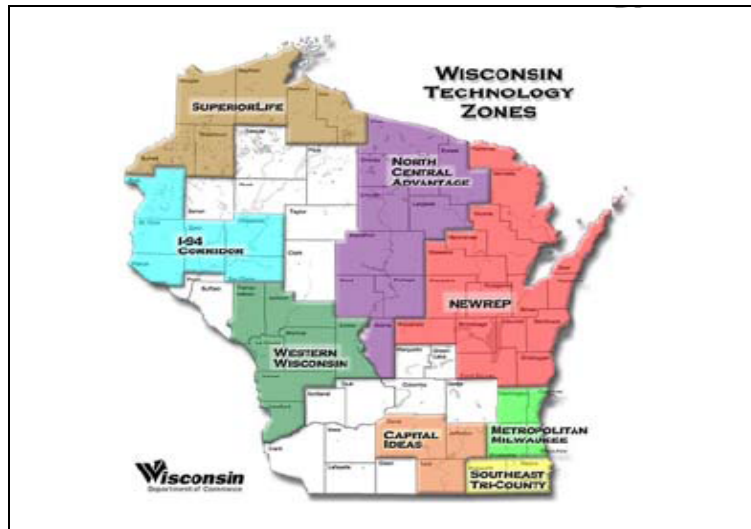
The Northeast Wisconsin Regional Economic Partnership, (NEWREP) was created in 2002, when Governor Scott McCallum announced the creation of the "Build Wisconsin" program. The program is to create a higher standard of living and enhancing the overall economic climate in Wisconsin through cooperative regional partnerships. "Build Wisconsin" ultimately created eight multi-county Technology Zones - NEWREP is one of those zones (Northeast Wisconsin Regional Economic Partnership web page). The other zones are: Superior Life, North Central Region, Northwest I-94 Corridor, Metropolitan Milwaukee, Western

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<sup>3</sup> North East Wisconsin region is defined for the purpose of conglomeration of 17 counties. This region differs from the service area of NEWREP only slightly. 16 counties are included both in the region in the study and in the NEWREP. Therefore, it can be argued that the indicators are representative enough to be used in the analysis herein.

Wisconsin, South Central I-90 Corridor, and Southeast Regional Economic Partnership. Map 3 illustrates the geographical spatial distribution of the eight technology-zones created in Wisconsin.

**Map 3: Wisconsin's Technology Zones**



**Source: Wisconsin State Commerce Department**

In the policy brief we focus on NEWREP. NEWREP is one of the most active technology zones. It is the only technology zone that created its own web site and provides a significant amount of information about its activities on line; it also the biggest one; NEWREP was the first zone to start processing applications for tax credits at the beginning of 2004.

In order to better understand the context that triggered the creation of the NEWREP some additional information on the “Build Wisconsin” program is provided. According to Governor Scott McCallum, the main proponent of the regional economic development strategy in Wisconsin, there are two main themes that need to be advanced on states’ policy agenda:

- A more diverse mix of high-paying jobs;

- The focus of economic development should be based on regional economies rather than a “one-size- fits-all” model.

According to the “Build Wisconsin” program economic development for the state and its regions has been defined via the state per capita income. Governor Scott McCallum stated: “a single objective must guide our efforts: provide the opportunity for all Wisconsin citizens to earn more money. I’ve set a goal of raising the income of each worker at least \$8,000 by 2006”.

“Build Wisconsin” has three main components to support this objective and the philosophy underlying the creation of NEWREP reflects them as well:

- Wisconsin’s business climate needs to be improved through a regional focus and technology companies that would attract more venture capital to Wisconsin need to be created/promoted.
- Maximize the competitiveness of Wisconsin’s workforce through higher education.
- Improve Wisconsin’s tax climate. In 2002 when the program was first launched Wisconsin ranked among the top ten highest taxed states.

As one can notice, “Build Wisconsin” initiative is firmly based in the concepts of promoting regional cooperation and developing a technology base (Gov. Scott McCallum 2002).

Before the “Build Wisconsin” program was officially launched, numerous workshops and meetings have taken place at different levels of government in order to determine the best organizational structure that would support the implementation of the technology zones. At one of these initial workshops held in December of 2001, communities in attendance began discussions of a joint application across several counties. They requested the East Central and Bay Lake Regional Planning Commissions to prepare the technology zone application on their behalf for this cooperative effort. This region became the Northeast Wisconsin Regional Economic Partnership (NEWREP) ([www.eastcentralrpc.org](http://www.eastcentralrpc.org)).

### Mission

Because the scope of the technology zones is fairly limited in comparison with other types of regional economic partnerships, one may expect the mission and vision of the organization to be also limited to promoting knowledge jobs and small business that focus on hi tech economic activities via tax credits. However, the mission of the organization is broad and ambitious. The vision statement states: Help create an environment where innovation will flourish; technology-based businesses will expand or choose to locate in northeast Wisconsin. NEWREP is a vehicle to build linkages between companies and provide the impetus for and means by which communities can effectively work together on a regional basis. Administration of the Technology Zone Program will facilitate access to \$5million in tax credits to stimulate investment, technological development and application, and new entrepreneurial and employment opportunities. Help define and implement new methods of addressing community development needs. As a more broadly defined community, NEWREP will take the initiative to improve the quality of life through higher income levels, job opportunities, and economic development resources (see the NEWREP Vision Statement page 47).

### Organizational Structure

NEWREP is the result of local communities (counties in this case) delegating their responsibilities with regard to the implementation of technology zones and tax credits to a regional body. The organizational structure should reflect this arrangement. During the application process each county passed a resolution to be a part of the technology zone. Also, during this time each county appointed one representative to be the local contact and member of a NEWREP Board of Directors. In addition to the NEWREP Board of Directors there are



marketing and administrative committees that report to the full board (East Central Wisconsin Regional Planning Commission web page). Staff is limited, between 5-7 persons.

### Services Provided

The Technology Zone program focuses primarily on businesses engaged in research, development or manufacturing of advanced products or materials used in a variety of identified fields. However, local Technology Zones may also recommend certification of businesses that they identify as part of a target cluster and as knowledge-based businesses or businesses that utilize advanced technology production processes, systems or equipment in more traditional manufacturing operations (Wisconsin Department of Commerce). This provision is extremely important for the type of services NEWREP can offer to the region. The northeastern part of Wisconsin is still dependent on manufacturing industries and jobs. However, some of these manufacturing jobs are highly computerized and could be considered as part of the knowledge-based economy. As NEWREP has some flexibility in determining which businesses are eligible for receiving tax credits, more traditional industries have been targeted (one of the example mentioned refers to small businesses in the paper industry). Unfortunately, to date we have not been able to obtain any quantitative data that would reflect the percent of such businesses in comparison with the total number of businesses enrolled.

Because of the complicated mechanism underlying the tax credits system, NEWREP works in close relationship with both the Department of Commerce and local communities (counties). In many cases small businesses have the chance to find out about the partnership's financial opportunities from the counties' economic development departments or agencies. Counties are also considered to provide additional services and financing mechanisms for the

businesses that come and locate themselves within the technology zone. On their web page NEWREP also lists county- and city-based programs that are complementary to the tax credits. While the counties and the regional planning commissions have more of a “marketing” role in regard to NEWREP, the Department of Commerce is concerned with the technical and financial aspects of the process. The money used to finance the tax credits are also transferred via State Commerce Department.

With regard to the administering of the tax credits program, the specific function of NEWREP is to provide assistance and directly work with the companies that qualify for the tax credits. Each company gets the tax credits for a period of three years and under certain circumstances it can be extended, especially if the company has made important steps in the direction of becoming profitable. NEWREP zone has \$5 million dollars in tax credits that are available over the next 10 years to high-technology businesses locating or expanding in a NEWREP county (NEWREP web site).

### Resources

The technology zone program was part of the governor’s Scott McCallum 2001-2003 budget. As mentioned before, each zone will receive \$ 5 million in tax credits over a 10-year period. The funding comes via Wisconsin Commerce Department. This program is financed entirely from state money. However, NEWREP has used additional funding for daily operational needs. Such funding comes from grants and/or minor contributions of the cities/counties that are part of it. For example, in October 2002, NEWREP applied for funding under Community Based Economic Development Grants (CBEDG); in their application they required financing for the development of a web site and marketing activities.

### Outcomes

No reliable data to determine this. Also some of the more indirect outcomes are not measurable right now.

### Summary

NEWREP is a regional economic model with a limited and narrow focus: provision of tax credits to companies and industries that are hi-tech or utilize technology as part of their production process. The stated claim of this regional organization is that regional cooperation will be further advanced beyond the provision of tax credits and technical assistance for knowledge based companies and industries. However, to date we have not been able to document any other type of initiatives beyond tax credits.

NEWREP is not a typical business coalition/partnership. It was created by the state government as part of the Governor's initiative and is modeled as to use existing local and regional governmental structures. As one could see from the description above, the traditional stakeholders associated with a business coalition are missing in this case. The role of the business sector is minimal and the government through the Wisconsin Commerce Department and the regional planning commissions plays an important role.

### *Nashville Economic Market (Tennessee Model)*

#### Overview

Nashville and Davidson County formed a combined city/county metropolitan government in 1963, making it one of the first of its kind. The act served a dual purpose: increasing a tax base that had been dwindling because of numbers of people moving from the city to the suburbs,

and eliminating much duplication of services, thus resulting in a more efficient form of government. It has since become a model for other metropolitan governments around the country. The missions and goals of the Nashville Economic Market are carried out through partnership initiatives. Nashville-Davidson county pooled resources with the nine other counties to create Partnership 2000, the first economic development initiative. Currently, the region has been renamed Partnership 2010.

The Nashville Chamber of Commerce serves the Nashville Economic Market. The Nashville Area Chamber is Middle Tennessee's largest business federation, representing more than 3,200 businesses in the 10-county economic market. The Chamber is a nonprofit organization dedicated to providing leadership to help create the best possible place in which to operate a business, while enhancing the region as a desirable place to live, work and visit. (Nashville Area Chamber of Commerce) The goals of the Chamber of Commerce are to (1) develop the region's economy, (2) develop member businesses, and (3) improve the region's infrastructure.

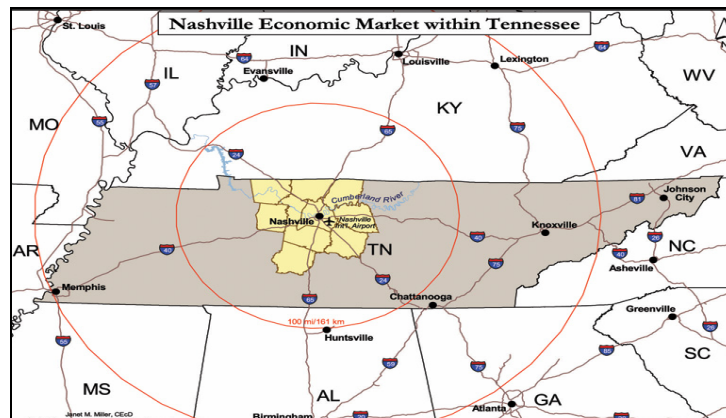
*Expansion Management* conducted a survey asking prominent site location consultants which cities their clients find most attractive when it comes to selecting an expansion or relocation sites. Topping that list were the following:

- Business climate
- Work force quality
- Incentive programs
- Ease of working with local political and economic development officials

In addition, the metropolitan Nashville area lies at the crossroads of three interstates and its location puts it within 650 miles of 50 percent of the nation's population. The metro is a transportation hub with air, rail and highway access. (Krizner, 2005)

Also accounting for the regional economic success of the Nashville region is the quality of higher education institutions. Outside of its logistics and location assets, higher education is another major factor. The three largest private universities in the metro created 1,000 jobs and had \$267 million in capital investments during the fiscal year 2004. (Krizner, 2005) Community colleges also assist with work force training for pre-existing employees. Higher education institutions were one of the reasons that Clarcor relocated its headquarters to Nashville. Norm Johnson, CEO of Clarcor, says that, “Nashville offered us a central location with a professional and well-educated work force, major colleges and universities, and access to a large international airport.”(Krizner, 2005)

**Map 4: Service area for NEM**



**Source:** <http://www.nashvilleareainfo.com>

The Nashville economic development region or Nashville Economic Market is comprised of ten counties. Those are (1) Cheatham, (2) Davidson, (3) Dickson, (4) Maury, (5) Montgomery, (6) Robertson, (7) Rutherford, (8) Sumner, (9) Williamson, and (10) Wilson. In 2000, the total population for the 10-county area was 1,435,577. In 2004, population estimates were 1,541,659, marking a 7.4% increase from the 2000 census. In addition, each individual county in the Nashville Economic Market has experienced positive population growth. Table 3 indicates per capita personal income for 2002.

**Table 3: Per capita income in 2002**

<b>COUNTY</b>	<b>PER CAPITA INCOME</b>	<b>*COUNTY RANKING</b>
Cheatham	\$25,956	15
Davidson	\$35,959	2
Dickson	\$23,893	29
Maury	\$26,562	10
Montgomery	\$25,689	17
Robertson	\$25,413	19
Rutherford	\$26,946	9
Sumner	\$27,140	7
Williamson	\$42,370	1
Wilson	\$30,120	6

\*County ranking indicates ranking in Tennessee

**Source: Nashville Economic Market Regional Profile**

These counties play host to many growing industries in Nashville. Nashville-Davidson County has a consolidated government and it is largely urbanized. Other counties such as Cheatham and Dickson are home to expanding businesses and industries as well as agriculturally based firms. Maury and Robertson counties are home to the manufacturing sector. Maury County is home to General Motors Saturn Cooperation and Robertson is home to Electrolux Home products. Rutherford County is the home of Nissan Motor Manufacturing Corporation. Sumner County is home to the Gap Distribution Center. Williamson County is home to the headquarters for PRIMUS Automotive Financial services, and Wilson County has experienced growth in residential, commercial and industrial developments.

The Nashville region also has a wide range of major employers. According to their regional profile, the top five employers are (1) Vanderbilt University and Medical Center, (2) Saint Thomas Health Services, (3) HCA Inc., (4) Nissan North America, Inc., and (5) Gaylord Entertainment Co. The Vanderbilt University system employs over 15,000 people. Saint

Thomas Health Services employs 10,000. Other major employers include BellSouth Inc., Wal-Mart Stores, and the Whirlpool Corp.

Nashville also possesses a broad range of higher education options. The ten-county region is home to fifteen accredited four-year and postgraduate institutions. These institutions include schools such as Middle Tennessee State University, Vanderbilt University, Tennessee Technological University, Tennessee State University, and Austin Peay State University. In addition, Nashville has five accredited two-year public colleges. The total enrollment for these institutions is 94,156. In the Nashville Economic Market, 53 percent of adults 25 and older have one or more years of college. Moreover, at least 80,000 people have graduate or professional degrees (Beatty, 2003).

### Organizational Structure

The Nashville Economic Market Partnership 2010 program is co-chaired by Nashville Mayor Bill Purcell and CEO of Healthcare of America (HCA) Jack Bovender. There are seven other staff members that comprise the Partnership 2010 program. Their primary function is to focus on making the site selection process and transition to the Nashville region as smooth as possible. All of the staff members also work with the Nashville Chamber of Commerce.

- Janet M. Miller, CEcD, Senior Vice President of Economic Development
- Carlyle W. Carroll, Vice President of Economic Development
- Jerome Terrell, Director of Economic Development
- Matt Largen, Marketing Manager, Economic Development
- Amanda Hite, Director of Research
- Mary Grace Schulz, Program Manager
- Kathleen Fox, Marketing Program Coordinator

All seven staff members are part of the Nashville Area Chamber of Commerce. Their primary goal is to recruit businesses into Nashville and assist businesses with the site selection

process. Four of the seven staff members serve as business-recruiting managers that specialize in relocating certain types of businesses. Janet Miller specializes in corporate headquarter relocations. Miller has been involved in relocation projects for companies such as Ford Motor Credit and CLARCOR. Carlyle Carroll works primarily with industrial manufacturing and warehouse/distribution sectors, and is also involved in corporate headquarters relocations. Jerome Terrell specializes in recruiting new businesses and providing resources and solutions to help existing companies expand. Matt Largen is responsible for all aspects of working with business relocation representatives.

### Mission

The Nashville Economic Market has implemented the Partnership 2010 Program. The program was initiated to address the urgent unmet needs of the region. These needs are:

- The need to successfully recruit more corporate headquarters and high-wage, high-skill manufacturing operations to Middle Tennessee.
- The need to pursue sustainable and steady growth for the region in order to maintain the great quality of life that we enjoy.
- The need to stay focused on addressing workforce quality and quantity issues in the region.
- The need to nurture the growth and success of our existing industry base.

The NEM has developed the Four Cornerstone Strategy 2002-2006 in order to accomplish their mission. The strategy includes business recruiting, retention, entrepreneurship, and community improvement. Business recruiting involves implementing an aggressive strategy targeting corporate headquarters, administrative offices, technology companies, and high-skill manufacturing operations. Business retention is defined as taking care of the region's existing businesses by implementing proactive tracking and business assistance strategies. Business entrepreneurship fosters growth in the region's start-up and early-stage businesses to enhance



Nashville's position as an entrepreneurial leader. Community improvement plans to implement strategies and programs that will ensure that Nashville remains a great place to live and work.

(Partnership 2010 Annual Report, 2004-2005). The goals for the Nashville Economic Market are:

- Personal income growth of \$1,300 per capita per year.
- Population growth of 20,000 per year.
- Employment growth of 12,500 net new jobs per year.
- \$10 billion in economic impact.

### Services Provided

The Nashville Economic Market offers tax incentives, business site location assistance, and special incentives for investors. In addition, from their website, searchers can create a “customized site selection” tool. This tool allows you to create a report that will address your specific needs. This report can include information about the organization, existing business resources, and has current maps and news covering the region.

Tax incentives come from the state, local, and Tennessee Valley Authority (TVA). The NEM's Partnership 2010 program can help businesses get exceptional incentive. Some of the local incentives are (1) Fast Track Permitting and One-Stop Business Assistance, (2) Commercial Real Estate Database, and (3) Payment in Lieu of Tax (PILOT). Fast-Track Permitting and One-stop Business Assistance provides a streamlined structure to access representatives of all applicable local, state, and federal agencies in one meeting to outline services, answer questions, fulfill requests and solve problems. (Nashville Area Chamber of Commerce) The Commercial Real Estate Database is available to relocating and expanding firms. This local incentive offers access to comprehensive databases of all available industrial buildings, office buildings, and Greenfield sites in the 10-county NEM. The PILOT program is

for projects involving large capital investments and large numbers of new jobs. These projects may be eligible for a property tax freeze or reduction. In addition to these incentives, Nashville has one of the nation's overall lowest tax burdens. The state and TVA incentives include a Jobs Tax Credit, a Corporate Excise Credit, and Economic Development Loan Fund, and the TVA Enhanced Growth Credit.

NEM's Partnership 2010 provides business location assistance in the form of providing site selectors and businesses with the information they need when making the decision to relocate or expand their businesses in the Nashville area. Information related to site location includes demographics, workforce, taxes, target industries, utilities, transportation, and education. In addition, the seven-member staff also assists in site location. Members of the staff, based on their knowledge and experience, work specifically with certain industries. The staff has members that work directly with corporate executives of relocating companies and professional site consultants, industrial manufacturing and warehouse/distribution sectors, as well as members who work in all facets of business location.

NEM's Partnership 2010 program provides special incentives directly to firms who invest in the region. Some investor benefits include the following:

- A seat on the Partnership 2010 Investors Council
- A profile of each investor company by business category included in every marketing package sent to relocation and expansion prospects in the Nashville area;
- Employees of investor firms can get involved in Partnership 2010 committees and task forces
- A Partnership 2010 newsletter and other communications throughout the year
- Opportunity to participate in Partnership 2010 team recruiting trips, trade shows, and special events.

## Resources

The Nashville Chamber of Commerce Office of Economic Development serves the Nashville Economic Market. Members of the Partnership 2010 program come from the Nashville Chamber of Commerce and are members of government within the 10-county region. There are a number of key investors from both the public and private sectors. The Partnership 2010 program recognizes all contributing members in their 2004-2005 annual report. Financial resources for the 2004-2005 year were in excess of \$2 million.

There were 23 investors who contributed at least \$100,000 to the Partnership 2010 program. These include the Tennessee Valley Authority, the Metropolitan Government of Nashville/Davidson County, and Bank of America. There were 19 investors who contributed between \$50,000 and \$99,999. These include Ernst & Young LLP, the First Tennessee Bank-Davidson County, and Tennessee Titans. In addition there are over 100 other investors to the Partnership 2010 program.

## Outcomes

Some of the Partnership 2000 accomplishments are:

- Population growth of the region from 53<sup>rd</sup> in the United States to 38<sup>th</sup>.
- Income growth of the region from 138<sup>th</sup> in the United States to 49<sup>th</sup>, moving the region from 5 percent below the U.S. median household income average to 7 percent above it.
- Successful landing of major brand-name corporate relocations including Dell Computer, the HCA headquarters, Caterpillar Financial, Ford Motor Credit and more than 350 successful relocations.
- Success in bringing manufacturing operations to Middle Tennessee and working in close partnership with the Tennessee Valley Authority (TVA) to successfully close those deals. Projects in which the Partnership collaborated with TVA include the Dell relocation, IBP, major expansions at Nissan and Saturn, Bridgestone/Metalpha's location in Clarksville, and numerous others.

Other companies have relocated to the Nashville are Caremark (a pharmaceutical company), Clarcor, Asurion (a wireless communications company), and Big Idea (a producer of animated children's films). All of these were headquarter company relocations.

In regards to economic impact, the Partnership 2010 builds more business for investor firms. When successful in job creation efforts, the Partnership has the ability to:

- Create more than \$10 billion in economic impact in the region's economy
- Create 50,000 new jobs for the Nashville region.
- 2,911 new businesses being created in the region.
- \$1 billion in new bank deposits in the region.
- 22,227 new housing units being added in the region.
- \$1.3 billion in new investment in commercial space in the region.
- \$3.6 billion in new consumer spending in the region. (Nashville Area Chamber of Commerce Department of Economic Development, 2005)

### *Saginaw Future Inc. (Michigan Model)*

#### Overview

Michigan has been a state with considerable attempts at regionalism that would affect the implementation of urban planning policy. The creativity of such a program has been vast and repeated. Some of these have been incorporated in major urban centers such as the Lansing, Kalamazoo and Grand Rapids regions, to name a few. Michigan is relatively new in the production and maintenance of regionalism policies, at the legislative capacity level, i.e., through State created legislation, as a useful system of urban development. However, regional policies for Michigan have been implemented utilizing various structured organizations such as the Southeast Michigan Council of Governments (SEMCOG), without legislative mandate or assistance. However the focus of SEMCOG has been primarily in "solving regional planning problems- improving the efficiency and effectiveness of the region's local governments as well

as the quality of life in Southeast Michigan” (SEMCOG Report 2004). Along with the SEMCOG research and organization, other organizations have focused on regional governance. But the focus on economic development at a regional level has been somewhat limited. However, as SEMCOG has reported, strategies to promote cooperation are best created at alternative and innovative levels that may lead to strategies that would enhance economic development cooperatives. Some of these examples include an emphasis on intergovernmental cooperation and Conditional Land Transfer Agreements also known as Public Act 425. There is one economic development model that will be addressed, Saginaw Future, Inc.

The RED team has identified various organizations that they deem as successful to model after. Within the Tri-county mid-Michigan region, Bay-Midland-Saginaw, the organization of Saginaw Future Inc. (SFI) has been a significant source of economic development since 1992. Saginaw County, where the SFI is based, has been successful in economic development “removing barriers and creating a more positive environment for business and economic growth”(3). Saginaw Future Inc. has focused primarily on infrastructure improvements and targeting the county’s strong industries that include advanced manufacturing, medical, and high tech sectors along with the professional services (SFI Report 2005). Some key investors for the SFI region include Delphi, General Motors, and Covenant Health Care.

The population of the Saginaw County region has declined within the last three decades. The figures in table 4 also represent the estimates of the years 2001-2003.

**Table 4: Population of Saginaw County**

<b>SAGINAW COUNTY POPULATION</b>	
1970 Census	219,743
1980 Census	228,059
1990 Census	211,946
1996 Census	211,927
1997 Census	211,406
1998 Census	210,839
1999 Census	210,400
2000 Census	210,039
2001 Census	209,973
2002 Census est.	210,087
2003 Census est.	209,327
Source: U.S. Census Bureau	

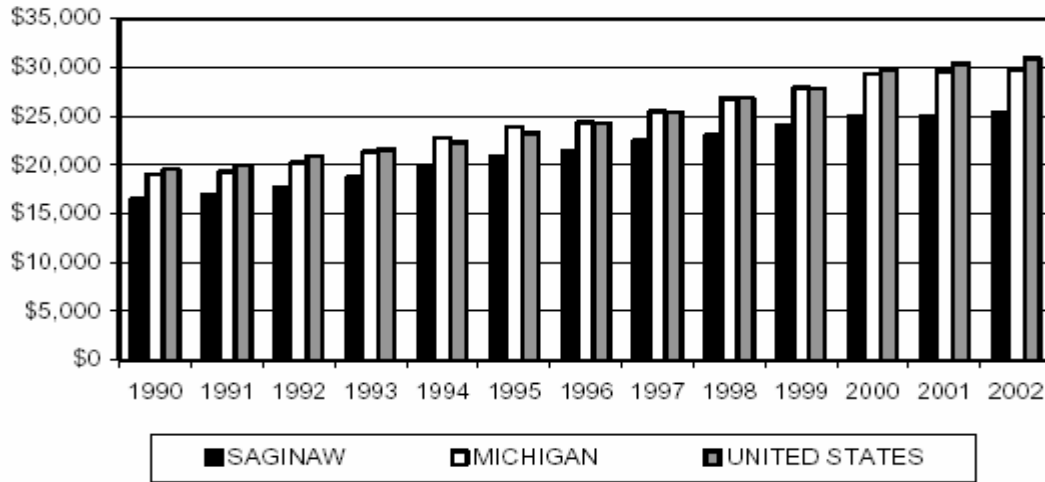
**Source: Saginaw Future Inc. Report.**

**Table 5: Income Per Capita of Saginaw County**

<b>Year</b>	<b>Per Capita Income</b>	<b>Unemployment Rate</b>
1990	\$16,559	8.0
1991	\$16,984	8.8
1992	\$17,760	8.4
1993	\$18,756	6.9
1994	\$19,884	6.3
1995	\$20,822	6.0
1996	\$21,472	5.1
1997	\$22,528	4.6
1998	\$23,043	4.6
1999	\$23,929	4.5
2000	\$24,917	4.2
2001	\$25,794	5.6
2002	\$26,730	6.9
2003	\$27,224	8.9
2004	\$28,140	8.5
Sources: 1990-2000 U.S. Department of Commerce 2001-2004 Saginaw County, Michigan 2003 Data Pamphlet, Woods & Poole Economics		

**Source: Saginaw Future Inc. Report**

**Table 6: Saginaw, Michigan, U.S. per capita Income Compared**



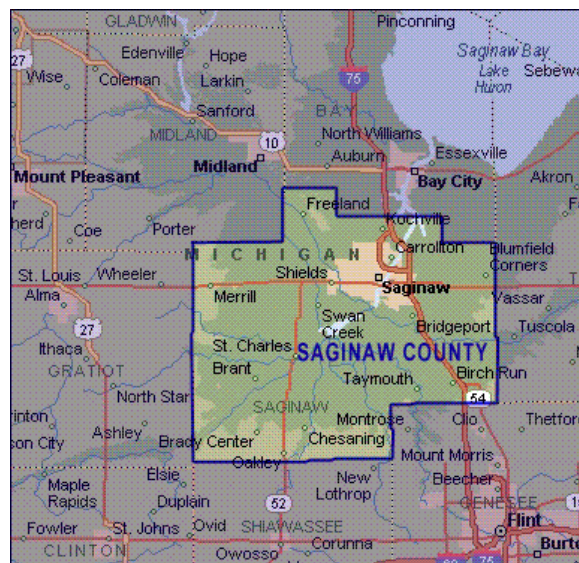
**Source: U.S. Bureau of Economic Analysis**

Service Area

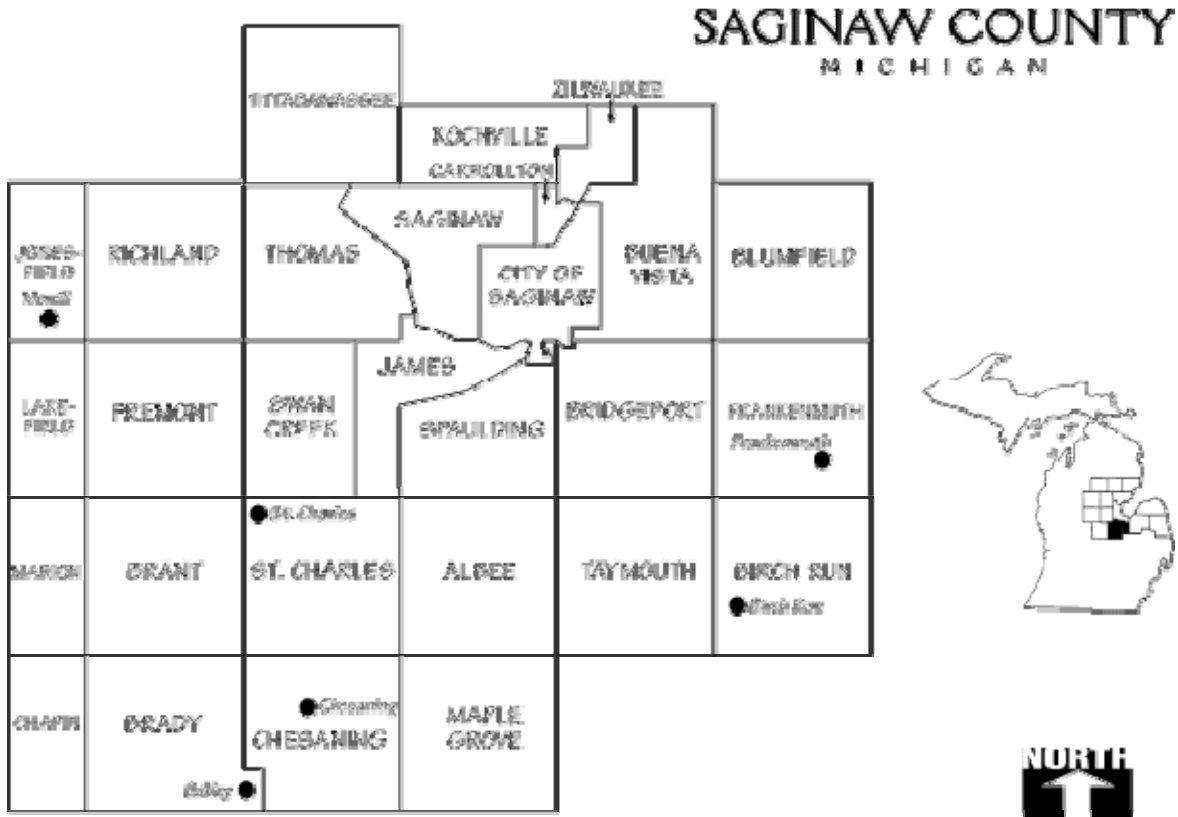
The location of Saginaw Future Inc. is based in the City of Saginaw, Saginaw County.

The county shares its borders with two other equally important counties, Bay and Midland Counties.

**Map 5: Service Area for Saginaw Future Inc.**



Map 6: A more detailed representation of the service areas



The county has two significant assets at its disposal: community and intra modal infrastructure.

Another key component of the success of Saginaw Future Inc. is within the existing infrastructure, specifically transportation. The SFI region is “endowed with an inter-modal infrastructure network that can facilitate the movement of a variety of goods in and out of the area to destinations throughout the world. The county has 54 truck lines, four railroad companies, three airports, three airline carriers that connect to major national hubs and over 30 port facilities that link with the St. Lawrence Seaway” (SFI Report 2005). The county also boasts a strong commitment to investment of human capital. This is fostered through education and work force development and training to assist residents. The SFI region also has three



higher education institutions, Saginaw Valley State University, Delta College and Davenport University.

### Organizational Structure

Saginaw Future Inc. is a 501(c)(3) nonprofit organization with seven staff members and a 21-member board of directors. According to the President of Saginaw Future Inc. there is a commitment to offer a balance of private and public sector representatives who serve on the board of directors. This includes four public sector representatives that may include county, city, and township officials. There are two seats for union delegates or members such as a member of the United Auto Workers and the Saginaw Labor Council. There are also designated seats for representatives from the utilities sector, higher education and the Chamber of Commerce. The Board is comprised of the following members:

- Gary Glaza, Chairman, Regional President Citizens Bank
- Frederic Fraizer, Past Chairman, Past President Saint Mary's Hospital
- Dr. Samuel Shaheen, Secretary/Treasurer, President SSP Associates, Inc.
- Darnell Earley, Manager, City of Saginaw
- JoAnn Crary, President Saginaw Future Inc.
- Todd Hare, Chairman Saginaw County Board of Commissioners
- Bob Van Deventer, President & CEO Saginaw County Chamber of Commerce
- Elliot S. Berton, First Vice President/ City President Bank One
- Garret Geer, Community Relations Leader, The Dow Chemical Co.
- Gavin Goetz, External Affairs Manager, SBC
- Charles Graham, Manager City of Frankenmuth
- Bruce R. Hill, Vice President Health System & Purchaser Relations HealthPlus of Michigan
- Richard Lane, Superintendent Saginaw Intermediate School District
- Gary Shepherd, International Representative United Auto Workers
- Joe Smith, Business Agent Teamsters Local 486
- Herbert Spence III, Vice President & CFO Spence Brothers
- Rachelle R. Valdez, Communications Director Delphi Corporation
- Rick Vander Weele, President/GM Memtron Technologies Co.
- Martin V. Williams, Township Manager Buena Vista Charter Township

## Mission

The mission of Saginaw Future Inc. is to increase economic opportunity in Saginaw County ensuring long-term growth and prosperity by fostering investment primarily in manufacturing, high-tech industries and professional services. According to the SFI 2005-2007 Strategic Plan, additional objectives are identified that will be significant for this brief. These include:

- Lead Business Retention and Expansion Efforts
- Identify and Develop Emerging Growth Opportunities - Attract New Industries
- Riverfront Development
- Cool Cities Initiative
- Regional Collaboration and Marketing

## Services provided

Saginaw Future Inc. provides numerous services that have been instrumental in business retention and expansion. These include: 1) site location, 2) incentive packaging, 3) financial assistance, 4) business advocacy, 5) virtual tours, and 6) industrial and workforce development. The services provided exemplify how SFI utilizes economic development tools and technical assistance for economic development.

**Site Location:** Saginaw Future Inc. utilizes the Michigan Site Network property database platform to maintain an inventory of available properties within the county. The database is updated monthly, with the assistance of area realtors and brokers, to ensure the most current information is available. Saginaw Future Inc. also provides an On Site Location Assistance Form through their web page.

**Incentive Packaging:** SFI offers assistance in developing packages to attract businesses. These include:

- Brownfield Tax Increment Financing
- Brownfield Redevelopment
- Community Development Block Grant
- Economic Development Job Training (EDJT)
- High Tech Mega
- IDR - Industrial Development Revenue Bonds
- Michigan Economic Growth Authority (MEGA)

- Obsolete Property Rehabilitation Act – OPRA
- P.A. 198 Tax Abatement
- P.A. 328 Tax Abatements
- Renaissance Zones
- Saginaw County Revolving Loan Fund (RLF)
- SBA 504 - Small Business Administration 504
- SBA 7(a) Small Business Administration 7(a)
- Youth Registered Apprentice Tax Credit

**Financial Assistance:** Saginaw Future Inc. also provides financial assistance through these organizations.

- Saginaw County Revolving Loan Fund
- City of Saginaw Economic Development Corporation
- Industrial Development Revenue Bonds (IDRB)
- Small Business Administration 504 (SBA 504)
- Small Business Administration 7(a) Guaranteed Loan

**Business Advocacy:** Saginaw Future Inc. believes that company's how are willing to relocate should be offered an expedited process through the bureaucratic system. SFI has created partnerships through meeting with public and private officials to ensure that the economic development tools are available to businesses and communities in order for them to prosper.

**Virtual PropertyTours:** This service is self explanatory and can be utilized by any potential business on the SFI website.

**Industrial Development:** Saginaw Future Inc. has two professional economic developers on staff that will assist businesses in preparing for industrial site redevelopments. Some of these include: Access to site assessment and clean up funds, Brownfield Tax Credits, Community Infrastructure Development Grants, and Construction of a speculative building and Development of Industrial Parks.

**Workforce Development:** At Saginaw Future Inc. workforce development issues are most critical to business success. SFI facilitates linkages with labor force preparatory institutions and employment service agencies to help employers meet their labor force needs. Saginaw Future Inc. is dedicated to providing services that help your business bottom line with information on recruitment, retention, available tax credits, and staff training opportunities. SFI has also developed a Workforce Development Guide to assist your company with various workforce issues. SFI has partnered with workforce development agencies and local universities such as Delta College, Saginaw Valley State University and Davenport University. SFI has a commitment in investing in human capital through workforce development programs.

Resources

The financial resources are not yet clear at this time in regards to administrative services. However, there are several project commitments by foundations, corporations and Saginaw County. These include:

- Citizens Bank Trust
- Michigan Economic Development Corporation
- Morley Foundation
- SBC Foundation
- Saginaw Community Foundation
- Saginaw County Revolving Loan Fund
- Robert E. Stark & Martin H. Stark Foundation
- Harvey Randall Wickes Foundation
- Wickson-Link Memorial Foundation
- Melvin L. & Hilda J. Zuehlke Charitable Foundation

Outcomes

The outcomes of the mission are measured through the number of businesses expanded, number of businesses attracted, jobs created, jobs retained, workers trained, total job base expansion, government contracts, and total value of contracts that equals the amount of new investment. In the 2005 Performance Report presented by SFI, there have been some measurable outcomes, specifically through the progression of the industries that were identified such as manufacturing, high-tech industries and professional services.

**Table 6: Saginaw Futures Inc. Outcomes 2004**

Business Expansions	222
Businesses Attracted	62
Jobs Created	4,740
Jobs Retained	4,034
Workers Trained*	4,151
Total Job Base Expansion**	15,405
Government Contracts	2,343
Total Value of Contracts	\$128.232 million
<b>New Investment Value^</b>	<b>\$1.942 billion</b>

\*Reflects a new method of tracking instituted in 2001.

\*\*Total job base expansion is equal to base jobs created plus supported Spin-off jobs. Saginaw County multiplier equal to 3.25 as estimated by Montgomery Consulting.

^New Investment Value includes public and private dollars invested in new facilities, equipment, working capital and infrastructure.

There are also other indicators that the SFI uses such as Workers Trained, Total Job Base Expansion, Government Contracts, and New Investment Value. However, the measure of these outcomes is also evidenced with completed projects and testimonials. Some of the testimonials include:

*AKT would like to take this opportunity to thank Saginaw Future, the city and the DDA for their efforts.*

*They were instrumental in helping our project receive Cool City designation from the state of Michigan.*

*AKT is proud to be located in Downtown Saginaw and the first Cool City project to be completed in Michigan." Brian Eggers, principal, AKT Peerless Environmental Services.*

*"Saginaw Future, the city of Saginaw and the state of Michigan laid the foundation for this project when the entire block was designated a Renaissance Zone. The state also assisted with a Core Communities grant. This team effort approach helped the project move forward and we expect to open Jake's Old City Grill this spring." Paul Barrera, owner, Jake's Old City Grill*

*"Saginaw Future continues to be the synergistic energy that facilitates interaction between the public and private sectors. I encourage all visionaries and entrepreneurs to utilize this deep and knowledgeable resource and to consider the possibility of developing their business in Renaissance Zones. By taking advantage of existing government grants and tax abatements we can re-vitalize and revive one of our most precious resources—our city itself." Louis A Cannon, MD., FACC FACP, founder and general manager, Bio-Star Private Equity Fund*

*"Saginaw Future was instrumental in finalizing Michigan Sugar Company's refinancing project with the state of Michigan. Michigan Sugar provides the livelihood for many families and Saginaw Future has helped our dream of being a meaningful and prosperous company become a reality." Wayne S. Hecht, secretary, Michigan Sugar Company Board of Directors*

Some of the projects include:

- Supported the development of Saginaw County's first Venture Capital Fund
- Helped secure over \$800 million in new investment at two of Saginaw County's largest taxpayer and employers –Delphi and General Motors.
- Assisted the City of Saginaw with new investment along the riverfront including the Michigan Cardiovascular Institution and Temple Theatre.
- Gained over \$5 million in infrastructure to support the world's largest producer of polycrystalline silicon at Hemlock Semiconductor Corporation.

## VI. Key Findings and Analysis

The research team would like to caution the reader that in some cases the data gathered are incomplete and the subsequent analyses are correspondingly preliminary and skewed. A number of factors affected the thoroughness of the analysis including: difficulties in gathering reliable information in a timely manner for the identified cases and the accurate identification of regional economic development models for analysis in the target areas. In conducting research we were confronted with a multitude of regional economic models both in Wisconsin and Tennessee. None of these models seem to be the **sole** model in place, suggesting that perhaps there are still other examples to be examined. Other limitations are related to the quality of available data. Most of our data about the three regions was taken from the web sites operated by the regional organizations themselves. We were not able to assess whether the information provided is mere marketing material or objective, verifiable data. We tried to utilize additional methods for data gathering. A survey was emailed to the three organizations. Saginaw Future Inc. was the only one to return the survey. Attempts to contact NEWREP and NEM via phone failed. Future studies may attempt to further validate this analysis.

The *Regional Economic Development Organizational Matrix* below was described in the methodology section. There are six main dimensions used to gather and then analyze the data from the three case studies.

**Table 8: Completed Regional Economic Development Organization Analysis Matrix**

	Regional Economic Development Organization		
Dimension of Analysis	Northeast Wisconsin Regional Economic Partnership	Nashville Economic Market	Saginaw Future Inc.
Service Area	Multiple Counties Higher Education	Multiple Counties Transportation Higher Education	Transportation Higher Education
Organizational Structure	Board of Directors Staff, Other (committees)	Staff	Board of Directors Staff
Mission	Technology Zone	Economic Growth	Economic Growth
Services Provided	Direct Economic Tools/Services	Indirect Economic Tools/Services Technical Assistance	Indirect Economic Tools/Services Technical Assistance
Resources	Governmental	Governmental Private Grants and Donations	Governmental
Outcomes	Not Yet measurable	Yes	Yes

Service area

NEWREP and NEM are large geographical areas, comprising 16 and 10 counties respectively. Saginaw Future Inc. is smaller in scale- it serves primarily one county (Saginaw county). One aspect that was common for the three cases with regard to their service area involves the tendency of the regional organizations to expand their present service area. Saginaw Future Inc. for example tends to create partnerships with the adjacent counties for

specific programs. One observation we might conclude from this is that regional economic development organizations may tend to expand beyond the pre-defined political boundaries of their service areas. Again, the case of Saginaw Future Inc. shows that some flexibility in delineating the service area is desirable as economic boundaries may vary from one project to the other.

The other aspect described under the service area in the matrix refers to key regional assets. Transportation infrastructure was considered both in the case of SFI and NEM a key regional asset. The inter-modal transportation infrastructure seems to be especially important in regions where manufacturing is still important. Higher education institutions are another key asset. All three regions have a significant number of universities and colleges within their service area. One interesting observation is that though universities are recognized as important regional assets, they are not actively involved in leadership roles. For all our case studies, higher education organizations are not represented on the board of the regional economic development organizations. This raises a very interesting question with regard to the role universities may play in the context of regional economic development. Our analysis so far suggests that currently they have an instrumental role; they are used as tools for retraining the workforce in the region.

### Organizational structure

The studied regional organizations exhibit some similarities with regard to their organizational structure. For NEWREP and SFI there are boards of directors in place that focus on the strategic aspects of planning for the organization. These two organizations have large board (15-20) compared to NEM. In the case of NEM there are two individuals (one



representing the public sector, the other representing the corporate sector) whose role is similar to that of a board of directors. With regard to staff, all three organizations have relatively small full-time staff (5 to 10). NEM represents an interesting example with regard to the affiliation of the staff members. They are all part of the Chamber of Commerce. This so far, is the only example that seems to validate the idea pointed out in the lit review that regional economic development organizations are business driven. The staff is limited because these organizations mostly assist businesses and identify existing opportunities within the region. They do not necessarily implement in a direct manner tools such as tax exemptions. This appears to be left to each local taxing jurisdiction. Even in the case of NEWREP the processing of applications for tax credits is done via the Wisconsin State Department.

### Mission

The three organizations have their missions broadly defined. The mission statements in all three cases point out goals that are related to regional economic development.

The NEWREP mission states: *“stimulate investment, technological development and application, and new entrepreneurial and employment opportunities; improve the quality of life through higher income levels, job opportunities, and economic development resources.”*

The NEM mission states: *successfully recruit more corporate headquarters and high-wage, high-skill manufacturing operations to Middle Tennessee; pursue sustainable and steady growth for the region in order to maintain the great quality of life that we enjoy; stay focused on addressing workforce quality and quantity issues in the region.”*

The SFI mission states: *“increase economic opportunity in Saginaw County ensuring long-term growth and prosperity by fostering investment primarily in manufacturing, high-tech industries and professional services.”*

In the case of NEWREP the stated mission seems to be overambitious when compared to the limited tools the organization has to promote regional economic development. One common

element in all the three cases refers to hi-tech industries. All three organizations have in their mission statement some reference to the attraction of hi-tech or knowledge-based industries. NEWREP and SFI specifically talk about attracting hi-tech jobs. NEM refers to high-skill manufacturing operations and entrepreneurship.

### Services

The three regional models point out that there are two approaches regional organizations may adopt with regard to the types of services they provide. NEWREP provides direct services to start-up businesses. The organization in conjunction with other public agencies implements the tax credits program. SFI and NEM provide more indirect economic development services to their regions. They are focused on identifying existing financial programs within the region and assisting businesses to apply for them. SFI provides direct services as well. It attracts money from foundations and then implements specific programs within the county. The NEM example proves how important assisting businesses can be. NEM even designates a staff member who specializes in specific industries to prospect businesses.

A specific function performed by these regional organizations is the promotion of the region. This has been done using various methods. All the regional organizations have created a website and occasionally publish information materials and packages. SFI also provide tours of the regions for businesses interested in located within its service area.

### Resources

The three regional organizations get their financial resources from a variety of sources. In the case of NEWREP there is a single source of funding. NEM and SFI have multiple sources

of funding. Our examples- NEM and NEWREP show the importance of public funds. NEWREP is entirely financed through state money and subsequently this has limited any resistance from local communities with regard to their lead role in advancing a technology zone. NEM has relied, at least in the early stages, on public funding as well. All the counties within the NEM region contributed to its budget. In this way, the organization has had some resources to start operating. As time has passed they have been able to be more financially diverse. However, the organization still continues to receive public funding via the member counties' Economic Development Councils. SFI appears to be particularly successful at attracting funds from private foundations.

### Outcomes

Measurable outcomes are available for NEM and SFI regions. The outcomes reported by the organizations are outcomes that are directly associated with economic growth. These outcomes include population growth, new start-ups, and jobs created/retained. For NEM there is a personal income growth of \$1,300 per capita and a 20,000 increase in the number of total population; there is also a \$10 billion in total economic impact. SFI reported for 2004 the creation of 4,740 new jobs; retention of 4,034 existing jobs, and new investment value of \$1.942 billion. Though these numbers show some economic impact, we caution the reader to carefully interpret their significance. The regional organizations use various economic indicators to estimate impacts and outcomes. While some indicators are clear-cut (job created) other are less clear. For example, NEM does not states how economic impact is defined, measured and aggregated for the whole service area. SFI is more accurate as it defines the indicators. Another limitation with regard to the reported outcomes stems from the fact that often we could not

determine with confidence whether there was a significant improvement as compared with previous years. SFI for example reported for 2004 the number of jobs created; however, there is no mention of how these numbers compare with 2003 data. Another problem with regard to outcomes refers to the geographical distribution of these outcomes within the region. This is especially a limitation with regard to NEM and NEWREP that have a multi-county service area. It is not said whether the outcomes are evenly distributed across all counties within the region or just in some of them.

These are some of the key findings from the three case studies. As mentioned at the beginning of the section in some cases they represent mere “informant guesses” based on the available data on our regional organizations. Further research is needed in order to fully validate our key findings.

## **VII. Conclusions**

Thus far we have presented a qualitative analysis regarding potential regional economic development organizational models. These models have been considered in relationship to the needs of our client, the RED Team, which is currently the regional entity advancing regional economic development in the Lansing area.

Our analysis has provided arguments derived from previous researches on the importance of regional cooperation not only from an economic development perspective, but from social and financial ones as well. Regional cooperation has been called for from the federal level. We no longer compete within cities and states for business. We contend in an international market due to globalization. The *Strengthening America’s Communities Initiative* admonishes us of the

transition that economic development is now going through. We have evolved from export base to innovation and entrepreneurship, and must rely on our human capital and regional assets.

The three models chosen were (1) Northwest Wisconsin Regional Economic Partnership (NEWREP) in Wisconsin, (2) Nashville Economic Market (NEM) in Tennessee, and (3) Saginaw Future Incorporated (SFI) in Michigan. We must reiterate at this point the limitations of our information and subsequent analysis. The data from each of the regions used were self-reported data from the regions themselves. While we can trust the information that we used, at this point, we cannot ascertain the validity of their statements. Their outcomes are based on their own measures. When a region indicates that they have experienced job growth in the past year, we are unable to tell if these were a total number of jobs added or if they are net jobs, meaning total number minus jobs lost. In addition, there may be differences in political structures and physical infrastructure that may account for the ability of the studied regions performance.

The *Regional Economic Development Organizational Matrix* has been used in order to report our key findings and analysis. The three analyzed models, though different in many ways, exhibit some similarities as well. We found this fact encouraging, as it seems to support our endeavor. Looking at best practices across jurisdictions that are different may be relevant as long as there are commonalities among regional economic development organizations.

We conclude that such a comparative analysis is relevant. Our policy brief has just pointed out several possible directions for future research. Our key findings must be further validated.

## VIII. Recommendations

Based on the three case studies, the literature review, and the Regional Economic Development Organizational Matrix, we make the following **12 recommendations** to strengthen the RED Team's approach to economic development in Mid-Michigan's Tri-County Region.

### Service Area

#### **1. Consider re-defining your region**

Although the RED team has identified itself as a three-county region, perhaps, it may be appropriate to broaden the service area. This may be particularly appropriate in responding to the nature of the "regional economy" and in proximity to the region. If public resources are to be garnered, the size of the service area may prove to be an important aspect to consider.

#### **2. Map your physical location/ regional assets: transportation, higher education**

The RED team has numerous regional assets that can assist in the development of a marketing strategy to bring in more businesses. We suggest that the RED Team maximize the benefit of these assets regionally. For example, Clinton, Ingham and Eaton counties have a strong inter-modal infrastructure, availability to institutions of higher education that can assist in the development of research (Michigan State University) and workforce training and development (Lansing Community College). This list should also include financial institutions, convention centers, Chambers of Commerce, etc.

### Organizational Structure

RED Team should consider the following organizational structure in order to increase their visibility in the service area and to regional economic development:

#### **3. Increase the visibility of the RED Team's Board of Directors**

Increase the visibility of the members of the board of directors on local and state level economic development committees such as MEDC executive committees. The Board should be composed of 15-20 members and include a mixture of public/ private representatives; this provides a balance between economic interests and more redistributive, equity-based concerns. Higher education institutions, if acknowledged as regional assets, should be part of the board as well.

#### **4. Consider adding full time staff**

Full time staff is essential if the organization is going to become engaged in marketing the region and in identifying additional incentives within their service areas that could be used in conjunction with their direct services. Staff should include 5-10 professions with responsibilities/job titles: President/ Executive Director; VP; Marketing professional; Economic Development professional; Professional Researcher; Support Staff .



### Mission

The RED Team's mission should address the overall goal of economic growth/ development utilizing the industries that your organization would like to support.

#### **5. Add sector specific goals to your mission statement**

While the mission can be defined broadly, our recommendation is to be more specific with your goals. The RED Team has identified three economic sectors- health care services, hi-tech, and hi-skill manufacturing as key to the future of regional economic development of the Lansing area. The specific goals could be perhaps formulated in reference to these identified key directions for the development of the Lansing region. This should be done through your objectives stated in or after the mission statement. We recommend an evaluation of your strategic plan every one or two years.

### Services Provided

#### **6. Utilize indirect economic development strategies and tools.**

Indirect economic development tools are as important as the direct tools. Our recommendation, in light of limited resources available at the regional level, is that the RED Team should focus on providing technical assistance to businesses and industries that may potentially want to relocate within their service area.

#### **7. Take an active role in marketing the region.**

We also recommend that the organization become more actively involved in the marketing of the region. RED Team should develop some materials on their service area and disseminate them (information packets, brochure).

### Resources

#### **8. Diversify sources of funding for the RED Team.**

We recommend that the organization must avoid over-reliance on one single source of funding. In terms of financial resources, a mix of funding is recommended; private funding: grants from foundations and public funding: (state appropriations, county resources).

#### **9. Consider non-tangible assets as well.**

Political leadership at the regional level can be extremely important. This recommendation is relevant in the light of the current political context in Lansing, as the newly elected mayor of the city of Lansing seems to be focused on advancing a strong regional agenda.



## Outcomes

The RED Team should design a thorough evaluation process of the outcomes.

### **10. Develop measurable performance indicators**

Specific criteria for evaluation should be developed. The criteria and the performance indicators should be developed in close connection with the stated goals for the regional organization.

### **11. Evaluate indirect outcomes**

Indirect outcomes should be evaluated as well. The goal of most of the regional economic organizations is to go beyond creating jobs for the region and in fact foster regional cooperation and growth. This phenomenon can be described as “boosterism.” If these regional organizations are to be publicly funded, they need to be accountable. As public funds are declining, evaluation becomes the key to judging best practices and outcomes.

### **12. Report progress towards outcomes broadly**

Annual reports on outcomes and organizational performance should be elaborated and disseminated. Make the process as transparent as possible.

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## **Web-based resources**

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