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CONTEMPORY ECONOMIC DEVELOPMENT IN U.S. CITIES FIVE CASE STUDIES

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EXECUTIVE SUMMARY

Introduction

This paper provides an overview of the variety of approaches utilized by cities in the U.S. to foster local economic development. For purposes of this paper, economic development is defined as activities sponsored by local government that promote or enhance economic activity in a city. Historically, most U.S. cities sought to promote economic development through improving their physical condition, such as building new infrastructure or clearing blighted areas. During the past 20 years, many cities have also implemented programs that encourage growth in certain industrial sectors as well as improve the skills of certain segments of the local labor force.

To illustrate contemporary approaches to economic development, five U.S. cities are profiled in this paper: Boston, Cleveland, Indianapolis, Minneapolis, and Pittsburgh. Each city was selected based on characteristics that mirror economic issues in Warsaw, including population size, a changing economic base, aging infrastructure, and a location between larger centers of commerce. Information contained in this paper was obtained through telephone interviews and review of published documents.

Summary of Economic Development Strategies

Economic development strategies utilized by the U.S. cities profiled in this paper can be categorized in terms of their goals: strategies to improve the physical environment, strategies to encourage emerging industries and new business formations, and strategies to strengthen labor force skills.

Strategies to Improve the Physical Environment. All of the cities profiled in this paper have invested funds and staff efforts in improving the built environment to promote economic development. In each city, this investment has taken different forms. Boston, Minneapolis, and Cleveland, have invested in their downtown areas, including construction of parking garages, redevelopment of declining waterfront areas, land assembly for private developments, loans for development, and toxic clean-up for business and industrial parks. All the cities have also built or encouraged the development of large industrial parks, either to provide space for expanding companies considering leaving the city, or to provide modern facilities for the attraction of new companies. In more recent years, cities have also implemented strategies to improve neighborhoods, ranging from the encouragement of affordable housing production in Cleveland to the revitalization of neighborhood shopping districts in Cleveland and Pittsburgh.

Strategies to Encourage Emerging Industries, New Businesses, and New Markets. Efforts to encourage emerging industries by the case study cities ranged from identifying industrial sectors likely to grow to providing favorable start-up financing to creating partnerships with universities for high technology research and development. Public entities have issued special below-market interest rate bond issues to help finance new business start-ups and larger businesses in biotechnology and manufacturing. In Cleveland, the City is promoting its tariff-free Foreign Trade Zones and a planned World Trade Center. Almost all of the cities have also created Enterprise Zones, providing a range of tax abatement and other forms of public subsidy to growing businesses. All of the cities have provided some form of technical assistance to encourage the growth and stabilization of small businesses. This assistance has been offered either by city departmental staff or, in several cases, by non-profit organizations with city sponsorship.

Two case study cities have framed parts of their economic development strategies around targeting a particular market niche. In Indianapolis, a concerted effort by private business and independent non-profit organizations has successfully implemented an amateur sports center strategy, attracting a host of international sporting organizations and events. The City of Cleveland has targeted the tourism industry by attracting the Rock and Roll Hall of Fame and planning the development of a downtown waterfront aquarium and museums. Many cities have also assisted in the development of convention centers and hotels, attracting outside expenditures into their local economy.

Strategies to Strengthen the Labor Force. Many of the cities researched for this paper are shifting their current economic development strategies towards labor force training and linkages to other public investments. This shift is occurring because of changing national economic structures (e.g., loss of manufacturing jobs, rise of information technology) as well as more localized conditions. In Minneapolis, for example, a long term focus on physical revitalization of the downtown has succeeded, but residents of suburban communities have filled the jobs in new downtown office buildings rather than residents of the city. Boston has created many programs to strengthen its labor force and ensure that locally-created jobs, or at least the financial benefits of redevelopment, go to city residents, including the Neighborhood Jobs Trust program (private developer payments to job training fund in exchange of development approvals), and the Boston Residents Jobs Program (contractors building projects with city financial assistance must hire Boston residents).

Summary of Economic Development Tools

Public/Private Partnerships. Public/private partnerships bring the public (i.e., government) and private sectors together to achieve common goals. While the goals are mutual or complimentary, such as redeveloping a piece of abandoned property, the motivations of each partner are often different. For example, in the case of redeveloping abandoned property, the goal of the business partner may be to build a more efficient production plant to increase profits. On the other hand, the goal of the public partner may be to reverse a trend of disinvestment in an inner city neighborhood. The key to the partnership is the recognition that each partner brings resources to the project that are necessary for success. Contributions of public partners may include grants, low-cost financing, project area master planning, surplus publicly owned land, and regulatory concessions. Public partners can also function as a conduit to channel grants from higher levels of government into specific development projects. Private partners commonly contribute capital, management expertise, tenants for a completed project, and marketing skills.

Tax Incentives. Local and state governments collect various types of taxes from businesses to support the services they provide. Local governments frequently use reductions or abatements of taxes as part of a package of economic development incentives to attract new businesses. Typically, the new business is granted a reduction or waiver of taxes that would normally be assessed on certain qualifying property. This makes a project more attractive from a business standpoint by reducing costs. Local governments grant these tax incentives in return for increased tax revenues and other benefits created by new development.

Favorable Financing. All of the case study cities have used various forms of below-market interest rate lending to assist private developers and new businesses. Cities have raised funds for lending through tax-exempt bond issues, federal government Community Development Block Grants, repayments from old federal Urban Development Action Grants, and grants from charitable organizations. Mobilizing such resources enables cities to encourage and facilitate private sector formation of business ventures that would otherwise have trouble obtaining bank financing.

Technical Assistance. Many cities have established business assistance centers or programs to help entrepreneurs establish or expand their businesses. These technical assistance programs are often a component of economic development strategies that seek to build the local economy by growing existing businesses and encouraging local entrepreneurial activity. Technical assistance often involves training in business management, raising capital, and marketing.

Marketing and Promotion. Marketing and promotional activities are a part of economic development efforts in almost all cities. These functions may be performed by a private organization such as a Chamber of Commerce, or by a public agency. Common marketing techniques include sending direct mailings to prospective businesses in other locations, attending targeted industry trade shows, and placing media advertisements. A more subtle marketing and promotional technique is to work with journalists to place articles or stories in the media. Examples include sponsoring large, newsworthy events that will attract media coverage and issuing press releases for significant local accomplishments and projects.

Land Assembly, Infrastructure Construction, and Real Estate Development. Cities in the U.S. have taken a range of actions to influence the private real estate development process to achieve public goals. Land assembly, one of the basic actions undertaken by many cities, involves using public powers such as condemnation or public financing to acquire and assemble land for redevelopment. This can include acquisition and disposition of tax delinquent property and disposition of other publicly-owned land. Public land assembly is particularly useful in redevelopment situations where small parcels are owned by numerous parties, which can make site assembly difficult and prohibitively expensive for private developers.

Cities use the public construction of infrastructure (e.g., roads, sewage treatment facilities, bridges, or sidewalks) to start the redevelopment of underutilized property or neighborhoods. The public entity pays for infrastructure construction, thereby preparing the site to attract private investment. Public infrastructure construction is often financed with bonds and repaid using increased public revenues generated by new private development. Sometimes, cities also construct public amenities such as parks or parking garages, in order to encourage private investment in a particular area.

Public agencies can function directly as real estate developers in situations where the private sector is unwilling or unable to risk its capital. Public real estate projects are often used strategically, as catalysts to spur additional private investment. Real estate developments sponsored by public agencies can also take the form of "signature" projects, such as stadiums or convention centers, which will attract visitors or improve a the city's image.

Enterprise Zones. Enterprise zones are a regulatory mechanism that package a bundle of economic development incentives for application to specific geographic areas such as underutilized industrial corridors. Generally, states designate enterprise zones within cities. Enterprise zones typically offer incentives such as tax abatement for new development, tax credits for hiring targeted groups of the labor force, and special financing programs for business expansion.

Summary of U.S. Experiences

Boston: An Entrepreneurial Local Government. Boston's approach to economic development illustrates how governmental agencies can operate in an entrepreneurial manner. The City has had visible successes with significant economic development projects, most notably the reuse of former Army and Navy installations in Boston Harbor. Both of the City's existing economic development agencies, the Boston Redevelopment Authority (BRA) and the Economic Development Industrial Commission (EDIC), are self-supporting through revenues generated by their projects.

According to BRA staff, one of the agency's most successful economic development tools has been its planning capabilities. More important than its participation in specific development projects, BRA's ability to plan and provide the vision for new nodes of economic activity is key to attracting private investments to foster economic development. Clear planning and development policies have reduced risk to private developers, translating into a more attractive investment environment.

Another aspect of Boston's success was its approach to "metering the market," used during the 1980s when demand for speculative downtown office space caused tremendous pressure for the City to approve large scale office projects. To avoid an overbuilt market, BRA limited new building approvals to match projected demand from office-based employment sectors. This effort required BRA staff to conduct comprehensive market studies tracking existing building inventory and planned developments. From developers' perspectives, the controls meant that space in new buildings would be quickly absorbed at strong rent levels. These conservative policies benefitted Boston because they created additional value in the limited development entitlements that were granted. As a result, the City could require high quality projects with public amenities. Although the Boston office market currently has excess supply, conditions in this city are better than in other cities such as Los Angeles, which did not attempt to regulate the supply of new office space.

To refine its strategy for the 1990s, Boston is working to create strong linkages between urban development projects and employment for city residents. The merger of Boston's job training programs with EDIC has strengthened the relationship between economic development and job training programs to benefit local rather than suburban residents. Boston is also reorganizing its economic development-related departments by planning to merge the BRA, EDIC, and the Public Facilities Department into a single Mayor's Office of Economic Development. Creation of an economic development "cabinet" that includes representatives of all city departments and commissions involved in the economic development process will improve coordination and responsiveness to business needs.

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Cleveland: Focus on Tourism and International Business. Cleveland's economic development strategy has focused on building a new image to attract visitors, working to retain and expand existing businesses, and stabilizing a declining residential population. The City has effectively used partnerships with private organizations to market and promote Cleveland. For example, the International Trade Alliance, a successful public/private effort to promote the City to international markets, helps local businesses take advantage of the City's emerging reputation as an international business location. In 1993, Cleveland was recognized in World Trade Magazine as one of the top ten U.S. cities for international business; during the same year the Alliance announced plans for creation of a World Trade Center.

The City has also emphasized public/private partnerships to build public oriented real estate development projects. In particular, private non-profit corporations are managing the development of the Gateway (a large sports complex that includes an arena and stadium) and North Coast Harbor (a visitor oriented waterfront development). The use of non-profit development corporations has been successful in bringing private investments to the projects and relieving the City of direct responsibility for daily administration. By signing concession agreements with the development corporation, approving its master plans, and retaining ownership of underlying properties, the City exercises control over the North Coast Harbor project. The City and County enhanced public accountability for the Gateway project by creating a publicly appointed Board of Directors, which controls the development corporation.

Indianapolis: Image-Building Through Sports. The creation of many independent non-profit organizations has attracted a high level of involvement in and support of economic development programs in Indianapolis. This decentralization of functions and responsibilities has leveraged resources that may not have been available under a more centralized governmental approach.

An example of the potential success offered by decentralized economic development is the evolution of Indianapolis as a sports center, which occurred through the efforts of the Indianapolis Sports Corporation, formed to attract the 1982 Festival of Sports. This organization, aided by contributions from major corporations located in Indianapolis, successfully executed a specialized strategy to market Indianapolis as a national sports center. New sports venues were financed and built during the 1980s, attracting numerous amateur sporting events. The City's image as a sports center was further enhanced by attracting the national headquarters for many different amateur sports organizations. This effort has brought substantial media attention, raised the visibility of Indianapolis as a community with a high quality of life, and attracted significant visitor expenditures.

Overall, Indianapolis has relied heavily on independent non-profit organizations to conceive and implement economic development strategies. A disadvantage of this approach is that the proliferation of many independent economic development organizations has sometimes resulted in a lack of overall coordination and cooperation. To address this, the City has dedicated resources to the Alliance for Economic Development, and has also assigned City representatives to work with non-profit organizations.

For the economic development functions conducted by the City government itself, the Mayor of Indianapolis has found it desirable to have Mayor's Office staff dedicated to economic development. In this way, communication and policy-making can flow directly from the Mayor's Office to other City departments and the business community.

Minneapolis: Building on a Strong Downtown. During the 1970s and 1980s, Minneapolis targeted much of its economic development strategy towards revitalizing its downtown. This development generated income and job growth for some residents, but other residents have not benefitted. Building on its successful downtown revitalization efforts, the City is now planning to shift its strategy, directing more resources to promoting job creation for city residents. This is seen as the logical next step in the City's continuing economic development process.

The new strategy will use increased public revenues generated by successful public/private downtown real estate development projects to encourage links between business development and residents' employment needs. For example, a prime factor to determine the City's participation in private real estate development projects will be the potential of the project to generate quality jobs that pay good wages to City residents. Another consideration will be the mechanisms available to insure that City residents have access to those jobs.

Few small businesses were able to participate in the City's financial assistance programs in the past. To enhance small business participation, the City is offering pooled Industrial Development Bond funds, a micro-loan fund, and a technical assistance program for small businesses.

Perhaps the most important lesson to be learned from Minneapolis is that public/private real estate development projects can have benefits beyond improving the physical environment, if strategically planned and viewed as investments. Over the long term, these types of projects generate revenues that can be reused to address other economic development needs as conditions change.

Pittsburgh: Public/Private Partnerships Invest in Emerging Industries. The City of Pittsburgh considers public/private partnerships as key to its economic development process. In addition to relationships with large corporations, these partnerships include small businesses, private non-profit and charitable organizations, and educational institutions.

In partnership with Carnegie Mellon University and the University of Pittsburgh, the City is developing a Technology Center. The partners are using publicly subsidized improvements to create a research and development business park for expanding or new companies involved in the development or application of advanced technologies. The project is located on the site of an abandoned steel mill. In 1993, the University of Pittsburgh completed its Center for Biotechnology and Bioengineering, and Carnegie Mellon University began construction of its Research Institute. Union Switch and Signal, a subsidiary of an Italian corporation, is building a 31,600 square meter facility to produce state-of-the-art transit switching equipment.

The City of Pittsburgh, through its Center for Business Assistance, is also investing in small and growing companies. The Center offers a range of financing assistance including its Business Investment Fund, targeted to small businesses that export goods and services outside Pittsburgh; the Community Development Investment Fund, which assists in commercial and residential real estate development in low-income neighborhoods; the Enterprise Fund for Trade and Services, which finances start-up enterprises; the Neighborhood Economic Development Investment Fund, targeted to retail businesses; the Start-An-Enterprise Program (STEP), which provides small loans for more risky start-up ventures; and the Purchase Order Program for Technology-Based Companies, which offers short-term financing to exporters of goods and services.

Lessons for Warsaw

Both Centralized and Decentralized Organizational Models Can Work. In Boston and Minneapolis, the primary city agency responsible for economic development has a broad range of authority and financing capability. Both of these agencies have been able to effectively formulate strategies, implement programs, and build significant real estate projects. In the Boston case, this centralized approach has been further enhanced by the vesting of land use control within the Redevelopment Agency. Over time, this centralized approach to economic development appears to bring results, particularly to the downtown area. This approach can even "finance" future efforts; successful real estate projects can eventually generate revenue to the public agency for use in new projects or programs. However, a potential effect of this centralized approach is that neighborhood economic development lags, and the jobs created through this style of redevelopment may not directly benefit local residents. Furthermore, this approach relies heavily on direct government investment and management skills; it does not maximize resources that may be available from private businesses and individuals.

At the other end of the spectrum, Indianapolis offers a model of decentralized economic development. Numerous non-profit organizations, often under their own initiative, have successfully addressed economic development goals. This approach attracts involvement from the private sector, and broadens the sources of funding and management skills. However, the decentralized approach to economic development risks a lack of coordination, as well as potential overlap or duplication of efforts.

Public/Private Partnerships Can Work. The concept of public/private partnerships has evolved to include a broad range of cooperative ventures among government agencies, private businesses, civic organizations, and educational institutions. An important aspect of these partnerships is that they confirm the idea that a variety of groups can work together toward mutually beneficial goals. When the goal involves research and development in high-technology sectors, educational institutions become critical partners with local government.

Public Investments Should Have Long-Term Benefits. This paper contains many examples of how government agencies invested public funds to provide short-term economic improvement and long-term benefits to the local economy. Long term benefits may include generating a flow of public revenues for continued economic development activities, serving as a catalyst for additional private development in an area, funding start-up businesses, or training the labor force to make the community a more successful economic competitor. Some cities have begun to link their investments together, so that public subsidy of an industrial park also requires the business occupants to hire local residents.

Job Creation and Local Employment Skills Should Match. U.S. cities' early economic development efforts focused primarily on improving the physical conditions of blighted areas. The results of these efforts were typically expressed in terms of dollars of new investment and numbers of new jobs created, but not necessarily in terms of benefits to city residents. As the 1990s bring a national restructuring of the economy, cities are trying to link their economic development efforts directly to the employment needs of local residents. With the decline of traditional manufacturing sectors and the rapid evolution of technology in growing employment sectors, it is becoming increasingly important for economic development strategies to enhance the job skills of local residents.

INTRODUCTION

This paper presents an overview of the variety of approaches that U.S. cities have used to foster local economic development. The economic development programs of five U.S. cities are profiled, to illustrate approaches taken in the U.S. The intent of following this "case study" format is to give examples of strategies, programs, and outcomes. This paper does not seek to comprehensively evaluate different approaches, nor does it recommend applicable strategies for Warsaw. The objective is to provide background information for economic development planning in Warsaw, offering ideas and examples that might be more closely examined by the City as it develops its own economic development program.

Overview of U.S. Economic Development

For purposes of this paper, economic development includes activities sponsored by local government that promote or enhance economic activity in a city. Approaches to economic development have traditionally taken three major policy directions. In some cities, economic development goals have targeted physical change, with programs focused on improving the physical condition of central city areas. Many U.S. cities used these kinds of programs because newer development occurred mainly in outlying suburbs, with corresponding disinvestment in older downtown and inner city neighborhoods. In other cases, economic development policies have targeted sectoral change, with programs focused on reversing a decline in manufacturing jobs or encouraging growth in high-tech industries. These programs were needed because certain regions of the U.S. experienced substantial losses of comparatively high-wage manufacturing jobs to other parts of the U.S. or to other countries. A third class of economic development policies have targeted labor force change, with programs focused on fostering job training or retraining for certain segments of the population. Cities have implemented such programs because even in relatively healthy local economies, residents lacking sufficient job training or transportation access have often not been able to participate in economic growth. The cities profiled in this paper have all implemented combinations of these types of economic development programs, although each city emphasizes different aspects of the three kinds of programs.

In the past, economic development activities undertaken by cities in the U.S. were relatively straightforward, involving the construction of basic infrastructure, the clearing of blighted property, and the funding of federally-sponsored job training/job creation programs. In the early 1970s, economic development evolved into a more complex set of strategies based on the concept of public/private partnership. These partnerships, which have taken many forms, essentially strive to "leverage" public expenditures by stimulating private investment. Partnerships have been formed to plan, finance, and administer economic development. Originally, many of these partnerships were between local government and private businesses or business organizations. In recent years, some of the partnerships have expanded to include a multitude of educational institutions and non-profit development corporations.

Over the past twenty years, city governments have tried to become more entrepreneurial and less bureaucratic. Now, more policy makers are skilled at formulating programs that encourage private actions through incentives, targeted public funding, land use regulation, land assembly, and other risk-reduction techniques. Some cities have refined their economic development programs so that public expenditures for specific projects in turn create new sources of support for broad economic development objectives; they link public payment for land assembly, construction subsidies, and/or tax abatements to requirements that the private sector participants hire city residents.

The 1990s will bring new challenges to U.S. cities, including declining public funds, continued downsizing of certain industries, increased competition from other countries, and changing demand for products and technologies. In addition, the U.S. economy as a whole will be shifting away from defense-related industrial production and research. While many economic development programs have had successful outcomes, there is a realization that economic development is a continuous process that must respond to ever-changing economic conditions. Furthermore, each city's challenges are unique, because each city's economic base has a different composition. Economic development programs must be custom-tailored to match each city's needs strengths in terms of infrastructure, corporate leadership, emerging industries, labor force skills, educational institutions, and locational advantages.

Research Methodology

This paper is based on a series of case studies. Five cities were selected based on criteria that echoed key aspects of the Warsaw economy, including:

- Population size
- Location between larger centers of commerce
- Significant structural change of the city's economic base
- Aging infrastructure

An initial list of ten cities was created using the criteria listed above. Initial research regarding the status of economic development programs and the possible applicability to Warsaw resulted in narrowing the candidate cities to the following:

- Boston
- Cleveland
- Indianapolis
- Minneapolis
- Pittsburgh

A map depicting the locations of these cities is shown on the following page as Figure 1.

Figure 1

Case Study Locations

For each city, basic demographic and employment trends during the 1980 to 1990 time period were analyzed. Then, economic development program representatives were contacted in each city and interviews were conducted using a standardized interview guide. In some cases, the primary agency or organization responsible for economic development program administration was identified, and portions of the interview guide were administered to staff of these agencies as well as to other organizations mentioned by the primary contact. Budget documents, strategy/policy documents, promotional material, and evaluation studies (if available) were requested from each respondent. Budget documents and work programs were reviewed to give a rough indication of the level of expenditures being made by cities and other entities to conduct economic development programs. Specific project and program examples were profiled. Finally, major themes and "lessons learned" were summarized from the research.

The following case studies describe research highlights, including key economic development challenges facing each city, overall strategies used to address these challenges, city economic development departments and the programs they coordinate, related non-profit organizations engaged in support activities, and any quantifiable results of the economic development strategy. Several Appendices are also attached to this paper. Appendix A depicts the organization charts of city economic development departments. Appendix B details examples of projects built in the case study cities. Appendix C provides a glossary that explains U.S. economic development terms. Appendix D includes a list of printed reference materials, and Appendix E lists contact persons from each city and private economic development organization.

BOSTON
AN ENTREPRENEURIAL LOCAL GOVERNMENT

City and Metropolitan Area Profile

Boston is an old, historic city at the core of a metropolitan region which serves as the economic center for the New England portion of the U.S.. The city, located approximately four hours driving time northeast of New York City, is notable as the location of many of the premier educational institutions in the U.S., including Harvard University and the Massachusetts Institute of Technology. During the 1980s, the Boston region experienced substantial growth in its high technology computer industry, stemming from its position as a center for scientific education and research. Although the central city core contains numerous historical landmarks and architecturally significant buildings, parts of the old city (especially along the waterfront and in certain neighborhoods) had experienced substantial disinvestment prior to the 1980s.

Table 1: Boston Population, Income, and Employment

	Central City	Pct. Change In 10 Yrs.	Metro Area	Pct. Change In 10 Yrs.
Population 1990	574,283	2.0%	2,871,000	2.3%
Per Capita Income 1989	$15,581	137.7%	$19,288	135.7%
Median Household Income 1989	$29,180	132.9%	$40,401	116.1%
Metro Area Unemployment 1990			5.2%	+0.2 pts

Metro Area Non-Agricultural Employment Composition 1990	Jobs	Percent of Total	Pct. Change From 1980
Mining	800	0.0%	n.a. (1)
Construction	52,200	3.1%	15.2%
Manufacturing	240,700	14.2%	-16.3%
Transportation and Public Utilities	77,100	4.5%	2.0%
Trade	380,800	22.5%	15.3%
Finance, Insurance, & Real Estate	144,700	8.5%	35.0%
Services	601,700	35.5%	37.4%
Government	197,100	11.6%	-5.5%
Total Employment	1,695,100	100.0%	13.6%

Notes:
(1) Data for this sector combined with Services in 1980.

Sources: U.S. Department of Commerce, Bureau of the Census, 1980, 1990; U.S. Bureau of Labor Statistics, "Employment and Earnings," May 1981, May 1991; Bay Area Economics.

In 1990, the City of Boston had a population of 574,000 within a 78 square kilometer land area, while the Boston metropolitan region (e.g., the PMSA) contained approximately 2.871 million people. Both the City and the region had slight population growth between 1980 and 1990. Employment growth for the decade was relatively modest for the Boston metropolitan area, increasing about 14 percent for the period; however, this overall growth arose from substantial changes within sectors. For example, while manufacturing employment declined 16 percent of the period, both services and finance/insurance/real estate grew in excess of 35 percent. Unemployment rates for the beginning and end of the decade were relatively unchanged, at 5.0 percent in 1980 and 5.2 percent in 1990.

The changing economy in the Boston region appeared to bring strong gains in prosperity; of the five cities/metropolitan regions profiled in this paper, the Boston region experienced the most dramatic growth in per capita income (+ 136 percent for the region on an unadjusted basis) and median household income (+ 116 percent for the region on an unadjusted basis) during the 1980s. City statistics echo this pattern.

Current Challenges

Although the 1980s were a period of relative health for the Boston region, bringing substantial building construction to the central city, the national recession of the early 1990s has had a major impact. According to the City, Boston lost 66,000 manufacturing jobs between 1990 and 1993, a greater loss than the entire region suffered during the 1980s. Thus, Boston's key economic development challenge during the past several years has centered on managing transition of the City's economic base from manufacturing to services amidst a slowdown in the real estate market and general economic activity.

Strategy

The City of Boston has two agencies with major responsibility for economic development: the City of Boston Redevelopment Authority (BRA) and the Economic Development and Industrial Corporation (EDIC). Both organizations are quasi-independent from the City Government, and each has adopted its own strategies.

The BRA's stated mission is to manage growth and facilitate economic activity. Historically, the BRA has focused primarily on redevelopment in downtown Boston. However, BRA is now shifting its focus toward a part of the city called Crosstown. This area is a one- to two-mile wide semi-circle shaped band that surrounds downtown Boston, and is home to many of the city's institutions, inner city neighborhoods, and industrial sites. The City has identified many existing businesses and institutions in the Crosstown area that it believes will provide economic growth opportunities for the 1990s, including computer software developers, biomedical and environmental research and technology firms, health care, and institutions of higher education.

For 1994, BRA's work program states that it will focus on the following activities:

- Job creation in technology-based industries.
- Development and growth of institutions of higher education, hospitals, medical research institutions, and the biotechnology industry.
- Development of new sports and cultural facilities, and the hospitality industry.

- Implementation of large-scale infrastructure investment projects and the City's capital plan.
- Development of new businesses and services, including banking and financial services, in minority communities.

The mission of the Economic Development and Industrial Corporation is the creation, retention, and capture of jobs for Boston residents and the preparation of Boston residents for those newly created jobs. The primary components of EDIC's work plan for the 1990s include:

- Expanding job opportunities through economic development, with particular emphasis on EDIC-owned industrial properties.
- Financing continued economic growth through its financial affiliate organizations.
- Expanding job opportunities through training programs administered by EDIC and by coordinating efforts of other service providers.
- Retaining and expanding business and job opportunities by working with existing industries to identify their needs and providing a comprehensive Business Assistance Program.

EDIC has identified the biomedical, environmental, and advanced materials industries as well as expanding international markets as key to Boston's future economic growth.

Coordination

At present, EDIC and BRA are both governed by their own respective Boards of Directors. For each agency, Board Members are appointed by the Mayor, and confirmed by the City Council. However, this division of activities may change in future years. In 1992, Boston's Mayor commissioned a study to evaluate the City's development policies and find ways to make them more efficient. An important recommendation that came out of the report was to merge EDIC and BRA into one agency to better consolidate the City's development functions. The first step towards implementation of this recommendation was accomplished through enactment of a management agreement under which the BRA Director also serves as the Chief Executive Officer of EDIC. A full merger of the two agencies will require approval of the Massachusetts State legislature. According to local sources, the proposal was sent to the legislature, but the legislature has not acted, pending the outcome of the 1993 Boston mayoral election.

City Departments Engaged in Economic Development

Boston Redevelopment Authority. The BRA was created in 1957 by the City Council to undertake traditional urban redevelopment projects. In 1960, the Massachusetts State legislature also enabled BRA to act as the City of Boston's planning agency. In addition to economic development, major functions of BRA include planning for infrastructure and housing development. The BRA has a total annual operations budget of approximately $13 million per year. In total, BRA employs 165 staff persons. Of the total expenditures and personnel, it is estimated that approximately 65 percent of each is allocated to economic development activities. Beyond its economic development functions, BRA is also responsible for the disposition of property for affordable housing production, management of public infrastructure projects, and development and administration of the City zoning regulations.

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The BRA focuses its economic development efforts in the four major program areas described below. (See organization chart, Figure 1, Appendix A.)

Institutional and Biotechnology Development. According to BRA staff, one of the Authority's most effective economic development tools is the ability to lay the groundwork for private development in an area by creating master plans and exercising zoning controls. BRA has determined that its planning powers can be effectively used to help expand Boston's biomedical research industry by working closely with institutions in the biomedical field to plan for future growth and expansion. The agency expects spin-off activity to be generated from its direct efforts.

Charlestown Navy Yard. The BRA heads the Charlestown Navy Yard (CNY) project. The CNY includes 55 hectares of a decommissioned naval base, of which BRA acquired 43 hectares. The National Park Service operates a national historic park on the remaining 14 hectares. BRA developed a master plan for the CNY that promotes mixed-use development, including office, research and development (R&D), and residential uses. The BRA either develops property itself and leases the space to businesses, or sells property to private developers.

Crosstown/Southwest Corridor. BRA has completed most major downtown projects, and is now focusing its efforts on the neighborhoods that surround downtown that are known as Crosstown or Southwest Corridor. Many Boston residents live in these neighborhoods, and at the same time, BRA has identified many opportunities in this area to promote economic development. A priority of BRA will be to link new development in this area to jobs for nearby residents. Within this area, BRA has plans to re-use an abandoned industrial plant and an old hospital site, and to develop new retail and recreational facilities for residents. In addition, the BRA successfully influenced the Commonwealth of Massachusetts to select a site in this area for a new Convention and Sports Megaplex.

The Midtown District. This program involves facilitating the transition of Boston's "red light district" (e.g., adult entertainment) into a more appealing location for shopping, office uses, and educational institutions. In this area, the BRA has imposed zoning regulations to restrict the proliferation of adult entertainment establishments and to encourage redevelopment of key parcels. BRA has also worked to encourage the expansion of Asian-owned businesses from the adjacent Chinatown into the area. Where it saw a need to stabilize property values and discourage adult entertainment businesses, BRA purchased a building and concentrated on leasing spaces to neighborhood retail businesses. The BRA encouraged educational institutions to purchase properties in the area to serve as institutional anchors. Finally, BRA has worked to designate capital improvement investments in the area to make it more physically attractive.

In addition to these four main program areas BRA has instituted several important linkage programs to insure that new development projects within the City will have immediate and long-term benefits for City residents. For example, BRA operates a linkage program that generates funds from new commercial development to use in the development of affordable housing in the City. Another program requires developers of valuable city-owned property to also develop other underutilized publicly-owned neighborhood sites with the participation of the local community.

Economic and Industrial Corporation (EDIC). In 1971, the Massachusetts State legislature created the EDIC as a quasi-public agency specifically to acquire and redevelop the property comprising the former Boston Army Base and Naval Annex. Although the project (now called the Marine Industrial Park) remains one of EDIC's most important undertakings, the organization has also become involved in many other projects.

In 1990, the City of Boston transferred the Mayor's Office of Jobs and Community services to EDIC. This move integrated the City of Boston's job training programs with EDIC's economic development functions, contributing to greater coordination between these two functions. Today, in addition to industrial park development and job training, EDIC is actively involved in financing private development projects. In total, EDIC has a staff of 140 and an operating budget of approximately $15 million per year. (See organization chart, Figure 2, Appendix A.)

The EDIC has established several internal programs and created several affiliated implementing organizations.

Industrial Park Operations. EDIC currently owns and manages three industrial parks including the Marine Industrial Park. EDIC's goal is to provide quality, attractive industrial space to help retain and expand businesses in Boston's industrial and manufacturing sectors. In total, the industrial parks occupy more than 81 hectares, and are home to approximately 160 companies that employ about 4,000 workers. The operations of the parks are supported by tenant leases. EDIC has invested approximately $25 million in public funds in these parks, leveraging an additional $150 million in private construction, renovation, and equipment investments. The three industrial parks represent approximately 17 percent of Boston's rental market for industrial real estate.

Marketing and Recruitment. EDIC conducts a recruiting and outreach campaign to attract new businesses to Boston. Display advertisements and advertising supplements are placed in several national business publications and direct mailings target high-growth companies in emerging industries including environmental, biotechnology, and advanced materials. EDIC representatives also attend trade shows and other industry gatherings to promote expansion opportunities in Boston with a focus on emerging industries.

EDIC's other marketing efforts include establishing a toll-free telephone number for information about locating businesses in Boston and publication of an annual "Site-Finder" which lists available leasing and development sites in the City.

Technical Assistance and Advocacy. EDIC offers many different types of technical assistance to businesses, including publication of a Business Assistance Resource Guide, and sponsorship of a series of business development seminars covering topics such as writing business plans, export techniques, loan applications, and accounting. EDIC played an advocacy role in helping a local clothing manufacturer win a federal contract to make military uniforms.

Jobs Linkage Programs. The EDIC administers the City's two jobs linkage programs that are related to new commercial developments. A job training linkage program called the Neighborhood Jobs Trust requires that developers contribute one dollar in job training funds for every square foot of commercial and institutional space constructed in a project over 100,000 square feet (9,294 square meters). EDIC disburses these funds to training programs established in conjunction with private employers. EDIC also administers the Boston Residents Jobs Program, which requires that contractors working on projects receiving city assistance reserve 50 percent of jobs for Boston residents, 25 percent for minorities, and 10 percent for females.

Jobs and Community Services. Within EDIC, the Jobs and Community Services program provides job training and placement, and seeks to link these efforts with EDIC's business development programs. The Jobs and Community Services program offers multiple services, including education, job training, job placement, counseling, and human services. Program revenues come from private contributions, and federal, state, and city sources. Many of the employment training programs are geared towards the needs of EDIC's industrial park tenants, and the needs of emerging industries.

Boston Industrial Development Financing Authority (BIDFA). As one of EDIC's two financial affiliates, BIDFA's primary function is to help finance large scale new developments. This authority uses tax-exempt and taxable industrial development bonds to provide fixed rate financing at attractive rates to new or expanding Boston businesses.

Boston Local Development Corporation (BLDC). BLDC is EDIC's second financial affiliate, which serves smaller businesses than BIDFA. In addition to assisting with financing for construction, renovation, acquisition, and equipment, BLDC can also make loans for working capital. BLDC's loans are at below-market rates and are negotiable based on the underlying economics of the venture. Capital for these loans is drawn from various federal, state, and local sources, including private financial institutions.

Boston Technical Center. The Boston Technical Center (BTC) is an important component of EDIC's job training program for Boston City residents and also serves to provide skilled workers for key local industries. BTC is strategically located in the EDIC's Marine Industrial Park, in close contact with many firms that require an expanding pool of trained labor. BTC provides training in various fields with identified growth potential and a need for skilled workers, including biotechnology, environmental, hazardous materials handling, telecommunications, and energy conservation services. One program combines English-As-A-Second-Language education with machine tools training. Revenues for the BTC operations come primarily from competitive grants of Federal Job Training Partnership Act funds, state welfare training funds, and grants from private industry. BTC is an accredited school, and as such, its students are eligible for Federal student financial aid programs.

Marine Industrial Park. As stated above, the EDIC was created in 1971 specifically to acquire and redevelop properties of the former Boston Army Base. In 1983, EDIC expanded the Marine Industrial Park by purchasing 10 hectares of land that was formerly a part of the Boston Army Base. EDIC places a priority on continued development of the Marine Industrial Park as a location for Boston's industrial and manufacturing firms, including maritime-related activities.

Emerging Industries Center. EDIC is working with the Community Development Corporation of Boston and the Massachusetts Biotechnology Research Institute to develop a "super incubator" for start-up businesses in emerging industries. The Center is planned to include shared research and prototype production space along with individual tenant spaces. An important component of the project is the provision of venture capital and free research and development space to new firms in exchange for equity. The project sponsors have successfully secured a $1 million appropriation from the U.S. Congress for project planning and development, and are seeking additional federal funds. A non-profit corporation will be set up to own and operate the Center.

Other City Departments. The City's Public Facilities Department also performs some economic development-related functions including neighborhood economic development, disposition of surplus City property, and infrastructure development. In 1993, the former Mayor also established a Mayor's Office of Business Retention, a three-person office set up to serve as an ombudsman and liaison between departing firms and City departments that would be involved in retention efforts.

Other Economic Development Organizations

No other economic development organizations in Boston were profiled for this paper.

Results

In the twelve months ending in August of 1993, BRA oversaw the beginning of substantial new development in Boston. According to BRA, construction started on projects worth a total of $840 million during this time. When completed, approximately 6,600 persons will work in permanent jobs located in these developments. The health care and institutional sector was most active, with projects worth $505 million, and future employment of 2,300 persons.

To date, EDIC industrial parks and the Charlestown Naval Yard have generated over $600 million in private investment, and now are the location for approximately 7,000 jobs. Between 1990 and 1993, BLDC loans totaling $1.5 million leveraged $5 million in additional funds and helped to retain or create 545 jobs. BIDFA issued bond commitments totaling $108 million that are linked to creation of 350 jobs. In 1992, EDIC training programs provided job skills to over 2,500 Boston residents. Almost 24,000 construction jobs were secured for Boston residents between 1990 and 1993 through the Boston Resident Jobs Program.

CLEVELAND
FOCUS ON TOURISM AND INTERNATIONAL BUSINESS

City and Metropolitan Area Profile

The City of Cleveland, located along the southern shore of Lake Erie, has historically served as a center of commercial activity and manufacturing for the upper Mid-Western portion of the U.S. Located approximately midway between New York and Chicago, Cleveland has benefitted from major highway and waterway infrastructure, enabling the transport of goods to and from the city.

Table 2: Cleveland Population, Income, and Employment

	Central City	Pct. Change In 10 Yrs	Metro Area	Pct. Change In 10 Yrs.
Population 1990	505,616	-11.9%	1,831,000	-3.6%
Per Capita Income 1989	$9,258	60.5%	$15,092	85.6%
Median Household Income 1989	$17,822	45.2%	$30,560	60.0%
Metro Area Unemployment 1990			5.0%	-2.2 pts

Metro Area Non-Agricultural Employment Composition 1990	Jobs	Percent of Total	Pct. Change From 1980
Mining	900	0.1%	n.a. (1)
Construction	36,800	3.8%	8.2%
Manufacturing	207,400	21.5%	-17.2%
Transportation and Public Utilities	43,400	4.5%	-11.4%
Trade	235,400	24.4%	10.5%
Finance, Insurance, & Real Estate	57,900	6.0%	18.6%
Services	262,800	27.2%	38.1%
Government	120,400	12.5%	0.3%
Total Employment	964,900	100.0%	6.3%

Notes:
(1) Data not available for this sector in 1980
Sources: U.S. Department of Commerce, Bureau of the Census, 1980, 1990; U.S. Bureau of Labor Statistics, "Employment and Earnings," May 1981, May 1991; Bay Area Economics.

In 1990, the City of Cleveland had a total population of approximately 506,000, within a metropolitan region of approximately 1.8 million. Both the City and the region experienced disturbing population losses; the City's population decreased by 12 percent during the 1980s, while the region lost almost four percent of its population base. Regional employment has followed a reverse trend from population, with modest gains of 6.3 percent for the decade. Shifts within employment sectors include a more than 17 percent decline in manufacturing jobs for the period, as well as an 11 percent decline in transportation/public utilities. Conversely, the services sector grew more than 38 percent for the decade.

Current Challenges

The key challenge for the City of Cleveland has been the transition from an economy based on manufacturing goods to one centered on administrative and service functions. Employment in the City was severely impacted by the national economic recession of the 1970s. Cleveland has historically been a corporate center, and continuing corporate restructuring and downsizing that began in the late 1980's exacerbated problems caused by declining employment in the manufacturing sectors.

Cleveland also lost a large proportion of its residential population in the 1980s. This is likely due in part to the loss of jobs, in combination with other factors that made suburban locations more attractive to city residents. The reduction in demand for goods and services resulting from the loss of residents has translated to a loss of economic activity in the central city.

Strategy

The City of Cleveland's economic development strategy has several elements. First, the City seeks to establish itself as the premier visitor destination of the Great Lakes region. To implement this strategy, the City has focused efforts on developing "signature" projects, including a new baseball stadium and arena complex, and downtown tourist attractions. At the same time, the economic development strategy seeks to promote business retention and expansion through marketing various types of business assistance programs, thereby addressing the need to stabilize the manufacturing base and encourage development in other growing sectors. The City is also encouraging sectoral change toward international trade. Finally, the City is promoting housing opportunities within its boundaries to stabilize the City's population base.

Coordination

Cleveland has a "strong mayor" system of government, meaning that the Mayor sets the policy direction for all of the City departments. Under the "strong mayor" system, the City Council takes a support role as fiscal manager, approving departmental budget and authorizing financial transactions involving city funds. Most City economic development staff functions are centralized in the Economic Development Department. In addition, several non-profit organizations have evolved to fulfill specialized functions such as marketing, promotion, and international trade development.

City Departments Engaged in Economic Development

Economic Development Department. The City of Cleveland Economic Development Department is the primary municipal economic development agency for the City (see organization chart, Figure 3, Appendix A). The Economic Development Department, established in the 1970s, began as an administrator of Urban Development Action Grants from the federal government. The City has not significantly reorganized the Department since it was established, although the Department's activities and programs have changed as the availability of funds from various sources has fluctuated.

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The Economic Development Department's responsibilities include planning a comprehensive economic development program, operating commercial/institutional development and redevelopment programs, developing and implementing a comprehensive industrial development strategy, operating business investment lending programs, providing "one stop" small business assistance services, and offering business development and marketing resources. In 1993, the Department had 24 employees and an operating budget of $1.2 million. The organization of the Economic Development Department parallels its main program areas.

The Department is divided into several major program areas, including Financial Assistance, Business Development and Marketing, and Small Business.

Financial Assistance Program. The purpose of the Financial Assistance program is to aid commercial, industrial, and residential businesses or projects using available federal, state, local, and private resources to foster economic development in the City of Cleveland. The Financial Assistance program markets loan programs, packages loan and tax incentive transactions for businesses, and packages loans and grants to local development corporations to support for-profit and non-profit neighborhood development. This program also works to secure funds for lending activity.

As part of these activities, the City has established the Cleveland Citywide Development Corporation. This organization is authorized to act on the behalf of the City to make Small Business Agency (SBA) 504 and review applications for other types of public financial assistance. Available financing programs offer interest rates fixed at below-market rates, relaxed lending criteria, subordinated debt, and pre-development grants for neighborhood development projects.

The Financial Assistance Program also administers Cleveland's Enterprise Zones. The City of Cleveland has six Enterprise Zones authorized by the State of Ohio. Qualified industrial and non-retail commercial businesses that invest in real and tangible personal property and commit to job creation or retention in an Enterprise Zone can apply for abatements of up to 100 percent of property taxes for up to ten years.

The Economic Development Department allocates approximately nine staff and $440,000 to the Financial Assistance Program. The Mayor's Office has also aggressively pursued commitments from local banks to make increased financing available for housing and commercial development in the City.

Business Development and Marketing Program. The Business Development and Marketing program helps develop real estate opportunities for new and expanding businesses and assists businesses with City regulatory procedures. The program also assists area businesses in real estate, site location and expansion planning. The marketing component of the program seeks to promote the City of Cleveland as a good place to live and work. Activities of the program include collection and distribution of pertinent real estate and city data, production of site and expansion plans, and production of promotional brochures for Cleveland and its economic development programs. Approximately $169,000 and four staff are assigned to the Business Development and Marketing Program.

Small Business Program. The City created the Small Business Program in 1991 to serve as an ombudsman for small businesses within City government, coordinate small business assistance groups, organize local neighborhood-based retention and expansion plans, and to identify technical assistance and financial resources for small businesses. Part of the program has involved setting up a "one stop" assistance center for small businesses. Approximately three staff and $118,000 are allocated to the Small Business Program.

Visitor Attraction Development. Several important projects are underway to implement the part of the strategy that calls for the Cleveland to become a dominant visitor attraction in the Great Lakes region. While the responsibility for implementation of these projects lies with non-profit organizations formed specifically for these purposes, the City actively promotes these developments, and has provided various forms of financial assistance.

North Coast Harbor is a redevelopment project on Cleveland's Lake Erie waterfront, adjacent to downtown, which will include many new visitor attractions with regional, national, and international appeal. Key elements of the project include development of a new aquarium; a museum of science, environment and technology; an historic steamship; the Rock and Roll Hall of Fame; and numerous parking facilities and public amenities. According to the project developers, the Rock and Roll Hall of Fame will be an international attraction, bringing up to 850,000 visitors per year. The City designated a non-profit organization, North Coast Harbor, Inc., to manage the project.

The Gateway Sports Complex is another downtown "signature" project that is currently underway. The project involves construction of a new stadium for the Cleveland Indians Major League Baseball franchise and a new arena for the National Basketball Association's Cleveland Cavaliers. This project is sponsored by the City of Cleveland and Cuyahoga County. The local governments have turned over day to day management responsibilities for development of the Gateway Sports Complex to a non-profit organization called Gateway Economic Development Corporation.

Playhouse Square is a cluster of four renovated 1920s-era theaters located in downtown Cleveland. These theaters now function as performing arts venues, hosting both local and traveling national productions. As of 1993, the Playhouse Square Center theaters were attracting 900,000 visitors per year. with an estimated 180,000 out-of-town guests. The Center is now home to many resident performing arts companies, including the Cleveland Opera, Cleveland Ballet, Great Lakes Theater Festival, Ohio Ballet, DanceCleveland, and the Tri-C Cultural Arts Services. A luxury hotel that will provide lodging for out of town theater guests and other visitors is now under construction in Playhouse Square. The non-profit Playhouse Square Foundation is the primary organizing entity behind this effort.

Other City Departments. The Department of Parks, Recreation, and Properties is the operator of the City's convention center. The Community Development Department administers redevelopment programs. including the Neighborhood Development Program and the Commercial Revitalization program. In addition, the Redevelopment Division of the Community Development Department is responsible for acquisition and disposition of property for redevelopment; funding for this Division is from Community Development Block Grant funds. The Department of Port Control administers the City's airports and city-owned properties on Lake Erie and the Cuyahoga River. Activities of the Department of Port Control include a major expansion of the international terminal at Hopkins International Airport and expansion of international air service.

Other Economic Development Organizations

Greater Cleveland Growth Association. The Greater Cleveland Growth Cleveland Growth Association (GCGA) is the local chamber of commerce, with 12,000 member companies. The Association takes a leadership role in economic development policy planning and implementation in the Cleveland area. The Association's Marketing and Communications Division performs traditional chamber activities such as promotions and public relations. The Association has four other divisions, with specialized functions that are not typically provided by chambers of commerce.

The International Trade Alliance is a program division within the Growth Association that entails a partnership between the City of Cleveland, the Cleveland/Cuyahoga Port Authority, and Cuyahoga County. The purpose of the Alliance is to promote the international development of Cleveland, creating jobs for citizens and enabling the community to compete globally.

The International Trade Alliance plans to operate a World Trade Center, which will house various governmental agencies and service companies that facilitate international trade. The Center is being created in affiliation with the World Trade Centers Association, which has a network of 235 World Trade Centers located in 69 different countries.

The Cleveland Area Development Corporation is a branch of the Growth Association that takes an active role in local business retention and expansion efforts. The Corporation manages job training programs and assists in downtown development projects. The Development Corporation also acts as an agent for SBA 504 and State loan programs. According to the GCGA, firms working with the Cleveland Area Development Corporation started new capital projects worth a total of $521 million during 1992.

The Growth Association's Council of Smaller Enterprises promotes small business development and entrepreneurship. The Council provides management and technical assistance through its Small Business Development Center and coordinates collective purchasing of services such as health care coverage and telecommunications for member companies. This entity also acts as a policy advocate for small business interests.

In addition to maintaining relations with government agencies and the public, a major function of the Growth Association's Government and Community Affairs division is to promote the enhancement of Cleveland's air transportation services. The Government and Community Affairs division is encouraging convenient air service from Cleveland to major domestic and international business destinations.

Cleveland Tomorrow. Cleveland Tomorrow is a non-profit organization that was established to represent major Cleveland Area businesses in the economic development process. Cleveland Tomorrow is composed of business leaders from the largest companies in the Northeast Ohio area. The organization's 53 members are all chief executives of companies with at least $350 million in sales per year. Cleveland Tomorrow defines its activities as "focused initiatives that improve the region's long-term economic vitality." Four objectives of Cleveland Tomorrow are:

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- Build new service and trade sectors that are not dependent on the traditional manufacturing base.
- Establish a long-term commitment to the historical and emerging manufacturing base, including enhancement of Cleveland's position as an exporter of goods.
- Improve the quality of life.
- Establish Cleveland as a dominant visitor destination in the Great Lakes region.

Cleveland Tomorrow has become involved in numerous partnerships with public and private organizations to address these goals. A notable component of Cleveland Tomorrow's program is its involvement in the formation of venture capital funds, using its ties to the corporate community. The venture capital funds are targeted towards specific areas of economic development opportunity, such as emerging technologies and technology transfer, minority entrepreneurship, and small business development.

New Cleveland Campaign. This is a private non-profit organization that uses media relations, promotions, and advertisements to promote the City of Cleveland as a desirable place to live, work, and run a business. Funding for this organization comes primarily from private sector contributions. The City and the Convention and Visitor's Bureau also contribute funds.

Results

Quantified results of the City's efforts to encourage economic development were not available to the authors of this paper.

Marketing and media relations efforts appear to have been successful in Cleveland, as shown by numerous citations in national publications identifying Cleveland as a city with a good business environment. The city also won commendations from President Clinton for success in urban economic development.

In its 1991-1992 annual report, the Cleveland Citywide Development Corporation reported that the City's financial assistance programs generated $3.2 million in new loans for 22 projects. These loans leveraged $12.4 million in private investment and created approximately 600 new jobs.

INDIANAPOLIS
IMAGE-BUILDING THROUGH SPORTS

City and Metropolitan Area Profile

Indianapolis is a medium-sized Midwestern city which serves as the capital of the State of Indiana. Indianapolis is located approximately three hours south of Chicago, at the crossroads of several major interstate freeways. The 1990 population of the City was approximately 797,000, an increase of more than 13 percent over 1980. The population of Indianapolis was spread out over more than 580 square kilometers of land area, making Indianapolis a much larger city physically than the other case study cities in this paper. The metropolitan region contained 1.25 million residents in 1990.

Table 3: Indianapolis Population, Income, and Employment

	Central City	Pct. Change In 10 Yrs.	Metro Area	Pct. Change In 10 Yrs.
Population 1990	797,159	13.8%	1,250,000	7.1%
Per Capita Income 1989	$14,614	92.7%	$15,159	95.4%
Median Household Income 1989	$29,152	68.7%	$31,655	69.5%
Metro Area Unemployment 1990			4.6%	-2.1 pts.

Metro Area Non-Agricultural Employment Composition 1990	Jobs	Percent of Total	Pct. Change From 1980
Mining	800	0.1%	n.a.(1)
Construction	39,200	5.8%	49.6%
Manufacturing	107,400	16.0%	-13.7%
Transportation and Public Utilities	42,900	6.4%	31.6%
Trade	175,900	26.2%	26.8%
Finance, Insurance, & Real Estate	49,500	7.4%	26.6%
Services	159,200	23.7%	68.5%
Government	97,600	14.5%	9.7%
Total Employment	672,500	100.0%	23.5%

Notes:

(1) Data for this sector combined with Services in 1980.

Sources: U.S. Department of Commerce, Bureau of the Census, 1980, 1990; U.S. Bureau of Labor Statistics, "Employment and Earnings," May 1981, May 1991; Bay Area Economics.

Employment growth in the region was relatively strong during the 1980s, with a total increase of almost 24 percent for the decade, despite a 14 percent decline in manufacturing employment. Strong employment sectors included services and construction. Unemployment declined between October 1980 and October 1990, dropping from 6.7 percent to 4.6 percent.

Current Challenges

The main economic development challenge facing Indianapolis is the need for continued revitalization of the central city area, which includes the downtown and surrounding inner city neighborhoods. The revitalization efforts include redevelopment of blighted properties, neighborhood and commercial district revitalization, and business retention and expansion.

Strategy

In May 1992, the Mayor of Indianapolis announced an economic development and job-creation initiative which included the following points:

- Business Attraction, Expansion and Retention
- Small Business Development
- Competitiveness Enhancement
- Bureaucracy Reduction
- Minority and Women Owned Business Development
- Enterprise Zone/Neighborhood Development
- International Business Development
- Regional Center Development

Coordination

The City coordinates implementation of this strategy through the Mayor's Office. The Metropolitan Development Department provides staff for most implementation functions. (See organization chart, Figure 4, Appendix A.) To a greater degree that the other cities profiled in this paper, Indianapolis relies heavily on numerous independent non-profit organizations performing specialized economic development functions. Since these organizations have evolved into active implementors, the City has recently created the Alliance for Economic Development, an umbrella organization designed to coordinate the city economic development interest, both public and private. The City also indirectly coordinates key non-profits' activities by obtaining program commitments from the non-profits to the City in exchange for City funding, and by placing City representatives on the governing boards of some of the organizations.

City Departments Engaged in Economic Development

Mayor's Office. Economic development efforts are directed by two Economic Development Program Coordinators, who are members of the Mayor's staff and report directly to the Mayor. These individuals are responsible for providing direction to other city staff, and for working with outside organizations to promote economic growth in the City. The first Economic Development Coordinator was added to the Mayor's staff in 1992, and the second coordinator was added in 1993. The Mayor added these staff members because economic development was a particular priority in his administration, and it was felt that having economic development staff reporting directly to the Mayor would provide effective oversight of the economic development functions. Previously, the economic development staff located within the City's Department of Metropolitan Development did not have a direct link to the Mayor.

Metropolitan Development Department. This City Department implements most of the economic development policies established by the Mayor's Office. Within the Metropolitan Development Department, the Housing and Development Division is most directly responsible for economic development functions. Approximately three full-time employees are dedicated to economic activities. Other divisions within the Metropolitan Development Department include Long Range Planning, Zoning and Inspection Services, and Neighborhood Development Services. (See organization chart, Figure 4, Appendix A.)

Programs and projects managed by the Metropolitan Development Department include as follows:

Downtown Canal. This is a large scale redevelopment project that involved rehabilitation of a historic waterway that runs for two miles through downtown Indianapolis. By the late 1970s, the waterway had fallen into disuse and neglect and was considered to be a blight on downtown Indianapolis. The City's Metropolitan Development Department instituted a program to make improvements to the waterway and adjacent properties. The purpose was to turn the waterway into an amenity for downtown Indianapolis and spur new development on adjacent properties. Beginning with the portions of the waterway in the center of downtown, the City lined the waterway with concrete to correct erosion problems, and installed walkways and light fixtures along its banks. Simultaneously, the City purchased underutilized properties next to the waterway and sold them to developers for redevelopment.

To date, the City has completed the two phases of the four-phased project. City officials state that every dollar of public money invested in the project has generated an additional four to five dollars of private investment. Tax increment bonds were the primary tool used to finance the City's physical improvements; the bonds will be paid using increased tax revenues generated by the new development.

Tax Abatement Program. The City offers a tax abatement program to help attract new businesses and to encourage expansion of existing businesses. The goal of the program is to create jobs and encourage new investment in the City. The City uses this tool to promote development in declining or blighted areas.

On a case-by-case basis, the City will grant exemptions from personal property taxes (taxes applied to capital equipment) and real property taxes (taxes applied to real estate improvements) for up to ten years. Project owners receive a 100 percent abatement in the first year, with a declining percentage of abatement each year thereafter. The private Indianapolis Economic Development Corporation markets this program worldwide (see organizational description below).

Dinosaur Buildings Program. The Dinosaur Buildings Program is a tax abatement program targeted specifically towards reuse of large abandoned industrial facilities that have remained vacant for a period of several years. State legislation in 1987 granted firms investing in these buildings income tax credits/exemptions based on the level of new investment, and granted new occupants of these buildings inventory tax exemptions. The Program's goal is to offset the cost of building reuse to return the buildings to productive use. Renovation of a 260,223 square meter former Western Electric manufacturing plant into a multi-tenant building for smaller industrial firms needing space is an example of how the City has used this program. The availability of small spaces and financial incentives has created a facility that could be considered a small business incubator.

Industrial Revenue Bonds. This program was very active through 1985, when changes in federal tax regulation made purchase of Industrial Revenue Bonds less attractive to investors. The program focused on providing low cost capital financing assistance for large ($1 to $10 million) manufacturing ventures. The City has issued bonds at below-market interest rates on behalf of qualified companies, which could use the proceeds to purchase land and equipment, construct new facilities, or acquire and rehabilitate existing facilities. The bonds are secured by the assets being financed, and are repaid by the beneficiary company. According to the Mayor's Office, the City has issued approximately $35 to $45 million in Industrial Revenue Bonds over the last five years. The City is currently looking into mechanisms to allow pooling of bonds so that smaller companies can participate in the program.

Small Business Incubator. The City of Indianapolis has invested $100,000 in seed money to establish a small business incubator in an existing 18,587 square meter warehouse building near downtown. The project provides a location for start-up businesses or those that are relocating the owner's home. The incubator facility offers spaces as small as 30 square meters to accommodate very small businesses. In addition, the incubator provides on-site technical assistance, common support staff, and shared office equipment, e.g., copiers and fax machines). By offering these services, the incubator can reduce the cost of starting and running a small business. Finally, the incubator managers plan to establish a venture capital fund capitalized by private investors; this fund would finance business start-ups and expansions.

The facility, opened in September of 1993, has leased 2,788 square meters of office space and 5,100 to square meters of warehouse/industrial space.

In addition to City funds, the project is financed by charitable foundations, banks, and private corporations. Operating costs of the facility will be paid from rental income. A non-profit organization is the administrator for the project; this organization has contracted with a for-profit manager to handle daily operations.

Other City Departments. Four other City employees perform economic development functions. These staff are located in the Regulatory Ombudsman's Office, created by the Mayor in 1992. This Office assists private individuals or firms in securing the regulatory approvals from other City offices that are needed to establish or expand a business within Indianapolis.

In total, with approximately nine staff dedicated to economic development activities, the City estimates that approximately $1 million will be spent internally on economic development, not including capital expenditures. However, these figures do not accurately portray Indianapolis' level of effort for economic development functions, because non-profit organizations that work with the City perform many economic development functions, as described below.

Other Economic Development Organizations

Indianapolis Economic Development Alliance. The Alliance includes representatives of the City, the local utility companies, the Indianapolis Airport Authority, and a private economic development organization called the Indianapolis Economic Development Corporation (IEDC). (The functions of IEDC are discussed below.)

The Mayor organized the Alliance group shortly after taking office in 1992 because he recognized the need to foster communication and coordination to insure that the combined resources of Alliance members are utilized most effectively. The Alliance representatives meet on a regular basis to discuss important economic development projects and to discuss the City's economic development policy and strategy. Including approximately one million dollars that the City of Indianapolis itself will spend, Alliance members will spend approximately $2.4 million in 1994 on economic development.

The Indianapolis Sports Corporation. The Indianapolis economic development strategy to attract amateur sporting events and organizations was originally conceived in the mid-1970s during discussions between groups of corporate and civic leaders seeking new ways to promote the City. Sports and fitness were selected as the focus of a strategy to enhance the quality of life in Indianapolis, provide opportunities for young people, improve the City's self-image and its national/international reputation, and stimulate the local economy.

To initiate implementation of the sports center strategy, the non-profit Indianapolis Sports Corporation was formed in 1979 to coordinate the City's bid to host the 1982 National Sports Festival. Directors of the Sports Corporation included representatives of prominent local businesses and institutions, governmental agencies, and civic organizations.

In February 1981, Indianapolis was selected as the site for the 1982 National Sports Festival. A key factor in the selection of Indianapolis instead of Philadelphia was Indianapolis' demonstration of wide community support for the project, including a $250,000 grant to the Sports Corporation from the corporate community, as well as support from the State and local governments. With the award of the Festival, this strong support was called upon to raise funds for construction of three major venues for the Festival's events - a bicycle racing velodrome, a swimming complex, and a track and field stadium.

The fundraising effort for construction of the new facilities drew funds and assistance from many different sources, including the City, which donated city park land, and the State, which donated land on the Indiana University campus. Private sources of funds for construction included charitable foundations and civic organizations. Public funds came from the City through bond issues; the State, through various capital and other funds; and the federal government, including a $1.5 million grant from the Economic Development Administration (EDA).

The development of the new sports venues to complement existing facilities formed the basis of a sports infrastructure in the City that would serve the 1982 Festival and as other prominent events in the future. Also, these sports facilities have enhanced the quality of life for city residents, providing opportunities to be spectators, volunteers for events, and participants in local sports and fitness programs.

The City of Indianapolis won accolades in the national press for its quality production of the 1982 National Sports Festival. The Festival earned a profit of $130,000 for the Sports Corporation, and the high quality of the sports facilities was recognized by participants and officials that were represented at the Festival. Indianapolis established a reputation as a national sports capital.

Since 1982, the City hosted the Pan American Games and many other national and international sporting events, including the World Gymnastics championships, U.S. Olympic Trials, U.S. National Rowing Championships, National Collegiate Athletic Association Basketball Championships, and the Professional Golfers Association Championships. In addition, the City has attracted sports-related facilities, including the National Institute for Fitness and Sport, and the National Art Museum of Sport. A parallel effort to attract the headquarters of various sports organizations in Indianapolis has also been successful. Among those organizations now headquartered in Indianapolis are the Amateur Athletics Union (the national governing body for Olympic sports), USA Gymnastics, and the United States Rowing Association.

A key component of the sports center evolution has been financial support from the Lilly Endowment, a charitable organization associated with the Eli Lilly Corporation, a major pharmaceutical company headquartered in Indianapolis. Between 1977 and 1991, the Indianapolis Chamber of Commerce estimates that the Endowment's financial support for amateur sports totaled $67 million, approximately 40 percent of total amateur sports investment of $167 million for the period.

The City signaled a change in its sports strategy in 1992, when Indianapolis withdrew its bid to host the 1998 Goodwill Games. At that time, the focus of the Sports Corporation shifted from large-scale sporting events to developing connections between the City's sports programs and its youth. The Sports Corporation will continue to attract and assist amateur sporting events, and promote the city's image as a leader in amateur sports. The City is also currently focusing on promoting motor sports associated with the Indianapolis Motor Speedway. To date, the City has attracted several racing teams and racing industry-related businesses.

Indianapolis Economic Development Corporation. The Indianapolis Economic Development Corporation (IEDC), founded in 1983, is a non-profit organization formed to promote and facilitate economic development in the City. In this capacity, IEDC staff shepherd businesses through the process of locating or expanding within Indianapolis. IEDC strives to provide a "one-stop" solution for businesses, thereby reducing their time and expense to process development applications. In this capacity IEDC staff can also help prospective businesses identify suitable business assistance programs. IEDC also performs marketing and outreach functions for the City. The organization has been successful in identifying prospective business contacts by cultivating a network of real estate brokers that provide site location services to companies seeking to establish new facilities. The City of Indianapolis provides about 25 percent of the IEDC's $700,000 annual operating budget.

Urban Enterprise Association. In January 1990, the State of Indianapolis granted Enterprise Zone status for a portion of the City. The Zone is a 4.14 square kilometer area, located about ten minutes from downtown. The City designated the Urban Enterprise Association, a non-profit corporation, to manage the Indianapolis Enterprise Zone. Its Board represents a spectrum of public and private interests, including a State legislator, a representative of the State Department of Commerce, a member of the Indianapolis Metropolitan Development Commission, a

Metropolitan Development Department staff representative, one representative of Zone businesses, and two Zone residents.

In addition to managing Enterprise Zone programs, the Urban Enterprise Association acts as a liaison between Zone residents, businesses, the City, and the State; as a fundraiser; and as a regulatory ombudsman for businesses in the Zone.

Enterprise Zone programs provide financial incentives and assistance, job development and training, housing rehabilitation, and business development and social services. Business incentives include inventory tax credits, gross income tax exemptions, and employment expense credits. The program encourages the private sector to make loans to Zone businesses and for rehabilitation or improvements to real property by granting a five percent State tax credit on interest received from qualified loans.

A unique feature of this Enterprise Zone program is that it also assists individuals who live and work in the area. For example, an employee of a Zone business who is also a Zone resident is entitled to an exemption from a portion of their State income taxes.

Indianapolis Airport Authority. The City of Indianapolis Airport Authority is responsible for the operation of the Indianapolis International Airport. The Airport Authority plays a key role in economic development through its work to expand and enhance air passenger and freight services to Indianapolis.

Airport Development. Since the mid-1980s, the City has been involved in a number of different projects to enhance the Indianapolis International Airport and its surrounding areas. These efforts focus on improving air service to Indianapolis and providing business expansion space for airport-dependent firms. In 1986 the City commenced work on a $170 million expansion to the Indianapolis International Airport. In addition, the City has invested capital funds to provide the infrastructure needed to accommodate business growth on sites near the airport. Tangible results of the program include increased air service and traffic levels, expansion of a Federal Express overnight mail hub, selection of Indianapolis as the site for a new U.S. Postal Service overnight hub, and the new $1.0 billion United Airlines aircraft maintenance facility. The City expects the Postal Service hub and United maintenance facility to bring 700 and 6,300 new jobs to Indianapolis, respectively. A welcome side effect of the expansion of the overnight package services at the airport has been attraction of several mail order firms to nearby areas. These firms have located near the airport to take advantage of ready access to the priority shipping services, minimizing delivery times to customers.

Foreign Trade Zone. The Indianapolis Airport Authority was granted Foreign Trade Zone Status in 1981 by the U.S. Customs Service. Within this Zone, international shipments are duty-free, quota-free, and State Inventory Tax-free. The "general purpose zone" includes a 5,762 square meter storage facility, and an additional 16,171 square meters of surface parking. In addition, nine companies have Foreign Trade Zone status. Each of these specific locations is considered a sub-zone. The Foreign Trade Zone is managed by a non-profit subsidiary organization of the Indianapolis Airport Authority.

The Foreign Trade Zone facilitates production of goods for international trade. For example, a company that has been designated a sub-zone can receive foreign components, assemble them, and then ship them to overseas locations without going through U.S. Customs and be subject to duties, quotas, and state inventory taxes. By storing goods in a foreign trade zone that will ultimately ship to U.S. customers, an importer can defer payment of duties until just before the customer is ready to receive the goods. Finally, the Trade Zone provides freight forwarding, documentation and quality control services for client companies.

Trade Zone officials estimate that local firms that use the trade zone to conduct business employ 7,000 persons, and that $40 million of goods pass through the Zone annually.

The Indianapolis Project, Inc. The Indianapolis Project, Inc. is a non-profit media relations organization that promotes the City by working with national and international reporters from all media to place articles and stories about the City and its accomplishments. The main objective of Indianapolis Project Inc. is to improve the image of the City, specifically as a good place to live and conduct business. The organization was established in 1982 to respond to the findings of a study completed by the local Chamber of Commerce that found the City lacked a recognizable image.

The City provides approximately 30 percent of the organization's budget. Other sources of funds include the Convention and Visitor's Association and the corporate community. Since its founding, The Indianapolis Project has placed over 1,600 articles about the City.

Indianapolis Network for Employment and Training (iNet). This is a job training and referral program which helps connect City residents with employers, and assists new or expanding employers to locate trained, qualified employees.

Mid-City Pioneer Corporation. The Mid-City Pioneer Corporation is a non-profit certified development corporation that is authorized by the U.S. SBA to make fixed-rate subordinated loans to help companies purchase machinery and equipment, purchase and improve land, and construct or remodel buildings. The Corporation will lend up to 40 percent of the borrower's project cost; the borrower contributes ten percent of the cost, and private lenders provide the remaining 50 percent.

Results

The City of Indianapolis measures its economic development program success by the number of jobs its assistance programs and affiliated organizations have helped to create. According to statistics compiled by IEDC, 7,856 new jobs were created in Indianapolis between from 1991 through August 1993, including 6,300 jobs at the new United Airlines maintenance center (this represented 11 new firms that each employed at least 25 persons). Existing companies added 3,185 new jobs during the same period (in 19 businesses that each added at least 50 new employees).

The program to make Indianapolis an amateur sports center has also been beneficial. According to a study by the Chamber of Commerce, amateur sports brought expenditures totaling about $1.05 billion into Indianapolis between 1977 and 1991. The total direct and direct impacts of those expenditures were estimated at $1.89 billion. Moreover, media coverage of prominent sporting events hosted in the City has given Indianapolis positive national and international exposure.

MINNEAPOLIS
BUILDING ON A STRONG DOWNTOWN

City and Metropolitan Area Profile

Minneapolis is a mid-sized city located in the upper Midwest portion of the U.S., approximately eight hours driving time from Chicago.

Table 4: Minneapolis Population, Income, and Employment

	Central City	Pct. Change In 10 Yrs.	Metro Area	Pct. Change In 10 Yrs.
Population 1990	368,383	-0.7%	2,464,000	15.3%
Per Capita Income 1989	$14,830	86.8%	$16,842	95.1%
Median Household Income 1989	$25,324	76.5%	$36,565	76.7%
Metro Area Unemployment 1990			4.1%	-0.5 pts

Metro Area Non-Agricultural Employment Composition 1990	Jobs	Percent of Total	Pct. Change From 1980
Mining	n.a.	n.a.	n.a. (1)
Construction	55,800	4.0%	20.0%
Manufacturing	259,800	18.6%	7.8%
Transportation and Public Utilities	79,100	5.7%	19.3%
Trade	338,500	24.2%	23.3%
Finance, Insurance, & Real Estate	95,100	6.8%	34.3%
Services	378,800	27.1%	57.6%
Government	189,300	13.6%	20.8%
Total Employment	1,396,900	100.0%	27.3%

Notes:
(1) Data for this sector combined with Services in 1980.
Sources: U.S. Department of Commerce, Bureau of the Census, 1980, 1990; U.S. Bureau of Labor Statistics, "Employment and Earnings," May 1981, May 1991; Bay Area Economics.

Current Challenges

At present, the City of Minneapolis is targeting the growing number of unemployed or underemployed residents as its primary economic development issue. Although the city experienced overall economic growth during the 1980s, not all socio-economic groups benefitted from this growth. The city recognizes that the problem occurs at both ends of the employment equation. Many unemployed or underemployed residents do not have skills to match existing employment opportunities. Concurrently, many newly created jobs do not fit the skills of the existing workforce. Because neighborhood interests emerged as the primary force in city politics in recent years, the City is focusing on economic development efforts to improve employment opportunities for city residents (rather than residents of the larger metropolitan area) are being emphasized.

Strategy

The City is currently preparing a new economic development strategy that will formally address the desire to provide quality jobs for City residents and enable residents to take advantage of the availability of such jobs. The goal is to continue building on prior economic development efforts (which have created many jobs), taking a more active role in insuring that City residents benefit from the new job creation. A key part of this strategy will be to focus resources on new development projects that have the potential to create the types of quality jobs that provide "living wages" for residents. The benefits to residents from this type of job creation will be further enhanced by developing more effective job linkage agreements for publicly assisted urban development projects, and strengthening the connections between all employers and the City's job training programs.

Coordination

Coordination of Minneapolis's economic development strategy occurs through an unusual structure. The Minneapolis Community Development Agency (MCDA), the primary city agency conducting economic development, is an independently chartered agency that functions as a separate entity from City government. However, MCDA is guided by the Minneapolis City Council, which serves as the MCDA Board of Directors. In this capacity, the Minneapolis City Council exercises direct policy-making authority over the Agency.

City Departments Engaged in Economic Development

Minneapolis Community Development Agency (MCDA). The primary economic development agency for the City of Minneapolis is the Minneapolis Community Development Agency (MCDA). The City established Its predecessor, the Housing and Redevelopment Authority, in 1948 in response to Federal urban renewal initiatives. Originally, the Authority's purposes were to develop and administer low income housing projects and to manage urban renewal projects in the central city. Over time, MCDA's economic development activities have expanded to encompass business retention and expansion as well as traditional redevelopment.

The most recent significant reorganization of economic development functions in Minneapolis occurred in 1980, when the City created MCDA by consolidating several agencies that were responsible for a variety of economic development functions. This action consolidation included the Housing & Redevelopment Authority, the Port Authority, and the Industrial Development Commission (which oversaw the city's Industrial Development Bond program). The MCDA also assumed responsibility for city development activities formerly administered by the City Coordinator's office. (In many U.S. cities, the counterpart to the Minneapolis City Coordinator has the title of City Administrator.) The MCDA has 158 full-time staff members.

Most of Minneapolis' economic development functions are concentrated within the Minneapolis Community Development Agency itself. In addition to economic development, MCDA is responsible for administration of the City's housing programs. Organizationally, the MCDA is broken into three major divisions, including Economic Development, Housing, and Finance. Of the 158 total staff, 30 staff are in the Economic Development Division, and another 15 staff within the Finance Division are involved in finance programs for economic development. The remaining MCDA staff are assigned to activities related to either overall MCDA administration or housing programs. (See organization chart, Figure 5, Appendix A.)

Specific programs operated by MCDA related to economic development include as follows:

The Tech Corridor. MCDA's involvement in real estate is typically limited to acquisition of land from private property owners and then selling that land to developers. The Minneapolis Tech Corridor project is a more comprehensive real estate development project, which involves redeveloping a former rail yard and grain storage site into a high technology core covering several city blocks between downtown Minneapolis and the University of Minnesota along the Mississippi river. MCDA, the University of Minnesota, and the State of Minnesota were initial partners in the administration and marketing efforts for this project. The Tech corridor project addresses the City's goal to promote business development in high technology and other emerging industries, such as biotechnology.

Primary roles of MCDA were to acquire and clear the land for the Tech Corridor, establish special zoning regulations to encourage high technology uses, and provide financing. The project, begun in the mid 1980s, has experienced development of four new buildings to date. Tenants include the University of Minnesota's new supercomputer institute and a bio-engineering spin-off from the Land O' Lakes dairy products company. MCDA staff estimate that the area can accommodate three to four times the amount of existing development.

In addition to planning and site preparation activities. MCDA took an equity position (e.g., ownership) in new development in the Tech Corridor. As part of the development, the University and MCDA jointly developed the building which houses the University supercomputer institute. Subsequently, MCDA sold its equity interest to the University, but, as part of the transaction, received an allocation of supercomputer time which MCDA can use at its discretion. To date, MCDA has designated local schools to use some of the computer time, and could potentially assist local businesses by providing supercomputer access. The funding for MCDA's involvement in this project comes primarily from tax increment revenues.

Industrial Parks. The MCDA has an on-going program to acquire excess rail yards and develop them as industrial parks. This program addresses the City's lack of suitable sites for expanding or newly located industrial firms. MCDA's function is to acquire the blighted properties, clear the sites, clean up contamination, and sell the land to developers for specified uses. The sale of the land typically involves a write-down of the land price, which helps Minneapolis compete with less expensive suburban locations for new economic growth. This program is financed by tax increment revenues and developer payments.

Industrial Development Bonds/Job Training Linkage. The city actively issues Industrial Development Bonds (IDB) to provide growing companies with below-market rate financing for capital investments in equipment and facilities expansions. An innovative aspect of the IDB program is a loan pool, enabling smaller firms to participate when they would otherwise have been ineligible due to lack of financial strength. To address the goal of providing employment opportunities for local residents, the IDB program links to job training programs run by the

Minneapolis Employment and Training Program. Firms that receive IDB financing participate in the city's job training program, hiring city residents in exchange for attractive financing terms.

Entrepreneurial/Small Business Technical Assistance. MCDA plans to establish a new program that will provide technical assistance to the local small business community. This program will respond to the fact that while small businesses represent an important engine of economic growth, few can take advantage of MCDA's traditional programs, which emphasize provision of building sites and relatively large financings. Although the program will begin very modestly, it is planned to include assistance in technology transfer and office automation training for small businesses. Initially, a main objective of the program will be to establish networks among various existing independent business assistance providers. The MCDA development fund will finance this program.

Micro Loan Fund. To address the capital needs of fledgling entrepreneurs, MCDA operates a micro-loan fund. The program is designed to fill a capital gap for businesses that need financing terms not available from commercial banks or other MCDA financing programs. The micro-loan fund makes loans as small as $500, whereas the minimum size for commercial loans is much larger. The MCDA development fund provided the initial capital for the micro-loan fund. This revolving loan fund is replenished as borrowers pay back loans with interest.

Downtown Parking Program. In addition to business retention and expansion programs, MCDA also implemented a program explicitly targeted toward bringing new office tenants into downtown Minneapolis. The program provides parking spaces in private downtown parking garages to new office tenants at below-market rates. MCDA negotiates the lease of parking spaces at favorable rates and then subleases the spaces to office tenants who are new to downtown Minneapolis.

Garage owners are willing to lease the spaces to MCDA at below-market rates because by renting to the MCDA, which is a tax exempt organization, the garage owners are exempt from property taxes on the leased spaces. MCDA then leases the spaces at cost to new office tenants, thus providing an incentive to locate in downtown.

Over the past six months companies participating in the program have leased 13,940 square meters of office space in downtown. MCDA staff calculated that, at a minimum, this program is revenue neutral to the City, as the loss of parking space property tax revenues is offset by the increase in property taxes collected from occupied office spaces.

Other City Departments. Within the city government, but separate from MCDA, is the Minneapolis Employment and Training Program, which is the city's job training program. The City's Port Authority operates the city's shipping port on the Mississippi River. In the overall scheme of city government, the Port Authority is a fairly small component, but the City believes the Authority serves an important function by providing access to Mississippi River transportation. This gives bulk shippers an alternative to rail transportation. The city believes that the presence of this shipping option creates competition with the rail companies, and helps keep rail shipping costs low for area businesses.

The International Trade Office is operated jointly by the City of Minneapolis and Hennepin County, in which Minneapolis is located. Its function is to promote trade between businesses located in Minneapolis, Hennepin County, and other countries through education, counseling, and assistance programs.

A foreign trade zone was established through a joint powers authority created by the cities of Minneapolis, Saint Paul, and Bloomington. Approximately 500 to 600 companies use the general purpose foreign trade zone, which is a warehouse facility located in Minneapolis. A private warehousing and distribution company operates the general purpose zone under contract to the joint powers authority. In addition, the premises of four individual companies in the area have been designated as sub-zones.

Other Economic Development Organizations

The Greater Minneapolis Convention and Visitor's Bureau. This is a non-profit organization involved in promotion of the city's tourist attractions and convention facilities. The City of Minneapolis provides the primary funding for the Convention and Visitor's Bureau. A major function of the Bureau is operation and promotion of the city's convention center as a way to attract large groups of visitors to the city. MCDA funded construction of the convention center using a variety of revenue sources, including parking revenues, tax increment financing, and a special 1/2 cent sales tax that was approved through State legislation. In addition, MCDA acquired the Convention Center hotel site and leased the site to the Hilton Hotels chain, which operates the hotel.

Results

The City is pleased with its downtown revitalization accomplishments of the last decade. Many large-scale development projects were completed in downtown, generating significant increases in downtown office employment and substantial increases in property tax revenues for the City. In terms of meeting goals for new private investment, tax revenue creation, and office employment creation, Minneapolis's economic development programs are considered very successful.

However, the City of Minneapolis recognizes that the economy continues to change, and that economic development programs must respond to these changes. As mentioned above, the City is working on a new economic development strategy. The draft of the new strategy identified some significant issues with regard to the former economic development programs. Financial assistance took the form of subsidies for cost factors, such as operating expenses or land costs, and did not address the need for companies to innovate and achieve greater market penetration for their goods. Moreover, residents need improved skills to qualify for "quality" jobs that pay higher wages. The City needs to increase the number of quality jobs available to its residents, and transportation access to those jobs must to be improved. The draft strate[illegible]ent identified bureaucratic hurdles as another significant economic developmen[illegible] new strategy acknowledged that there is a perception that new economic exp[illegible]oited by the bureaucratic process and its many regulatory requirements.

PITTSBURGH
PUBLIC/PRIVATE PARTNERSHIPS INVEST IN EMERGING INDUSTRIES

City and Metropolitan Area Profile

Pittsburgh is situated at the convergence of three rivers, approximately seven hours driving time due west of New York City. Pittsburgh contained approximately 370,000 residents in 1990, a decline of almost 13 percent from 1980. The metropolitan region had 2.06 million residents in 1990, which also represented a decrease from 1980 population levels. Historically, the city's economic base was centered on heavy manufacturing of products such as steel. Pittsburgh was heavily impacted by the national loss of such manufacturing jobs. During the 1980s, Pittsburgh's metropolitan employment decreased almost two percent, the only area of the five analyzed for this paper to experience an absolute decline in employment during the period. The decline was most pronounced in the manufacturing sector, which lost almost 49 percent of its jobs between 1980 and 1990. Increases in the services and finance/insurance/real estate sectors offset this dramatic loss.

Table 5: Pittsburgh Population, Income, and Employment

	Central City	Pct. Change In 10 Yrs.	Metro Area	Pct. Change In 10 Yrs.
Population 1990	369,879	-12.8%	2,057,000	-7.3%
Per Capita Income 1989	$12,580	83.8%	$14,052	82.5%
Median Household Income 1989	$20,747	54.7%	$26,700	47.8%
Metro Area Unemployment 1990			5.1%	-2.2 pts

Metro Area Non-Agricultural Employment Composition 1990	Jobs	Percent of Total	Pct. Change From 1980
Mining	4,500	0.5%	-54.1%
Construction	43,700	4.7%	-6.6%
Manufacturing	123,000	13.3%	-48.8%
Transportation and Public Utilities	50,600	5.5%	-13.9%
Trade	228,400	24.8%	12.8%
Finance, Insurance, & Real Estate	54,900	6.0%	20.1%
Services	305,200	33.1%	46.7%
Government	111,600	12.1%	-12.9%
Total Employment	921,900	100.0%	-1.9%

Sources: U.S. Department of Commerce, Bureau of the Census, 1980, 1990; U.S. Bureau of Labor Statistics, "Employment and Earnings," May 1981, May 1991; Bay Area Economics.

Current Challenges

Not surprisingly, the key economic development challenge facing the City of Pittsburgh has been managing the transition of the area's economic base from manufacturing to business services. This has required efforts to retain viable industrial activities, and aggressive efforts to assist growth sectors that have the potential to replace lost manufacturing jobs.

Strategy

The mission of the City's economic development strategy is to "encourage and direct private investment in businesses and business facilities in Pittsburgh for the public interest, to maintain and raise levels of employment, income, and the quality of life." To accomplish this mission the City adopted the following four goals:

- Retain and stimulate growth of key industries.
- Increase and promote Pittsburgh's amenities for economic development.
- Improve economic opportunities for disadvantaged groups.
- Foster development in low- and moderate-income neighborhoods.

Coordination

To implement these goals, Pittsburgh utilizes a centralized Urban Redevelopment Authority (URA) with a broad range of functions. The URA is governed by a five-member Board of Directors that is appointed by the Mayor. The City efforts are also supported by a strong regional economic development organization, the Allegheny Conference on Community Development.

City Departments Engaged in Economic Development

Pittsburgh Urban Redevelopment Authority (URA). URA is the primary economic development agency in the City of Pittsburgh. The Authority was founded in 1946 to implement federal urban renewal programs. In 1982, the Housing and Economic Development Departments were transferred into the URA in an effort to consolidate the City's development functions.

In 1992, the URA Board oversaw approximately 124 employees and a $6.7 million operations budget.

URA staff are divided into four departments. The Economic Development Department provides a number of different types of services to encourage and direct private investments in businesses and business facilities through the Center for Business Assistance. The Economic Development Department also manages URA's commercial and industrial real estate development projects. Approximately 20 employees and $600,000 in operations expenditures are dedicated to the Economic Development Department. (See organization charts, Figures 6 and 7, Appendix A.)

URA also contains a Housing Department, an Engineering Department, and a Real Estate Department. The Housing Department is responsible for operation of housing programs, and coordination of housing development activities. The Engineering Department is responsible for planning and engineering associated with the Authority's publicly supported projects, and for review of designs and proposals submitted by private developers to the Authority. Real Estate

Department staff handle acquisition and disposition of property for the Authority's own projects and for other City projects. Separate from URA, the City has a job training program that is funded by federal JTPA grants.

Programs managed by URA include the following:

Enterprise Zones. The City participates in the Pennsylvania Enterprise Zone program, which provides a wide range of state incentives to municipalities and new or expanding businesses. Assistance to businesses includes long term low interest loans, tax credits, infrastructure loans and grants, customized job training, transportation assistance, and priority in award of state contracts for businesses located in the Zones. The State Department of Community Affairs also operates a competitive grant program to assist projects that offer the highest public benefit in terms of investment, jobs, and taxes.

Three areas within the City were designated as Enterprise Zones in 1983. The selected sites were identified by the City as having potential for development of new or expanded industrial and manufacturing uses. URA staff believe that the Enterprise Zones have been successful because neighborhood-based organizations that existed in the area prior to the designation of Zones have performed valuable marketing and outreach functions to promote the Zones. In the East Liberty Enterprise Zone, East Liberty Inc. conducted its own fundraising efforts for restoration of a theater, and provided technical assistance to area businesses. In the North Side Enterprise Zone an incubator facility is under construction at the Riverside Commons development, with support from URA. Tenants already occupy 27 percent of the space. One of the tenants, Southwestern Pennsylvania Economic Development District, Inc. is providing incubator support services. The Lawrenceville Development Corporation, active in the Lawrenceville Enterprise Zone, is currently working on residential and commercial developments in cooperation with URA.

Center for Business Assistance. The Center for Business Assistance, started by the URA Economic Development Department, provides a range of programs to assist businesses in locating or expanding in Pittsburgh. The Business Investment Fund targets small businesses that export goods and services outside Pittsburgh; the Fund makes loans for land, building, machinery, and working capital. Loan sizes range from $30,000 to $150,000. This fund also makes loans for commercial and industrial real estate development on vacant or underutilized properties in low- and moderate-income neighborhoods. The Community Development Investment Fund assists in commercial and residential real estate development in low- and moderate-income neighborhoods. This Fund provides grants up to $150,000 to community development corporations to invest in development projects. Returns from the investments go back to the CDCs.

The Enterprise Fund for Trade and Services assists businesses less than five years old by making loans for land, buildings, machinery, and working capital. Loans range in size from $15,000, up to $100,000. The Neighborhood Economic Development Investment Fund assists in the start-up and expansion of retail and service businesses or real estate development in designated low- and moderate-income neighborhood business districts. This Fund makes below-market rate loans for land, building, equipment and working capital up to $150,000.

The Start-An-Enterprise Program (STEP) assists entrepreneurs that have the most difficulty gaining access to traditional credit by focusing on character and business potential rather than traditional lending criteria. This is a peer lending program. STEP loans are short-term, with a maximum amount of $2,500. The Revenue Participation Program provides development or production financing to companies that produce and export goods and services from Pittsburgh. Loans range in size up to $150,000. This program is conducted in cooperation with the Pittsburgh County Corporation. The Purchase Order Program for Technology-Based Companies provides short-term financing to exporters of goods and services. The borrower repays the loan directly from customer payments on the receivables. Recipients can used the loans to finance up to 100 percent of the cost of goods sold, up to a total of $150,000.

In addition to these funds, the Center for Business Assistance offers several facade renovation financing programs for targeted retail districts, provides site location assistance and direct technical assistance for small businesses, and provides referrals to other business assistance organizations. Approximately one-half of the Economic Development Department staff are assigned to this program.

Neighborhood Business District Revitalization Program. The City designed this program to provide local merchants and neighborhood organization with a range of technical assistance and financial incentives. The resources provided by this program are intended to be used by individual business district organizations.

Services offered include planning and organizational assistance, promotional and marketing assistance, business recruitment, market and consumer studies, pilot block design assistance, and professional staffing by a shared district manager. The program provides merchants and property owners with financial incentives for facade improvements, financing programs through the Center for Business Assistance, and technical assistance. One component of the Program is Top Shops, which conducts business development seminars and personalized consultations with local merchants. Finally, the program provides funding for adaptive reuse studies of vacant or under-utilized properties and for public space improvement projects. Funds for this program come from federal Community Development Block Grants and other city sources.

Project Development. The URA also actively uses its powers and resources to act as a developer to help achieve the City's economic development objectives. Currently, the URA is involved in two large scale developments.

Pittsburgh's Technology Center is a joint development that includes URA, the University of Pittsburgh, and Carnegie Mellon University to provide an attractive, high quality business park environment for expanding or new companies involved in the development or application of advanced technologies. The project is located on the site of an abandoned steel mill.

Washington's Landing is a mixed-use redevelopment project located on an island in the Allegheny River next to downtown Pittsburgh. The URA allocated 6.5 hectares of land for new research and development, office, or light manufacturing facilities, and 2.8 hectares for residential development. URA designated the remaining land on the 17-hectare island for a commercial "town center," open space, and recreational facilities. This development is occurring on land that was formerly occupied by stock yards, a meat packing/rendering plant, and a railroad salvage yard.

Other Economic Development Organizations

Allegheny Conference on Community Development. The Allegheny Conference on Community Development promotes the development of the southwestern region of the State of Pennsylvania. The organization, founded approximately 50 years ago, was one of the first organizations to embrace the use of public/private partnerships to achieve the goals of a community. The current agenda of the Conference contains four parts: Education and Workforce Development, Public Governance, Regional Development, and Civic Organization.

While each element of the agenda is important to economic development, Regional Development is key. The Conference, in cooperation with the City of Pittsburgh, and Allegheny County recently submitted a proposal to the State of Pennsylvania called "Strategy 21." This proposal seeks state funding for key projects that the group hopes will help enhance the competitiveness c the region. Priority projects focus on the Pittsburgh area, and the long term strategy includes initiatives that will have regional significance, including improved transportation and public infrastructure.

The ACCD has spun off several related organizations that play important roles in Pittsburgh Area economic development. Penn's Southwest is a regional economic development organization that represents nine southwestern Pennsylvania counties. Two main functions of Penn's Southwest are marketing and promotion of the region. The Regional Industrial Development Corporation implements many of the ACCD projects in cooperation with other private and public partners. The RIDC has a central role as developer in several of the projects for which the Strategy 21 proposal seeks funding. The ACCD also helped establish the Southwestern Pennsylvania Growth Alliance. A key purpose of this organization is to represent the public and private organizations in the region with a unified voice at the State and Federal levels.

Results

According to the URA 1992 Annual Report, the Center for Business Assistance reached 593 businesses in 1993, and provided $3.8 million in financing assistance. An estimated $10 million in private investment was leveraged. URA estimates that these efforts created 125 new jobs. Community Development Investment Fund grants of $615,000 leveraged more than $4 million in private investments in ten different projects. The "Top Shops" component of the Neighborhood Business District Revitalization Progress attracted the participation of 185 merchants to business development seminars and 100 merchants for one-on-one consultations.

In addition to the results of the ongoing programs, the Union Switch and Signal project in Pittsburgh's Technology Center is expected to employ 450 persons initially, with expansion potential for up to 1,000 jobs. URA estimates that this project will also create an additional 1,400 to 1,700 indirect jobs.

APPENDIX A - ORGANIZATION CHARTS

Figure 1: Boston Redevelopment Authority

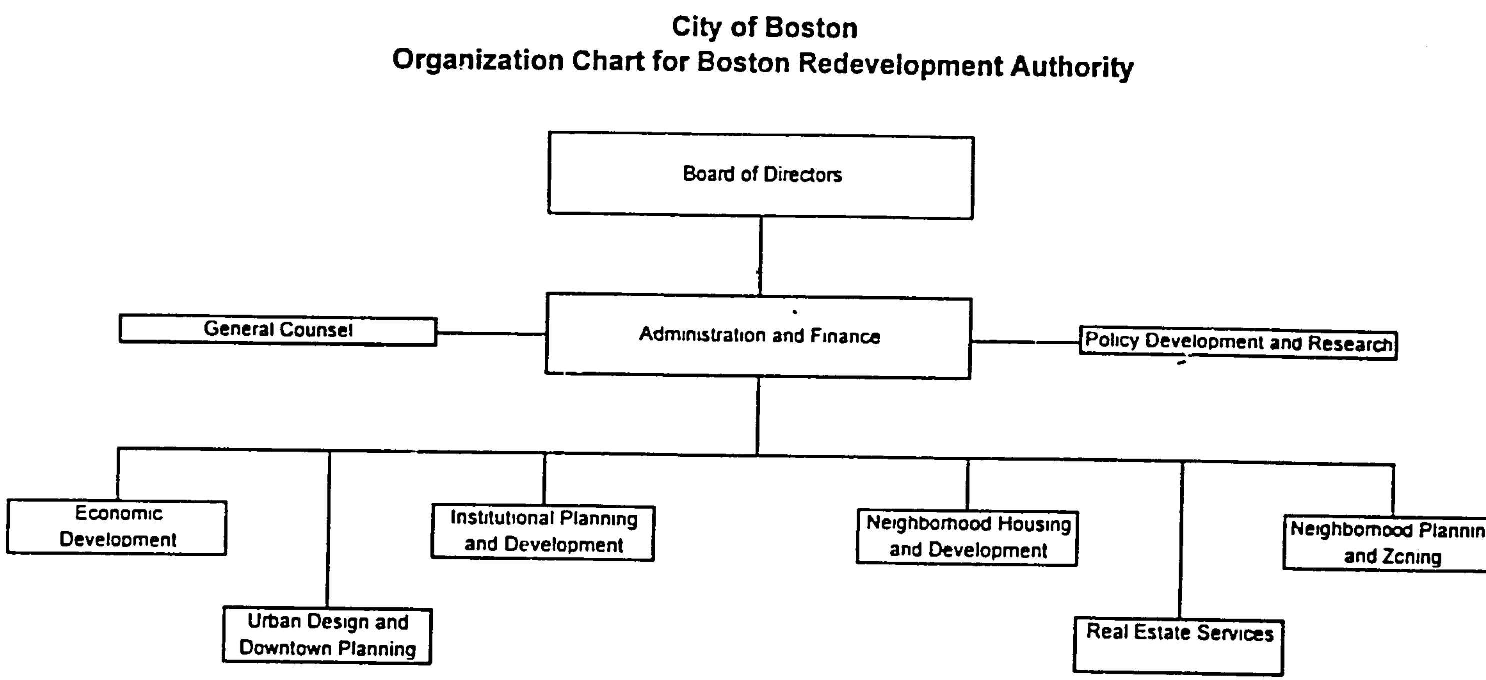

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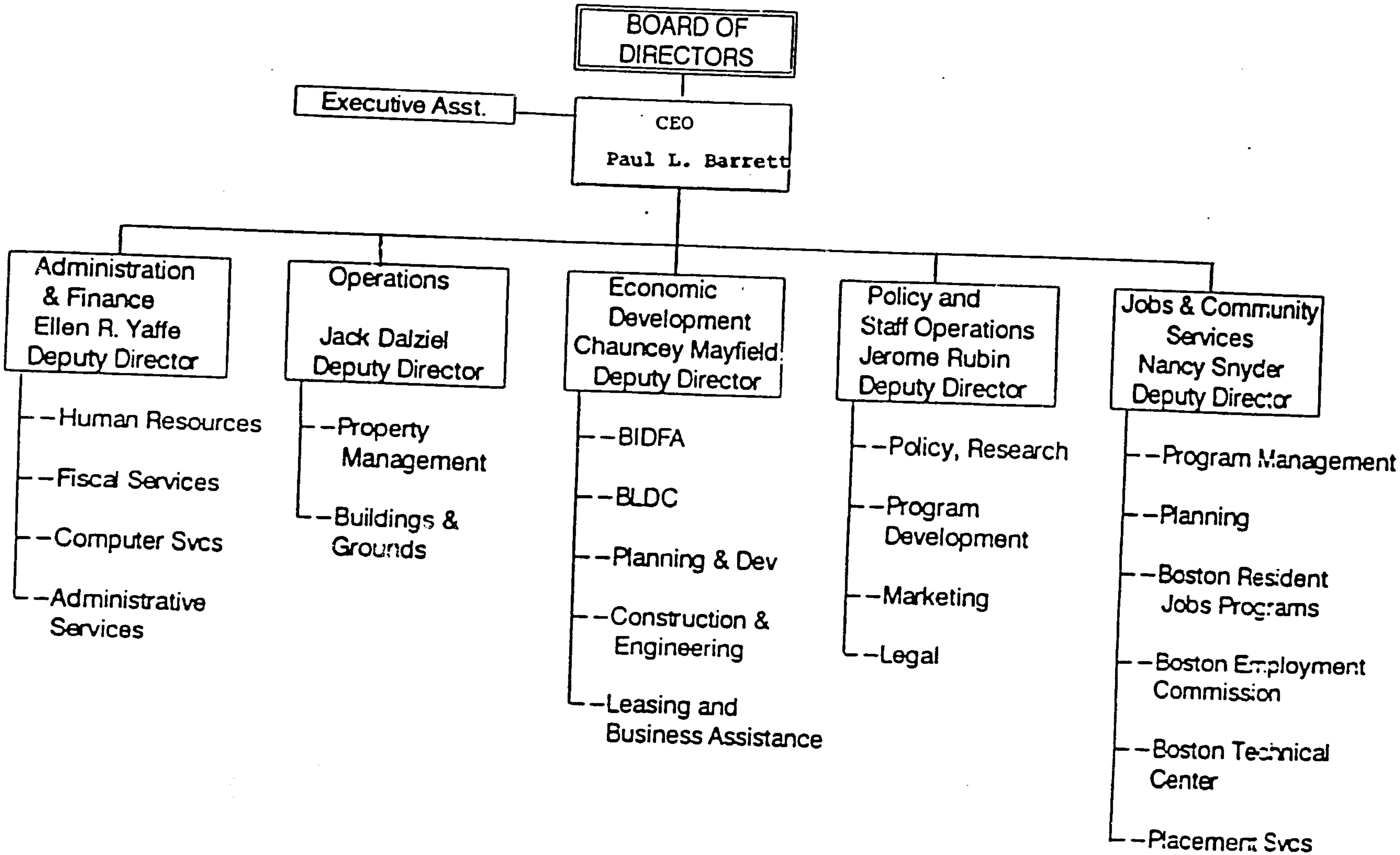
Figure 2: Boston Economic Development and Industrial Corporation



EDIC/BOSTON
Table of Organization
September 30, 1992

Figure 3: City of Cleveland

CITY OF CLEVELAND ADMINISTRATIVE ORGANIZATION CHART

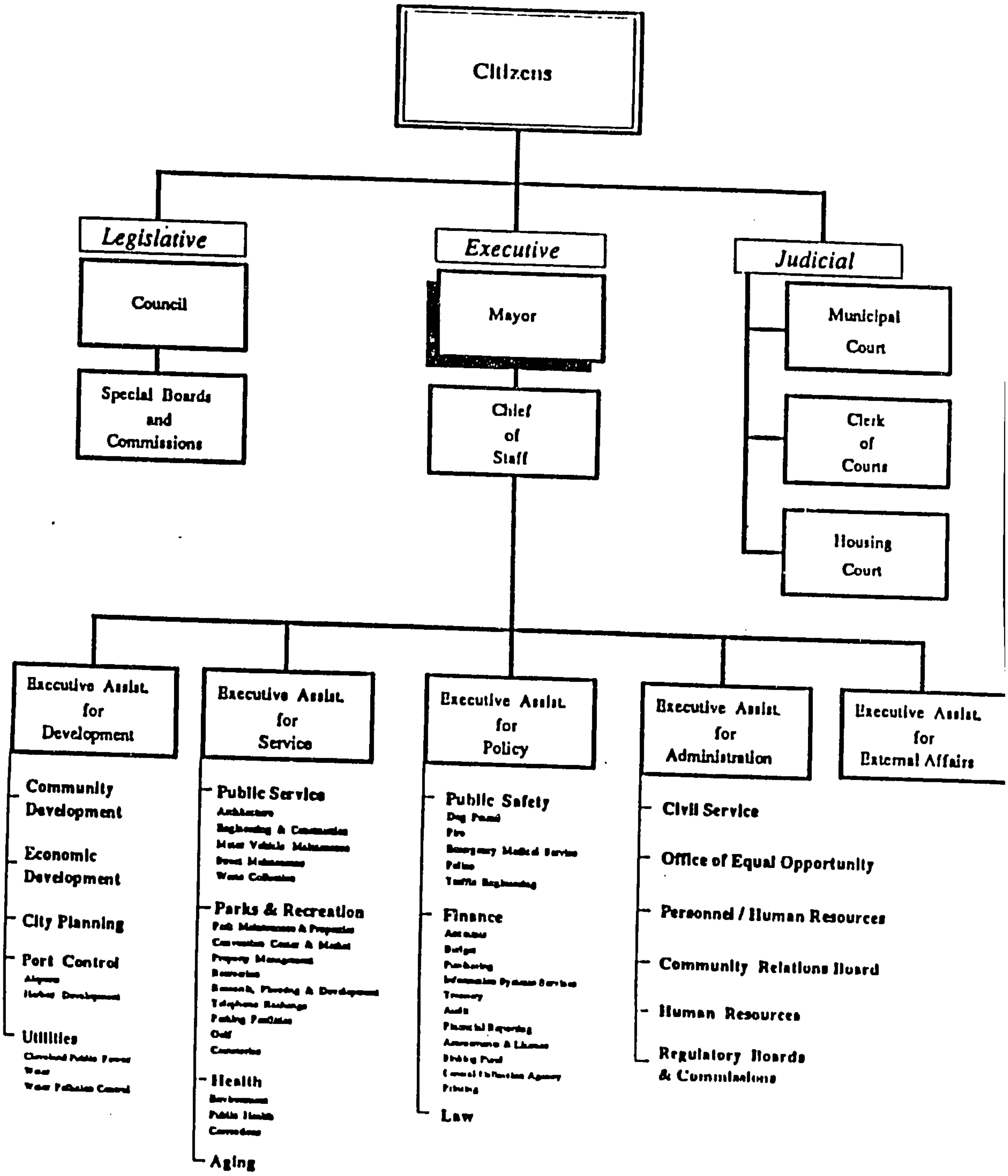


Figure 4: City of Indianapolis Economic Development Functions

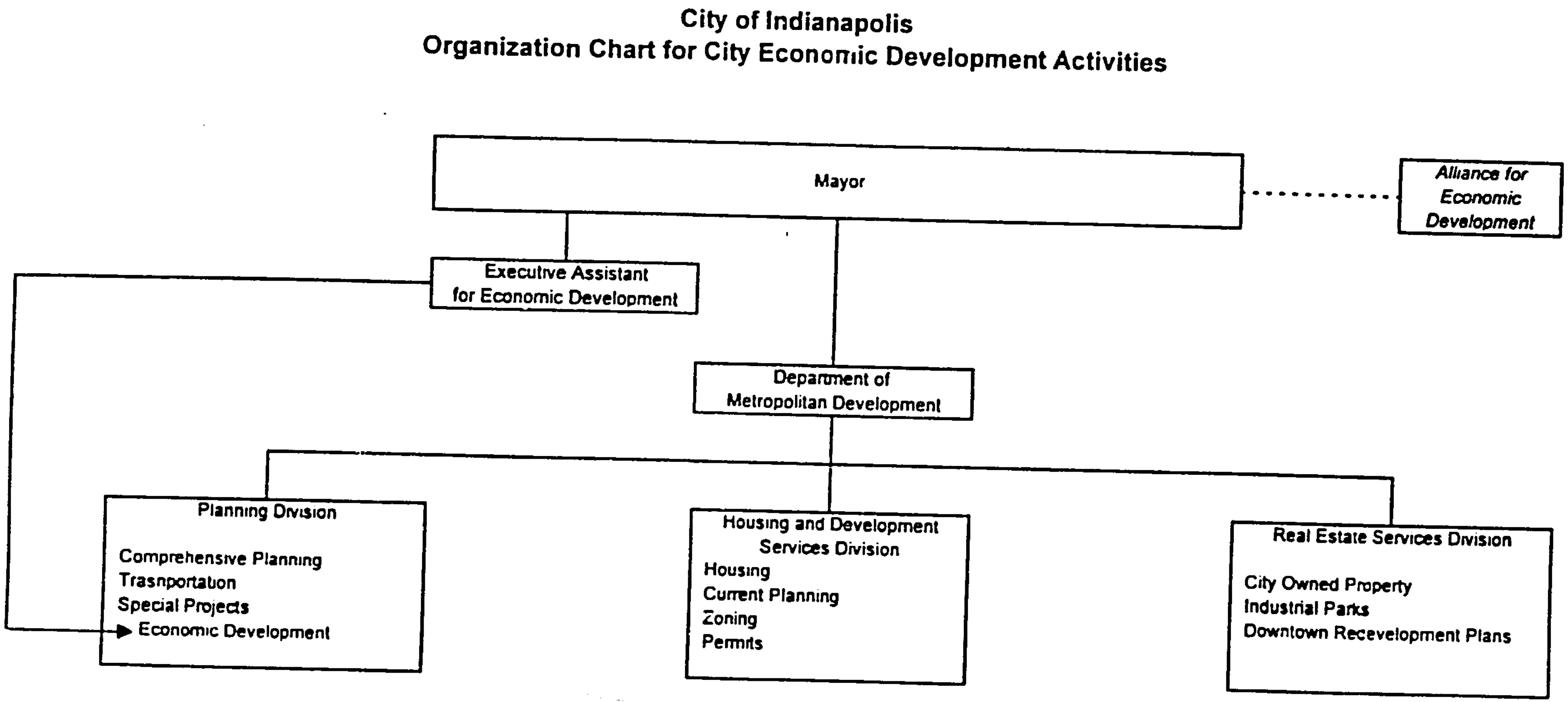


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Figure 5: Minneapolis Community Development Agency

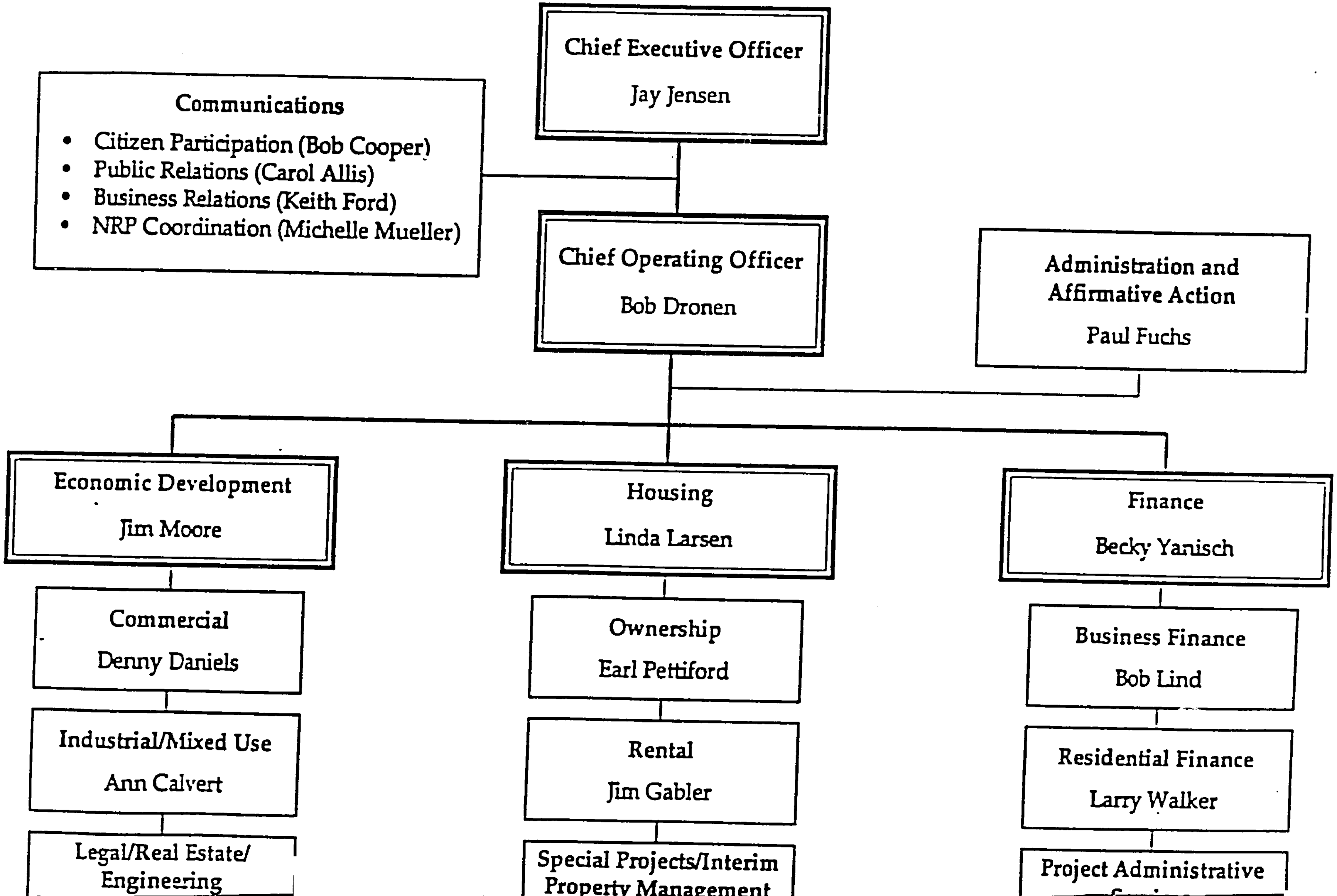
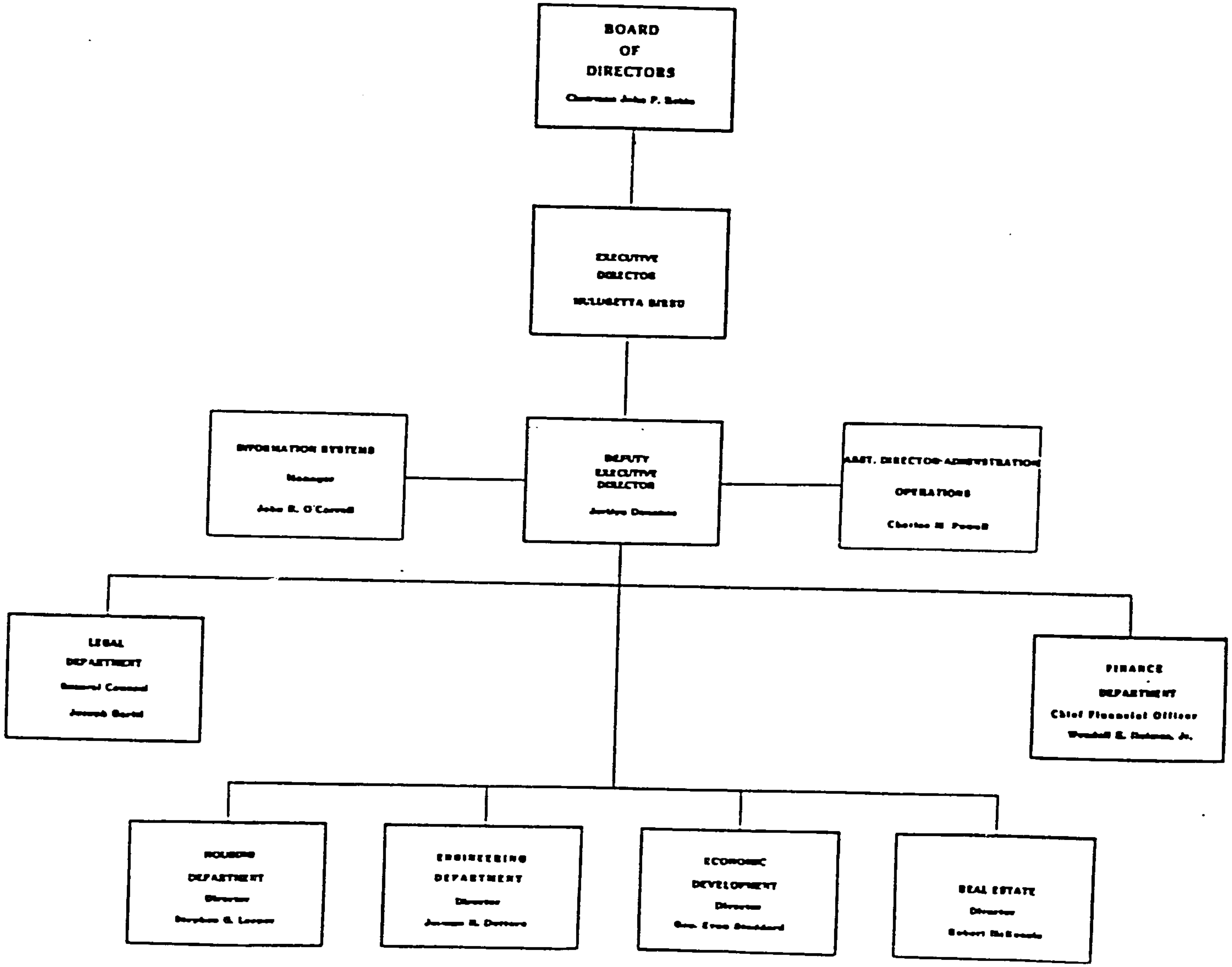


Figure 6: City of Pittsburgh Urban Redevelopment Authority

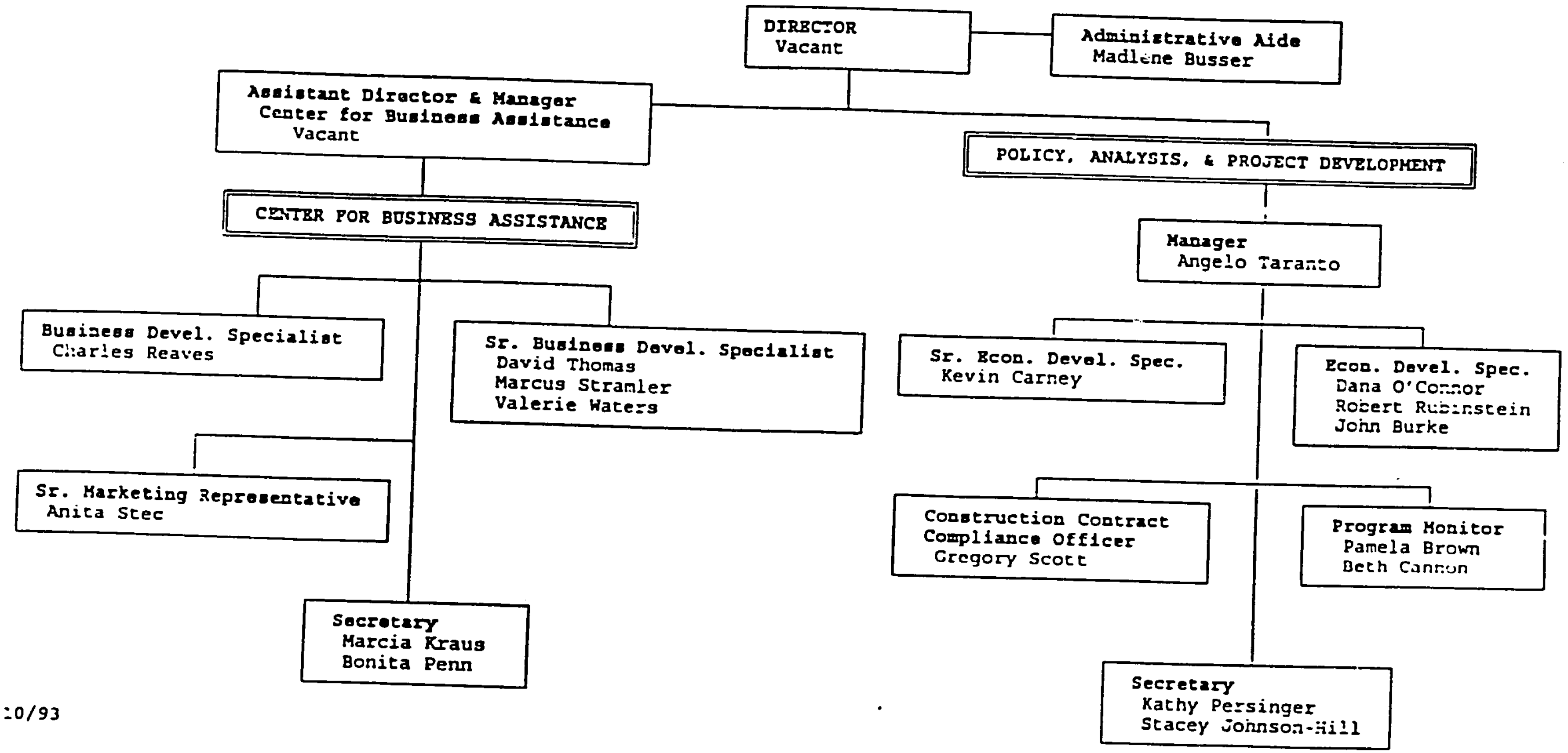
City of Pittsburgh
Organization Chart for Urban Redevelopment Authority



. gure City tsbu RA omic velop t Department

URBAN REDEVELOPMENT AUTHORITY OF PITTSBURGH
ECONOMIC DEVELOPMENT DEPARTMENT

Organizational Chart



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APPENDIX B - PROJECT EXAMPLES

Boston

Marine Industrial Park. The Economic Development and Industrial Corporation (EDIC) was created in 1971 specifically to acquire and redevelop properties of the former Boston Army Base. In 1983, EDIC expanded the Marine Industrial Park by purchasing 9.7 hectares of land that was formerly a part of the Boston Army Base. EDIC places a priority on continued development of the Marine Industrial Park as a location for Boston's industrial and manufacturing firms, including maritime-related activities. To date, the industrial park has 74,350 square meters of space for industrial uses, including 18,587 square meters of newly constructed space. Approximately 200 firms with total employment of 2,000 persons are located in the park. EDIC raised funds for the project from many sources, including Economic Development Administration grants and loans, and Urban Development Action Grants. The City has invested its own capital funds in infrastructure and road improvements. On-going operations of the park are financed by rental income.

Charlestown Navy Yard. The BRA heads the Charlestown Navy Yard (CNY) project. The CNY includes 55 hectares of a decommissioned naval base, of which BRA acquired 43 hectares. The National Park Service operates a national historic park on the remaining 14 hectares. BRA developed a master plan for the CNY that promotes mixed-use development, including office, research and development (R&D), and residential uses. The BRA either develops property itself and leases the space to businesses, or sells property to private developers. The largest development to date is the 600,410 square meter medical research center owned by Massachusetts General Hospital. The project involved rehabilitation of a World War I-era Navy building at a cost of approximately $130 million. Through 1990, public investments of approximately $25 million were accompanied by $470 million in private investments, creating space for 2,800 permanent jobs in 92,937 square meters of space, and over 1,000 housing units. An interesting aspect of the project is that some of the funds used by BRA to purchase CNY property were loaned by a private developer that wished to work in the CNY. BRA repaid part of the loan by granting property and development entitlements within CNY to the developer.

Longwood Medical and Academic Area. The Longwood Medical Area is located in the Crosstown part of the City, and contains several growing institutions, including the Harvard Medical School, four teaching hospitals, and other institutions. BRA's efforts involve establishing a planning framework that will help the resident institutions to maintain their growth in an orderly and predictable manner. BRA sees the growth of the area's medical/research activities as key to Boston's future economic development. Promotion of economic development also involves the BIDFA arm of EDIC, which will make bond financing available to help institutional expansions.

Boston State Hospital. Since 1992, EDIC has been working in partnership with a neighborhood-based community development corporation and BRA to redevelop the site of the former Boston State hospital. The proposed development program would include 185,875 square meters of manufacturing, light industrial, and biotechnology space, 200 housing units, and 9,294 square meters for community mental health services and job training facilities. According to BRA representatives, the project has not moved as smoothly as possible because of the fragmented responsibility for the reuse of the site. The site is still owned by the Commonwealth of

Massachusetts. While the local organizations are taking the initiative to prepare the development plan, plans are subject to review and approval by the Commonwealth.

Cleveland

North Coast Harbor. North Coast Harbor is a redevelopment project on Cleveland's Lake Erie waterfront, adjacent to downtown, which will include many new visitor attractions with regional, national, and international appeal. Key elements of the project include development of a new aquarium; a museum of science, environment and technology; an historic steamship; the Rock and Roll Hall of Fame; and numerous parking facilities and public amenities.

The City of Cleveland completed construction of the harbor site improvements in 1988 using State and local funds. The City then contracted with a non-profit corporation called North Coast Harbor, Inc. to take over responsibility for master planning, development of public attractions, and overall coordination of the project. The operations of North Coast Harbor, Inc. are privately funded.

In total, North Coast Harbor, Inc. expects the project to draw $300 million in private investment to match the $1.5 million from City and $9.5 million from State funds. Attractions at North Coast Harbor are expected to draw hundreds of thousands of visitors per year. According to North Coast Harbor, Inc. the Rock and Roll Hall of Fame will be an international attraction, bringing up to 850,000 visitors per year.

Gateway Sports Complex. The Gateway Sports Complex is another downtown "signature" project that is currently underway. The project involves construction of a new stadium for the Cleveland Indians Major League Baseball franchise and a new arena for the National Basketball Association's Cleveland Cavaliers.

Like the North Coast Harbor project, the Gateway project is being managed by a private non-profit corporation. The City of Cleveland and Cuyahoga County organized the Gateway Economic Development Corporation specifically to oversee the planning and construction of the Sports Complex. Of the total project cost of $362 million, part will be funded by a countywide alcohol and tobacco tax, and the remainder by private investments, sports team lease payments, ticket sales, luxury box leases, and parking revenues.

Playhouse Square Center. Playhouse Square is a cluster of four renovated 1920s-era theaters located in downtown Cleveland. The project was started through a private initiative to preserve the historic theaters, which had fallen into disrepair and were on the verge of demolition. The efforts to prevent the removal of the theaters were formalized through the establishment of the Playhouse Square Foundation, which now owns four renovated theaters that function as performing arts venues.

As of 1993, the Playhouse Square Center theaters were attracting 900,000 visitors per year, with an estimated 180,000 out-of-town guests. The Center is now home to many resident performing arts companies, including the Cleveland Opera, Cleveland Ballet, Great Lakes Theater Festival, Ohio Ballet, DanceCleveland, and the Tri-C Cultural Arts Services. In response to the success of the theaters, a private hotel developer has agreed to develop a new luxury hotel in the complex as a joint venture with the Foundation. The City's Economic Development Department assisting this project by providing a $5.5 million loan, tax abatement, and construction financing package. The city expects that development of the hotel will increase out-of-town visitation to the theaters and provide a premier location for residents and businesses to entertain. In total, organizations working in the Playhouse Square theater district have invested $100 million in private and public funds.

Towers City Complex. The Towers City complex is an example of the many large scale urban mixed-use projects of the 1980s. This project involved renovation of an old train terminal into a shopping center, hotel, and office complex. The project began in the late 1980s, and was completed in 1991-1992. In total, project investment was approximately $400 million, contributed by a variety of sources including Federal funds from the Urban Mass Transportation Administration and private funds from the developers. The City assisted this project in several ways. Initially, the City invested over $10 million from its capital budget to provide infrastructure improvements for the project. The loaned an additional $20 million to the project developers using UDAGs. Finally, the City granted the hotel portion of the project a 20 year tax abatement.

An interesting aspect of this project is that the City is now using increased tax revenues from the parts of the project that did not receive tax abatement to help pay for construction of the Rock and Roll Hall of Fame, to be located in the North Coast Harbor development.

Church Square Shopping Plaza. This project is part of the City's commitment to stabilizing the City's residential base and attracting new residents. The $13 million project, completed in 1993, includes 13,940 square meters of neighborhood-serving retail space, providing convenient access to everyday shopping goods for central city residents. Church Square Shopping Plaza is designed to reverse a trend in which chain retailers were abandoning urban markets for the faster growing suburbs. The City participated in this project by coordinating public and private efforts to develop this inner city project on formerly abandoned property and by providing construction financing for the project.

Industrial Parks. The City owns four industrial properties totaling approximately 51 hectares of land. Two industrial parks are run by the City; one is leased to a private developer, and one is leased to a non-profit organization. The purpose of the industrial parks is to help stabilize the City's industrial and manufacturing base by providing suitable sites for firms that want to locate or expand in Cleveland. The industrial park properties were initially acquired and developed using CDBG grants along with grants from the federal Economic Development Administration.

Fifth Third Initiative. This effort of the Mayor's office involved negotiating with the Fifth Third Bank for a lending program to serve the City of Cleveland. The City of Cleveland had used objections to the proposed merger of Fifth Third with another financial institution as leverage to obtain commitments from the bank to make increased capital available to city residents and businesses (this arose out of the federal Community Reinvestment Act, which required merging banks to show their commitment to central city lending). Withdrawal of the City's objection cleared the way for the Federal Reserve Bank to approve the proposed merger of the two banks. In return, Fifth Third agreed to a package of increased lending goals providing an additional $100 million in financing for development in the City. This commitment included provision of special financial services to city residents and businesses, and participation in other programs beneficial to the city.

Indianapolis

Downtown Hyatt Hotel. The downtown Hyatt Hotel is an example of a catalyst project that helped stimulate additional private investment in the downtown. In the 1970s, the City determined that there was a need for a new downtown hotel. However, private investors considered such a project to be too risky to undertake. Instead of waiting for a privately sponsored project, the City committed its own funds to build the hotel, and then leased the building to a hotel operator. The City uses lease payments from the hotel operator to repay the bonds used to construct the hotel. The Hyatt Hotel is considered a successful project because it has worked financially and has stimulated other private hotel projects, bringing new overnight visitors to downtown Indianapolis.

Business and Industry Reference Guide. This is a 37-page pamphlet that compiles information useful to firms interested in conducting business in Indianapolis. It provides contact information for government agencies at the federal, state, and local levels; business development organizations; regulatory assistance agencies; financial assistance programs; technical assistance programs; and job training and development programs. Brief descriptions of the services provided by each organization are given, along with the relevant telephone number. The publication was prepared after a Mayor's task force identified a need to make business resources more accessible.

Minneapolis

Downtown Theater Rehabilitation. This project has the dual goals of preserving historic structures and attracting nighttime visitors to downtown Minneapolis. Using City funds, the MCDA acquired and rehabilitated two historic downtown theaters. MCDA now leases these theaters out to theater companies for Broadway productions (e.g., high quality theater productions originating on Broadway in New York City). In addition to lease payments from the operators, the MCDA receives a portion of revenues from ticket sales. Minneapolis is now one of the top ten destinations for traveling Broadway theater productions.

Convention Center Hotel. The convention center hotel project is an example of MCDA retaining an equity interest in a project in conjunction with providing assistance to a private developer. MCDA acquired the land for construction of the convention center hotel. Instead of selling the land to a private developer, MCDA leased the land, retaining long-term ownership. MCDA and the developers structured the transaction so that lease payments to MCDA would not begin until after several years of hotel operations, by which time hotel revenues are expected to stabilize (e.g., make a profit). Future lease revenues will reimburse MCDA for its land acquisition expenses, and will generate revenues for the MCDA's Development Fund, which funds other economic development activities. The Hilton Hotels company operates the hotel. This hotel is a part of the larger convention center project, which used a variety of financing sources including parking revenues, tax increment financing, and a special 1/2 cent sales tax.

Department Store Building Tenant Improvements Loan. For a recently vacated downtown retail space, MCDA loaned $4 million to the building owner to finance improvements necessary to secure Montgomery Wards as a new tenant. Private financing for the improvements was not available to the building owner. The MCDA loan had less restrictive lending criteria than private commercial sources. MCDA's objective in taking on credit risk that was not acceptable to commercial banks was two-fold: first, MCDA wanted to keep the prominent downtown property in productive use; and secondly, MCDA saw the Montgomery Wards store as an opportunity to fill a market niche in downtown for moderately priced department store goods.

Pittsburgh

Pittsburgh's Technology Center. This is a joint development that includes URA, the University of Pittsburgh, and Carnegie Mellon University to provide an attractive, high quality environment for expanding or new companies involved in the development or application of advanced technologies. The project is located on the site of an abandoned steel mill.

The City initially invested approximately $27 million in public funds in the project. Sources of funding for the project include City funds and State funds from a special capital budget program that funds projects with the potential to create positive regional economic impacts. The City used this money to acquire and clean up the site, and to construct public improvements and a parking garage. These public investments are expected to generate a total of $230 million in additional private investment and bring 1,000 to 1,500 new jobs to the site.

The partners initiated this project in 1983. As of this date, development at the Technology Center totals 32,807 square meters of space. The University of Pittsburgh completed its Center for Biotechnology and Bioengineering in 1993, while Carnegie Mellon University broke ground on its Carnegie Mellon Research Institute. The first private investor announced its plans to develop up to 31,600 square meters at the Center. Union Switch and Signal, a subsidiary of an Italian corporation, was attracted to the site through financial incentives from the State and a commitment from URA to construct 640 parking spaces for the facility. URA's first use of tax increment financing will help pay for the new parking spaces.

Washington's Landing. Washington's Landing is a mixed-use redevelopment project located on an island in the Allegheny River next to downtown Pittsburgh. The URA designated 6.5 hectares of land for new research and development, office, or light manufacturing facilities, and 2.8 hectares designated for residential development. URA allocated the remaining land on the 17-hectare island for a commercial "town center," open space, and recreational facilities.

The City began the transformation of the former stock yards, meat packing/rendering plant, and railroad salvage yard with an investment of approximately $25 million in Federal, State, and local funds. The City used these funds to acquire the property in 1978, and to clear the island, perform site remediation, and construct public improvements.

To encourage private development on the island, URA is offering private developers attractive sale and lease terms, tax abatement, and financial assistance. To date, developments on the island include two office buildings occupied by the Pennsylvania Department of Environmental Resources, which located its regional headquarters at Washington's Landing. A 3,439 square meters headquarters building for a sporting goods manufacturer, a rowers boathouse, and a 150-slip marina have also been completed.

Chartiers Industrial Park. To address the lack of suitable sites for industrial retention and expansion purposes, URA assembled approximately 105 hectares of vacant land to create a new industrial park. This project dates back to the 1970s. The City uses proceeds from land sales to repay its initial investment in the project. Of the 105 total hectares in the park, approximately four hectares remain vacant.

Pittsburgh Produce Terminal. The Produce Terminal is the City's wholesale fruit and vegetable market. In the early 1980s the City purchased the Pittsburgh Produce Terminal from private owners. The facility was in poor condition, and in need of repair. The City's objective in purchasing the property was to prevent the wholesale produce trade from being relocated to new facilities in the suburbs. URA renovated the property, and currently leases stalls to vendors. The Terminal is presently 100 percent occupied, and rental income supports the project.

APPENDIX C - GLOSSARY OF U.S. ECONOMIC DEVELOPMENT TERMS

Certified Development Corporation (CDC). A non-profit organization that is authorized to issue SBA Section 504 loans on behalf of the U.S. Small Business Administration.

Chamber of Commerce. A membership organization typically comprised of local business owners and institutions. Chambers of Commerce are usually involved in promotion of the local community, sponsoring networking activities for their members, and representing the interests of business in community affairs.

Community Development Block Grant (CDBG). A grant awarded and administered by the federal Department of Housing and Urban Development. Local agencies can use CDBGs for housing development and rehabilitation, economic development, capital improvements, and neighborhood services.

Community Development Corporation (CDC). A non-profit organization established to undertake community development projects, including real estate development and provision of services. CDCs are often used as a conduit for expenditure of CDBG funds at the local level.

Construction Loan. Most real estate development projects require at least two loans, a construction loan and a permanent (or takeout) loan. The construction loan provides capital to finance the construction phase of a project. Once the project is completed, the developer uses funds from a permanent loan to repay the construction loan. The permanent loan is then repaid over a period of years using income generated by the completed project. Because of the risk that the project will not be completed as planned, construction loan interest rates are typically higher than permanent loan interest rates.

Economic Development Administration (EDA). A branch of the federal government that funds and facilitates economic development in cities and counties. During the 1980s, this agency contracted due to budget cutbacks. At the present time, EDA provides only minimal funding for local economic development efforts.

Eminent Domain. A legal power vested in some public agencies to acquire land at market value from owners who are not otherwise willing to sell their property. To exercise the power of eminent domain for a development project, a public agency must demonstrate that the project serves a public purpose.

Enterprise Zone. An area designated by a state or local authority to receive special development incentives and business assistance. Because they usually offer abatement or reduction of state and local taxes, creation of Enterprise Zones usually requires State enabling legislation. The key principle of an Enterprise Zone is to target a collection of incentives to a particular geographic part of a city.

Entitlements. Entitlements are legal rights or permits granted to developers by governmental regulatory bodies to develop property or use land in a certain way.

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Equity. Equity refers to the direct investment of capital in a real estate project or business. Most bank loans require that applicants' equity make up a certain proportion of the total cost of the project being financed, so that direct private investment has been made.

Foreign Trade Zone. An area or location approved by the U.S. Department of Commerce which is considered to be "outside of the United States" for the purposes of customs duties, tariffs, and quotas. Foreign trade zones are useful to U.S. companies that buy foreign components, assemble them in a trade zone, and then export them to other countries. The trade zone eliminates the need to pay tariffs on goods that will not be consumed in the U.S.

Gap Financing. Gap financing is a loan, grant, or investment for a project which is the final piece of capital needed to make a financially feasible project. Public agencies sometimes use their own money to provide gap financing for a project that has a public purpose when they are convinced that without the additional money, the project would not be built.

Housing and Urban Development (HUD). An agency of the U.S. federal government which administers programs dealing with the improvement of housing and community development. HUD's Community Development Block Grant program is a principal source of federal grants to local communities for economic development programs. HUD's Urban Development Action Grant (UDAG) program was a major source of funds for local communities to use for economic development projects during the 1970s and early 1980s.

Industrial Development Bond (IDB). Long-term, fixed rate bonds which are issued on behalf of private businesses to help finance acquisition, expansion, or construction of facilities and equipment. Bonds are repaid by the beneficiary company. IDBs may be taxable or tax-exempt, and usually offer below market interest rates.

Industrial Revenue Bond. see Industrial Development Bond.

Job Training Partnership Act. A federal program administered by the Department of Health and Human Services that provides funding for local job training and placement programs.

Land Writedown. A land writedown refers to the sale of publicly owned land at a cost that is below market value, or below the original cost to purchase and prepare the land for new development. Public agencies often use land writedowns as a mechanism to subsidize private development projects deemed to be in the public interest.

Leverage. In economic development terms, leverage means using a small amount of money or resources to attract additional resources. Many lending or grant programs require that each dollar of public funds leverage additional private funds equal to a certain multiple of the public funds.

Loan Guarantee. Some public agencies issue loan guarantees to provide additional security for loans made by banks to private borrowers. This is done to encourage banks to make loans for projects with a public purpose which they otherwise may consider too risky. A private bank makes a loan directly to a business owner. The public agency pledges to take over responsibility for unpaid debt if the borrower is unable to meet the loan obligations.

Local Development Corporation. Similar to a Certified Development Corporation.

Micro-Loan Fund. A loan fund established to address the capital needs of the smallest businesses which do not qualify for financing from other sources due to lack of financial history or lack of collateral. Micro-loan funds usually offer loans on flexible terms in amounts as small as several hundred dollars, and usually less than $25,000. Application fees may be waived, and interest may be charged at below market rates.

Non-Profit Organization. Many private charitable and educational organizations are operated as non-profit organizations, meaning that they are not structured to generate a profit (excess of revenues over expenses) on their activities for distribution to owners or shareholders. Non-profit organizations usually serve a public need, but are not a governmental entity. Non-profit organizations usually are managed by a Board of Directors, and have no designated owners. Some are organized under Section 501(c)(3) of the U.S. Internal Revenue Code so that all of their earnings are tax-exempt, and contributions of money to them are also tax-deductible by private parties.

Property Tax. Local and State governments charge property tax to owners to help for public services. Property taxes are usually assessed based on the value of real property and fixed assets, such as buildings and equipment.

Public Interest. A project that is in the public interest is one which will create benefits for the public. These benefits may be tangible, such as new revenues, or intangible, such as creating a more pleasant environment.

Quality of Life. A concept used to describe the overall ambiance and desirability of a community. Quality of life is generally perceived to be influenced by a combination of factors such as climate, recreational and cultural amenities, and opportunities for employment, education and housing.

Sales Tax. Local and State governments impose sales taxes on end users of certain types of goods and services. Sales taxes are usually collected by the merchant at the point of sale, based on a percentage of the value of goods purchased. The merchant then pays the tax to a governmental entity.

Seed Money. Funds usually provided in the form of grants to establish organizations or projects. The purpose of seed money is to start an activity, and is used to leverage additional capital investment.

Small Business Administration 7(a) Loan Guarantee Program. A loan guarantee program sponsored by the U.S. Small Business Administration. The SBA will guarantee 90 percent of a private bank loan, up to $1.0 million.

Small Business Administration Section 504. A loan program sponsored by the U.S. Small Business Administration. The SBA section 504 program offers up to 90 percent financing for new development projects. The financial package is structured so that direct investment by the owner (e.g., equity) pays for ten percent of a project cost, a private loan pays for 50 percent of the cost, and the SBA loan provides 40 percent of the project cost. SBA offers a long-term loan with fixed interest rates. The Section 504 program is available to businesses with assets under six million dollars with project costs of $125,000 or more. Businesses can use the loans to pay for purchase of land and buildings, rehabilitation and construction, leasehold improvements, and purchase of machinery and equipment. The SBA 504 program does not provide money for working capital.

Small Business Incubator. A multi-tenant facility which provides low cost office or industrial space to encourage start-up businesses that cannot find suitable space at affordable rates on the open market. In addition to low rent, incubators often offer shared resources for tenants, such as clerical staff, fax machines, and copy machines. Technical assistance programs are also found in incubators to help the tenant businesses expand and eventually move out to larger spaces elsewhere.

Subordinated Debt. Subordinated debt is a loan that will not be repaid until other debts are repaid. Because the subordinated debt has a lower priority for repayment, there is a greater risk to the lender.

Tax Abatement. Local and State governments occasionally waive payment of property taxes for owners of property in projects that achieve specific economic development objectives, such as creation of jobs and new investment in distressed areas. Tax abatements are usually only for new investments, and for a limited time, meaning that at a future date the government will receive benefits from increased property taxes paid by the owner.

Tax-Exempt Bonds. Tax-exempt bonds are a long term form of debt that carry a fixed rate of interest. Normally the buyer of a bond must pay income taxes on the interest income the buyer receives from the bond issuer. Holders of tax-exempt bonds are not required to pay income taxes on interest income. Because none of the interest income is subject to income taxes, bond buyers are willing to buy tax-exempt bonds that pay interest rates that are lower than interest rates paid by taxable bonds. This decreases the cost of the capital raised through the bond issue.

Tax Increment Financing (TIF). Tax increment financing is a mechanism used by public agencies to finance new development or redevelopment using the stream of increased property tax revenues that will be created by new development. Typically, the public agency will sell bonds to raise money for initial investment in a project. A portion of the bonds is repaid each year using the incremental increase in property tax revenues generated by the project.

Urban Development Action Grant (UDAG). A historic program of the U.S. Department of Housing and Urban Development to assist distressed local jurisdictions. The grants were issued to provide assistance for economic revitalization projects that would stimulate additional private investment. The grants were then used by the local governments to make loans to project developers. Although the federal government has discontinued the program, many cities now receive an annual stream of revenues from UDAG repayments.

Venture Capital. Venture capital is money which has been raised to invest in companies with potential for rapid growth. Typically, these are businesses with a high degree of risk that would not be attractive for commercial bank financing. An important attribute of venture capital is that the investment is usually not a loan; the venture capital investment usually purchases ownership in the firm. This type of financial relationship is helpful to start-up companies because it provides

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an infusion of cash to finance operations and growth but does not increase debt service obligations the way a bank loan would.

Working Capital. Funds used to pay for business operations.

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