

NOTES: Concurrent Session, Thursday, May 20, 2004, 3:15 PM

“Roundtable on ARS Gardner Academies”

Presenters:

Chris Chadwick, Executive Director, FOCUS St. Louis and ARS Chair¹

Nancy Douzinas, President, Rauch Foundation

Christine Mayer, Program Officer, GAR Foundation

Ken Newby, President, Fresno Business Council

Doug Henton, Collaborative Economics (moderator)

Newby: The Fresno region consists of a city and its surrounding county in Central California. It experiences significant, year-round double-digit unemployment (typically double the state average), and its per-capita income is 40 percent below the state average.

Additionally the region has experienced significant immigration, consisting principally of Latino farm migrants and South Asian refugees. Consequently, the region’s school districts have been unable to keep up with language and social conflict problems. Compounding the unemployment problem is the fact that vocational-technical education has been eliminated throughout the state.

Unemployment and poverty inevitably are accompanied by crime, and predictably, local governments in the Fresno region are financially burdened by high law-enforcement allocations.

Historically, the region has followed a cost- and population-based economic model, as opposed to an innovation-based model. The year-round economic base consists of small businesses with less than \$200 million in annual sales and large businesses with greater than \$500 million in annual sales. Levels of business sophistication are marginal—the vision is to supply jobs and nothing else. The region boasts no publicly capitalized companies or major philanthropic foundations.

In this climate, the job of the Fresno Business Council, and the objectives of the Fresno Collaborative Regional Initiative and Regional Jobs Initiative (RJI) were to create a sustainable valley and generate jobs—and to do it without a significant base of resources.

The goal of the Fresno Regional Jobs Initiative is to create 30,000 net new jobs in five years and to reduce an unemployment rate that hovers between 13 and 15 percent to nine percent. The RJI is a private-public partnership—the familiar order of the words in the term is deliberately reversed to emphasize the fact that we want business to be directly invested in the effort.

Underpinning both initiatives are the “Fresno Community Values,” a set of transferable concepts that serve as a code of ethics for community-based initiatives. The Values

¹ Due to equipment difficulties experienced with a concurrent session, ARS staff were unable to arrive at this session in time to capture Ms. Chadwick’s remarks; we regret the omission.

were rolled out in draft form in September 2003, after a six-month Gardner Academy planning process, the results of which are currently being implemented.

There's not a lot of talk in our region about recruiting businesses from the outside to meet our employment goals—we're focused on matching skills to jobs and expanding existing businesses through our Centers for Excellence, which are intended to bring world-class skills to the Fresno community and thus meet our existing jobs-skills mismatch. We're also focusing on workforce development and business infrastructure. The entire effort is driven principally by a coalition drawn from the business community that stays together by force of sheer will—because we want it to.

With respect to progress, it's fair to say that some projects have moved faster than others. Among my main observations is that communication has been an ongoing issue and challenge—it's one thing to get like-minded visionaries in a room, and another entirely to communicate to a diverse region of 1.2 million in order to educate them on the importance of our initiatives and their potential impacts on their lives. We settled on an innovative vehicle that we called the "New Valley Times," an imaginary newspaper insert set in the future with articles describing elements of Fresno's strategic plan. It was mailed to 180,000 households and forecast what regional community will be like when our plans succeed.

Douzinis: Back in the 1950s and 1960s Long Island was the fastest-growing region in the United States, boasting a high-tech, defense-based economy.

Prior to the post-war suburban boom, the island was heavily agricultural and full of large private estates (many of which have been preserved as country clubs, museums, arboretums, and public parks). Today, Long Island is America's first "mature suburb." The mean age is 38; population growth has stalled; and open space has been depleted—it's projected that the island will be fully built out within ten years.

The suburban portion of Long Island consists of two counties (Nassau and Suffolk) with a combined population of 2.8 million. The island also hosts the New York City boroughs of Queens and Brooklyn, and thus is part of the "Northeastern Megalopolis." The good news is that Long Island remains extraordinarily prosperous. We have a \$112 billion economy, placing us among the top 20 U.S. metropolitan areas, and an unemployment rate of just 3.9 percent. Among our strengths is a world-class public education system—we have over 120 school districts, some of them the very best in the country. That amenity costs people a great deal of money, however; homeowners on Long Island pay among the highest property taxes in the nation.

Eighty percent of the island's businesses are small, employing fewer than 20 people. Our governments are also small, and a high degree of parochialism and fragmentation hobbles our ability to organize and act regionally.

How did the Rauch Foundation – a family foundation formerly dedicated to the relatively specific concerns of its founders – enter the field of regionalism? It was an interesting journey. We started out seeking to assist children and families, and found we weren't very effective. We wanted to see what other places were doing—we went to Cleveland, Milwaukee and Portland, and we took along enlightened local politicians to learn from noted innovators. We also commissioned three public opinion polls to seek Long Islanders' input on quality of life issues, transportation, economic development, and

general likes and dislikes. Additionally, we talked to people outside the philanthropic sector—we asked businesspeople and elected officials what they thought we should invest in. The answer from the community was an indicators project, not more leadership training. We were attracted to this answer, knowing that indicators studies had succeeded in stimulating change in other places.

Finally, we hired a top-notch staff capable of carrying forward a professional regional scan, and our first indicators study was released in February of 2004. In designing the study protocol we made a conscious decision not to involve government. They were warned it was coming, but were not even on the advisory committee. The rollout of the study was marked with a newspaper story entitled “Coming Together for Long Island’s Future”—we invested heavily in public relations, which resulted in coverage in the *New York Times*, *Long Island Newsday* and other papers, as well as public television and radio.

The study offered a heavy diet of food for thought: Why were we spending so much money on education to send our children to live elsewhere? Why were 20 percent of our 18- to 34-year-olds lost during the last decade? The Long Island Index tells how our brain drain is related to land use, the neglect of our downtowns and our sky-high cost of housing.

We now are focusing on producing another great L.I. Index report in 2005 to move the public toward resolve and action. Our motivation is to supply good, objective information to move sound public policy. One early result is the fact that the Nassau County Executive has launched an initiative to reconcile the conflicting provisions of 64 different local zoning codes.

Mayer: The “Fund for Our Region’s Future” is a project emerging from crisis. Northeast Ohio has lost 100,000 jobs during the past five years—and they won’t come back. Part of the problem emerges from a lack of effectively coordinated leadership—the region is fragmented among Akron, Canton, Cleveland, Lorraine and other cities. A major regional asset, however, is the existence of a strong philanthropic sector, the legacy of our profitable industrial past. Combined, the region’s foundations control a large pot of money, but have not enjoyed a record of collaboration or alignment.

The Fund for Our Region’s Future is intended to correct that record, but initially there was a fear that if funds were pooled they would be sucked up by the “black hole” of Cleveland—there was interest and commitment to change, but a lack of trust. To get the project started, we adopted the informal mantra of “embrace the messiness,” and meeting attendance has kept growing, with extensive, detailed minutes widely distributed after each session.

Prior to establishment of the Fund, the region’s foundations were distributing millions of dollars each year, but with no coordination—and thus limited impact. The object of our initial conversations, at the very least, was to share information on what we were doing; instead a funding pool was established. A contribution of \$100,000 earns the donor a seat on the funders committee and a contribution of \$1,000,000 earns a seat on the Fund’s executive committee. To date, \$24 million has been pooled toward a goal of \$30 million. Importantly, however, we’re not just sharing money, we’re sharing ideas.

The Fund's mission is to encourage and advance a coherent economic development agenda for Northeast Ohio. The Fund has three goals: (1) fostering stakeholder dialogue and collaboration on key economic topics regionally; (2) supporting the knowledge base to inform and track choices; and (3) deploying grants (12 to 15 over three years) in support of a focused set of transformational initiatives. The Fund has hired public relations people to serve as enablers and ensure transparency and openness in the process of selecting initiatives, while engaging more donors.

The Fund's initial foci include supporting/enhancing regional economic competitiveness, identifying and nurturing industries with high-growth potential, and fostering entrepreneurship. We've adapted the Alliance For Regional Stewardship's **Principles of Regional Stewardship** to orient our dialogue: The four elements of stewardship – innovative economy, regional governance, social inclusion and livable community – overlap in a sphere we call "Strategic Potential Focus Areas" (i.e., preferred funding opportunities).

One of the Fund's challenges is find these potential grantees—actively surfacing them if necessary. We need to go beyond first-order economic development by identifying issues for future regional action that may not currently have a constituency, and ideally, stimulating a regionalism movement that will be owned more broadly.

Questions and Answers

Q: How are minority communities being engaged in these Gardner Academy projects?

Chadwick: Minority engagement was deliberate in St. Louis; FOCUS already was diverse, as was the Chamber; the COG wasn't diverse, but we believe that was overcome by the more broadly based participation of the citizens and league and regional chamber.

Newby: We're constantly reaching out on what we're doing and we're doing it, as well as identifying new leaders who can get involved.

Douzinis: The Long Island Index has a 20-member advisory committee, currently including of two African-Americans and two Hispanics. We plan to expand the committee to close to 30 members and have the Rauch Foundation board pull back. Our goal is to increase minority participation by six or seven members, and we hope that the publicity gained by the L.I. Index study will help put us in contact with more minority leaders.

Mayer: Our goal is not merely to serve but to launch projects that seek to partner with minority communities, (and that will be funding criterion).

Lessons Learned

Douzinis: Getting people from different sectors together can be as easy as throwing a dinner party. When seeking to foster inclusion, be prepared for things to get messy once you mix it up. I've found, however, that the rudest people are sometimes the ones who help you the most.

Mayer: With regard to outreach and fostering greater participation, we've found that one of the best vehicles has been our summative meeting minutes, which are broadly e-mailed throughout the region. We also have weekly staff get-togethers to plan strategy. Also, in attracting foundations, we deliberately packaged the Fund's message around the specific causes of the people we wanted to influence. We encouraged them to take a risk, pointing out that the people who made the money that endowed their foundations took risks and probably would take this one!

NOTES: Morning Plenary, Friday, May 21, 2004, 8:30 AM

“How Can CEOs Foster the Creative Class?”

Presenters:

Matthew T. Crosson, President, Long Island Association

Hon. Glenda Hood, Florida Secretary of State

James C. Morgan, Chairman and former CEO, Applied Materials, Inc.

Roy Williams, Greater Oklahoma City Chamber of Commerce

Bill Bishop, Austin American-Statesman (moderator)

Bishop: This session posits the notion that the key to economic prosperity lies not in smokestack chasing, but in cultivating the community characteristics that attract talented people, also known as members of the creative class. These characteristics include traditional symbols of culture – symphonies and museums – as well as unconventional amenities, such as skateboard parks. It also means fostering a climate that is open to diversity and the exchange of ideas.

Morgan: I’ve found that when regional institutions are weak, so is regional leadership and the will to adapt to change. In connection with my work at Applied Materials, I had the opportunity to observe regional organization in Japan around the time that Japanese industry was hollowing out the Midwestern U.S. over quality of consumer goods. U.S. industry learned that higher quality standards were the key to survival, and those who adopted them have succeeded. Fast adopters of new, good ideas also succeed.

The reason American industry took such a long time to adapt was a culture of blame that developed during the 1970s and early ‘80s—that the Japanese and other foreign competitors weren’t playing fairly. And the reason some regions have continued to decline is that they failed to understand that companies – the major employers – tend to locate where they’re wanted and stay where they’re appreciated. When I was seeking to expand Applied Materials, I noticed that Austin had a cohesive corporate recruiting program, and educated workforce, and a business community with strong university links. Moreover, the local university was graduating 26,000 engineers per year. Austin’s approach was a template for other communities.

Following a initial wave of success based on high-tech industrial innovation, Silicon Valley was losing its competitiveness, and I became convinced that this decline was due to the lack of a coherent regional strategy and strong regional institution capable of mobilizing leaders and building a constituency for change. We hired SRI, which organized the Japan West Program to transfer Japanese concepts of regional organization to Northern California. That’s how Joint Venture Silicon Valley (JVSV) was launched.

JVSV began as a three-phase “planning and doing” process. It began with expert analysis of existing conditions, followed by a participatory planning exercise and culminated with an implementation phase. Forty-three potential priority initiatives were identified and winnowed down to 13—then a task force or team was established to address each under the direction of a board. Additional advisory input was supplied by a leadership group of public officials and corporate CEOs.

Becky Morgan was JVSV's first executive director, taking the organization through its initial organization and implementation phases. She provided the energy, enthusiasm and leadership to discover and mobilize the wealth of human resources and dense networks that were already attempting to position the region strategically, such as the community colleges. It took time to get them to work together, rather than in isolation, as well as to get leaders in the 27 Silicon Valley cities talking to each other.

Williams: Good things begin to happen in regions when people finally understand that regions are where people live and are the logical units of organization for economic development—then they have to start working together to foster the characteristics that attract cutting edge industries and the people they employ. The Greater Oklahoma City Chamber of Commerce is focused entirely on regional economic development.

How did we come to this understanding? In the early 1990s, Oklahoma City sought a multi-billion dollar United Airlines maintenance facility. We had what we thought were all the advantages—central location, cheap land, low taxes, and a skilled workforce. We didn't get the facility; it went to Minneapolis. Why? United told us we didn't get it because they didn't think their employees wanted to live in Oklahoma City.

(This was motivating news.) The result was MAPs, which stands for Metropolitan Area Projects, a sales-tax-financed initiative to fund construction of a museum and other amenities. Then came MAPs for KIDS, another sales tax to refurbish every school in the region—half the projects funded through this \$850 initiative have been completed.

Next, we looked for the next big, critical issue, and we decided upon *human capital*. Our strategy for developing and retaining human capital currently is under development, but whatever we settle upon will result in a MAPs-3.

The way in which regions develop is not defined by who wants to play, but where the “stuff” companies want is located—this includes infrastructure, people, amenities, and a range of resources that may be highly idiosyncratic. In the Oklahoma City region, we've enlisted ten counties in our economic development partnership. There must be a reason to do things regionally—an initial reason to come together. In Oklahoma City's case, it was economic development marketing. However, as our case demonstrates, when you come together for marketing, you often can take baby steps toward doing something else.

Hood: As a former Mayor of Orlando, Florida, I've learned that it's that these regional initiatives be business driven—the business community has to lead. Government can set the agenda, but those most interested (business) should work on producing the climate that attracts and retains talent. In engaging the issue, CEOs should ask themselves questions about the quality of schools, the sufficiency of infrastructure, the nature of arts and cultural amenities, and how the community celebrates its heritage.

In Orlando's case, we were aware that many creative talents were flowing throughout the community as a result of the large hospitality/theme park industry. Still, we also wanted to get people out of the parks and into downtown. We learned that when you're focused on arts, culture, historic amenities, and city parks you're in a position to build what you need to make an attractive year-round community. When we did this, housing began coming into downtown.

We also realized that high-tech, television and film skills are closely aligned with the hospitality industry, and we were able to market ourselves as a destination for people with expertise in those fields. Taking the effort regional, however, was a challenge due to fragmentation. To bring the regional community together, the chamber of commerce launched MyRegion.org, which unifies the entire Orlando area around shared issues, looking not only at industry clusters, but mobility, housing, and environmental protection, among others. A similar effort modeled on Orlando is starting up in Tampa.

Florida doesn't have a statewide economic development department. To perform this function, the Secretary of State's office contracts with a public-private partnership called Enterprise Florida through the state Agency for Workforce Innovation. We recently held nine meetings around the state to receive input from urban and rural places. As a result, arts, culture and historic preservation were worked into the state's strategic plan for economic development *for the first time*. It also resulted in a second document entitled "New Cornerstone," which focuses on a ten-year blueprint for business that ensures Florida can develop its creative talents in areas like education and workforce training.

The Florida Secretary of State's office is responsible for an unusually large range of activities, including cultural affairs, libraries, international business, historic preservation, military base realignment and closure, and elections, among others. Pursuant to these responsibilities, a year-long arts visioning process currently is underway, as well as an economic impact study of the importance of regional libraries. (Florida has a statewide network of 470 libraries enabling local users to access anything in another of the state's libraries' collections.) Additionally, we're working smart growth planning into all economic development planning with the assistance of the Urban Land Institute.

Crosson: Richard Florida's creative-class scenario does not advocate the attraction and retention of all human capital, but a certain kind of human capital—the 30 percent of the workforce that generates new forms of productive output. These people embody the thought leadership of communities; they are the artists, designers and engineers who contribute value. When making selecting a place to live, they place a premium on communities that value creativity, individuality, tolerance, difference, meritocracy, and diversity.

What they crave is a community of attitude—not place; shared world-view constitutes the basis on which they associate with others.

It's important to understand that attracting creative people is a very different task from retaining them, particularly for Long Island, which is set up to serve people interested in forming and raising families. Many members of the creative class are not married, or delaying marriage, and many are gay. They probably are not interested in the quality of local schools or the availability of day care.

Nonetheless, they share with everyone the need for a job and housing, which means that from an economic-development point of view, it's necessary to start with the basics: *People must be able to afford shelter*, which is a serious problem on Long Island, where the median sales price of a home is \$400,000 and one-half of middle-class residents could not afford a home if they wanted to move. The Rauch Foundation's Long Island Indicators project was helpful in underscoring the region's creative class issues, which include the cost of housing, the extremely burdensome property-tax structure, and

transportation difficulties.

I'm struck by the local disdain for the "Keep Austin Weird" campaign—it may annoy civic leaders, but it doesn't turn off newcomers. As of 2002, Austin was ranked second in the United States in attractiveness to members of the creative class, according to Richard Florida. Don't worry about "weird"—think about the lessons it holds for CEOs and employers.

For CEOs, the traditional form of civic engagement, or legacy building, is to endow symphony orchestras, ballets and museums. In this day and age, however, the creative people may want bicycle paths and other physical-culture amenities in their communities. And that doesn't mean they want traditional sports facilities like ballparks and stadiums. Creative people want access to outdoors, but they also want live music venues and nightlife. These considerations suggest a new economic development approach that consists of more than tax abatements to attract employers—*because high-end employers need high-end employees*. So, while the basics – such as affordable housing opportunities – are still important, we can't ignore a new layer of activities and amenities targeted at attracting the creative 30 percent.

This implies challenges for CEOs, particularly with regard to their traditional concerns. First and foremost, *members of the creative class want tolerant regions, and the entire region must be tolerant*. I'm aware that CEOs are not accustomed to promoting tolerance through the organizations in which they typically participate, but I insist that it's critical, and I'll offer an illustrative anecdote from my own community to demonstrate why.

During the past few years, from 10,000 to 15,000 Mexicans have settled on Long Island, principally to work as day laborers—a trend that will be familiar to people living elsewhere. In one East-End Long Island community, Farmingville, this trend was particularly visible – characterized by Mexican immigrant men standing daily on conspicuous street corners until hired by a contractor – causing great annoyance until it culminated in a modern-day "lynching." Two Mexican day laborers were abducted and brutally beaten with shovels. Thankfully, neither was killed, but the savage nature of the attack made a media splash and shocked the public.

Nonetheless, after two days, not a single elected official on Long Island – let alone from Farmingville – had publicly condemned the beatings. After waiting two days for the community's public leadership to speak out, the Long Island Association denounced the incident and demanded a scrupulous investigation. While the Long Island community is no longer inflamed by the incident, Farmingville continues to labor on the reputation of being a place of intolerance—and that's a brand that no community wants to have. Think of Skokie, Illinois, where a neo-Nazi group wanted to march in a parade 25 years ago. The hate group was not based in that predominantly Jewish Chicago suburb, and they ultimately were not granted a permit to march, but until this day, Skokie is associated with intolerance. The lesson for CEOs who value access to creative workers: Don't let your community develop a reputation for intolerance, *because it sticks*.

Tolerance of diversity is particularly important on Long Island because all of our population growth during the 1990s was due to immigration. We have learned first-hand the importance of cultivating tolerance and incorporating diversity, even though we are a mature suburb. By the late 1970s, Long Island's population was as big as it is now. Yet,

Long Island is accustomed to rapid transition. During the 1950s alone, the island added one million residents, and its population today – although fully built out – is 2.8 million.

The key to managing transition in a mature environment is overcoming “institutional sclerosis.” If you work in an institutional context, make sure you provide your board of directors with current and cutting-edge information—help them to think differently if you have to. If the institution is an association of business interests, make sure that there is a healthy dialogue with labor, religious and community interests. Above all, remember that while economic development still involves traditional bricks-and-mortar projects, it’s also about diversity, culture, arts, and minds. Also, there’s no substitute for leadership. The Farmingville incident on Long Island illustrated this, because some long-time residents of that community had legitimate complaints regarding how their quality of life and property values had been depressed by rapid demographic change.

Questions and Answers

Q: The business community is willing and prepared to act, and even go out on limbs, but executives often are unable to engage in civic processes. How do you reach the CEOs who don’t have the time to come to meetings?

Morgan: You need more than CEOs to make things happen; CEOs need to appoint other people and make them accountable.

Hood: In Orlando, some CEOs were willing to get involved right away in regional economic development marketing, and eventually virtually all came forward. Regarding diversity, we worked with the National Conference for Community Justice on forums about acceptance and tolerance.

Crosson: In some communities it makes sense to let the business organization, through its professional leader, take the public stand on issues of diversity and acceptance.

Q: Do the economic development strategies advocated by the Long Island Association (diversity-oriented) and Joint Venture Silicon Valley (business cluster-oriented) conflict?

Morgan: No. It’s a matter of priorities that will be unique to a given region. While JVSV emphasized business clustering we also addressed social issues in our process.

Q: Is there a natural tension between providing family amenities and creative class amenities?

Crosson: There are hard and fast rules to economic development, and creative class amenities by necessity come after other priorities. Housing always comes first—everything else comes second.

Bishop: It seems to me that new ideas should have equal value to all firms. A question that needs to be answered in the context of attracting talent is how creativity is used within firms. Are they set up to *use* new and cutting-edge ideas?