

Best Practice Research On Economic Development Structures

Conducted As Part Of The Five-Year Economic Development Plan For Sarasota County By The Economic Competitiveness Group Consulting Team

As a part of the economic development plan, the consulting team was charged with developing a set of recommendations for effectively implementing economic development efforts and linking these efforts to other related plans. We researched and interviewed other comparative regions to understand how they were structures and how they addressed issues of coordination with other plans and organizations. The following represents our preliminary findings.

1. Key Findings

- **Organizational Home:** There is no single model that is the standard among economic development organizations in Florida or across the nation in terms of where an economic organization (EDCs) exists—as a stand alone, part of a Chamber or within government. The home for economic organizations appears to be a reflection of existing business structures, government support and attitude, and relationships among workforce, tourism and related economic efforts.
- **Governance Structure:** Despite differences in where EDCs are housed, most regions have one organization that serves as the primary governance structure responsible for both planning and implementation (this is usually the economic development organization itself). The governance structure in Sarasota County is split among various organizations causing the Sarasota County Committee for Economic Development (CED) to report to four different boards.
- **Primary Linkages:** Economic development organizations in successful economies have focused their coordination efforts on workforce, industry clusters, and entrepreneurial development efforts.
- **Connections to Tourism:** Tourism and economic development both contribute to the community's economy; however, the primary purpose and tactical operations differ to a large extent. The primary purpose of economic development organizations is to diversify and strengthen the traded sector or value-added industries that pay family wages. The needs of value-added industries and their operating/profit model are fundamentally different than a tourism or real estate development model. These differences have prevented regions from fully integrating the two issues into a single organization or alliance type structure.
- **Government Involvement:** In most regions, local government (county and cities) plays a support role in economic development. Compared to Sarasota County, municipalities in other regions have a more direct involvement in the planning and funding of economic plans.
- **Budgets and Funding:** Sarasota County economic development efforts tend to be underfunded as compared to other regions. The CED budget is approximately 20% less than most comparative regions and 25% less than other Florida counties.

2. Examining Other Economic Development Structures

To understand how the County and the Sarasota County Committee for Economic Development could strengthen their level of coordination, we examined the structures of other implementing organizations. We explored:

- The size and type of operation (a stand alone non-profit or a part of a chamber).
- Their relationship, funding and reporting structure with county government.
- How they coordinate at a strategic and tactical level with tourism, workforce and other related efforts.
- How they connect with traded sector industry clusters and promote innovation and entrepreneurship.

We interviewed and researched the comparative communities used in the economic profile (Tucson AZ, Boise ID, Colorado Springs CO, and Raleigh NC) and other regions such as Asheville NC, Santa Fe NM, and Charleston SC which all have strong tourism and arts/cultural aspects to their economy.

In addition, we incorporated information about Florida counties based on research conducted by the Sarasota County CED. This research explored the structure of economic organization and their relationship with the Tourism Development Council (TDC).

2A *The Structure Of The Primary Implementing Organization*

The primary implementing organization for economic development efforts was a form of an Economic Development Council (EDC). Over half of the EDCs interviewed were stand-alone 501-C-6 organizations and the other half were a division or program of a Chamber of Commerce.

Those that remain a part of a Chamber had similar attributes that included:

- The Chamber was recognized as an organization that represented a county perspective and was inclusive of or worked hand-in-hand with smaller chambers within the region.
- The Chamber took on the primary responsibility of policy development or “lobbying” type efforts at the local and state level. This allowed the EDC to remain neutral in its business development efforts.
- Some functions including research, database management and marketing were jointly conducted.

All but one of the stand-alone organizations broke away from their Chamber during the last decade. These separations were based on a need for economic efforts to focus more on traded-sector and industry cluster development, as well as promote business climate issues within the community that reflected the needs of value-added industries. In many cases,

friction between various chambers within a county or region inhibited the EDC from effectively performing their duties and contributed to the decision to become a separate organization.

The average budget per EDC was approximately \$120,000 per staff position or about \$2.50 per capita. The majority of the funding came from two areas: 1) private sector contributions, and 2) county and municipal funding. Government funding ranged from very little to about 70% of the economic development agency’s budget. In almost all cases, both cities and counties contributed to the agency’s funding in proportion to each government’s size and budget. In Wake County, North Carolina, the county contributed about 20% of the EDC’s budget, while the City of Raleigh contributed just over 10%. In Boise, Idaho and Tucson, Arizona, the public sector contributions were proportional and came from the County, the primary city (Boise or Tucson), and other smaller cities.

Overall private sector funding ranged from 100% to 30% of the budget. The majority of the EDCs used an “investor” or “Return on Investment” (ROI) model of private sector funding. These ROI models were based on meeting a specific set of measurable objectives related to the economic needs of that community. Businesses were investing in outcomes that had a direct benefit to their industry or region, as compared to many traditional membership models that ask for contributions for a set of programs or services. Investing in outcomes provided a common platform for value-added industries as well as clear focus for the EDCs.

Four Florida counties conducted their economic development efforts within county government. Funding for these counties were almost exclusively public funds and funding per capita averaged \$3.80 compared to \$2.50 for all other groups.

Summary of EDC Structure & Funding in Comparative Regions

	% Public Sector Funding	% Private Sector Funding	Per Capita E.D. Spending	Structure	
Tucson, AZ	60%	40%	\$ 1.54	Stand Alone	
Boise, ID	20%	80%	\$ 1.33	Chamber	Chamber assumes most marketing costs
Colorado Springs, CO	0%	100%	\$ 3.09	Stand Alone	
Raleigh, NC	30%	70%	\$ 2.07	Chamber	
Charleston, SC	60%	40%	\$ 3.87	Stand Alone	
Santa Fe, NM	N/A	N/A	\$ 1.85	Stand Alone	Very little recruitment funding

Summary of EDC Structure & Funding in Florida Counties

	% Public Sector Funding	% Private Sector Funding	Per Capita E.D. Spending	Structure
Broward	50.0%	50.0%	\$ 1.23	Stand Alone
Collier	47.1%	52.9%	\$ 2.99	Stand Alone
Duval	27.0%	73.0%	\$ 3.08	Chamber
Hillsborough	40.8%	59.2%	\$ 1.62	Chamber
Lee	88.6%	11.4%	\$ 4.77	County
Manatee	36.3%	63.7%	\$ 1.73	Chamber
Marion	45.0%	55.0%	\$ 3.04	Stand Alone
Orange	47.6%	52.4%	\$ 3.09	Stand Alone
Palm Beach	45.0%	55.0%	\$ 1.51	Stand Alone
Pasco	64.8%	35.2%	\$ 1.19	Stand Alone
Pinellas	100.0%	0.0%	\$ 3.13	County
Polk	88.5%	11.5%	\$ 2.38	County
Seminole	100.0%	0.0%	\$ 4.91	County
St. Lucie	40.0%	60.0%	\$ 1.58	Stand Alone
Average	58.6%	41.4%	\$ 2.59	
Sarasota	58.8%	41.2%	\$ 2.13	Chamber

Regardless of the structure, the primary functions of the EDCs were similar—helping value-added or traded sector industries expand, relocate or start in their region. While many EDCs still retain functions of recruitment, retention/expansion and marketing, an increasing number of EDCs are organizing around *related industry clusters*. For example, Wake County Economic Development Program has separated recruitment and retention functions by traditional industries (manufacturing, distribution, etc.) and knowledge-based companies (biotechnology, high technology, information technology) recognizing that these industries have many unique, as well as common, needs. Colorado Springs, Colorado and Santa Fe, New Mexico also target their efforts on cluster development.

2B Relationship Between Tourism and Economic Development

None of the comparative regions have merged tourism with economic development organizations. Most regions had ongoing working relationships between economic development councils and tourism that ranged from co-marketing activities to co-location within the same building. However, each organization’s operations, planning and decision-making remained separate. This separation exists due to distinct differences in both strategic and tactical functions.

Within Florida counties, the coordination between economic organizations and tourism groups ranged from coordination of selected activities to little involvement. Even when economic development and tourism were both within county government (i.e. Lee and Seminole Counties), they were separate departments. Lee County operates economic development within the county government and tourism through the visitors bureau which is outside of county government.

At a strategic level, economic development organizations, such as the CED, tend to be focused on diversification of traded sector industries. The needs of traded sector industries tend to be very different than the needs of tourism industries. In regions where tourism is a large component of the economy, an integrated effort could diffuse the attention and activities of promoting, expanding and recruiting valued-added jobs.

There are very distinct differences between economic development and tourism at a tactical level. For example, programs such as fast-tracking facilities might appear to be similar for tourism and traded-sector industries, yet at a tactical level, the type of facility, transportation impact, and various infrastructure needs are very different.

2C Relationship with Workforce Development Boards

Workforce development is a critical aspect of today's economic progress and value-added companies rely heavily on a skilled workforce for their competitive advantage. Most workforce development activity is funneled through the Workforce Investment Act and government appointed workforce development boards, such as the Suncoast Workforce Board that serves Sarasota and Manatee Counties. The cooperation between economic and workforce development organizations is increasing across the nation. The EDCs we examined had close relationships with their workforce boards including joint board member appointments, working committees and target industry programs. In many cases, economic coordination with workforce development was viewed as more critical than coordination with tourism efforts.

2D Relationship with Entrepreneurial Development

Like workforce, entrepreneurial development is key to today's economy. For economic development organizations, entrepreneurship has a specific meaning. Unlike small business development functions of most chambers, entrepreneurial development is focused on people who wish to start high-value companies with the potential for rapid growth. These businesses tend to be in knowledge-based industries and have a significant innovation or research component, tend to require different funding models (angel and venture funding compared to credit-based loans), and have a management team that understands international markets and commercialization of research. Increasingly, EDCs are assisting entrepreneurial development by directly and indirectly supporting technology-based business incubators, venture funding groups and events, and networking activities that specifically connect new entrepreneurs to experienced ones.

2E Role of Government in Economic Development

While each region had a different relationship with government, the public sector was a support for, not a leader of, economic development efforts. In all comparative regions, the economic development council took the lead in developing its long-term strategic plan, where they involved county and municipal government and business in plan development. Many regions had a dedicated staff person at the city or county level that was the primary interface between the EDC and government agency. For the most part, the government staff person had two key roles: 1) to help the EDC and businesses navigate government and 2) to be a catalyst within government to raise awareness about economic development, and to work with various departments to support, rather than hinder, economic development efforts. In very few cases did the government position lead or implement economic efforts.