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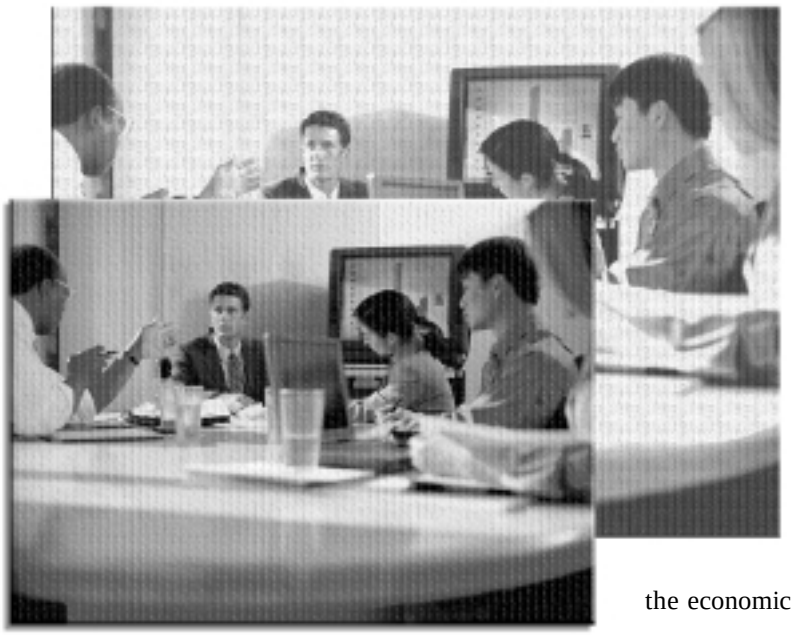
Q&A

The Benefits of Public-Private Teamwork

Learn how your company can benefit from a public-private partnership — The following interview has all of the answers.

By Monique C. Silverio

A MAJOR MANUFACTURER is interested in expanding its operations to the Midwest. The company is focusing on the St. Louis and Indianapolis areas, where much of its customer base is located. Where can this business turn for information about these large metropolitan areas? A good place to start is with the regional public-private partnerships that exist in both of these locales, as well as in many other cities in the United States.



Developed to stimulate economic growth and job creation, public-private partnerships can offer businesses a wealth of information, business incentives, and financial assistance.

To learn more about these entities and their benefits for business, we interviewed Terry J. Cusack, president and CEO of STELLAR Fundraising Executives Inc. Cusack and his 11-person team work with numerous local and regional economic development organizations throughout the United States.

Q: **In a nutshell, what is a public-private partnership?**

A: A public-private partnership is a mix of government officials and private-sector business people agreeing to work cooperatively for the economic betterment of a city, county, or region. In addi-

Idaho Community Spurs Continued Economic Growth

"In Idaho, we have very few opportunities for tax incentives. It's up to the communities to find creative ways to promote economic growth, which is what we began doing in the late 1980s," said Kent Just, executive vice president of the Twin Falls Area Chamber of Commerce.

Now embarking upon its third successful phase, Business III, participation among local municipalities and businesses in the Twin Falls area continues to grow. The latest figures show that pledges for Business III are close to the $1.44 million goal set by the group. This money will be used over the next five years to bring 2,000 additional jobs to the six-county area in technology, manufacturing, business services, agriculture, food processing, transportation, and distribution. "If the labor market is not competitive in a region, the best workers will move out of the area to [find] better-paying jobs," Just says.

The group has a track record of meeting and exceeding its goals. Under Business Plan II, for example (which raised $1.67 million), the group was able to land a new Dell Computer technical-support center — a real economic boom for this somewhat rural southern Idaho community.

"It's all private-sector money," Just says. "There is no public money in this fund, though we work hand-in-glove with the city's economic development director. Any money we have in our fund can be used as an incentive to draw businesses to the community. If a business is going to bring numerous jobs into the area, we want to be able to reward that business with incentive dollars."

Dell is a perfect example of this scenario. According to Just, through the public-private partnership, the community offered the company $500,000 to locate in the Twin Falls area. Dell accepted the offer, and brought with it more than 1,000 job opportunities.

"If you don't have the ability to offer incentives, you're not going to be able to play the game. Incentives alone are not what draw companies to the area. They want a good business climate, reasonable taxes, good employment opportunities, etc. But a good incentive program can certainly tip the hand in your favor," Just explains. He also notes that local businesses understand that if they don't invest in economic development, their businesses will suffer, because it takes new growth and new people to make a community prosper.

For expanding or relocating companies, the benefit in dealing with a public-private partnership is the ability to cut to the chase. What particular needs do the companies have, and how can they be filled within the community? "We can provide them with lots of data about the area, such as what the tax base is, what the infrastructure looks like, etc.," Just says. "Then, we can take it a step further and offer them a sum of money, particularly if they are going to bring numerous jobs into the community."

With two successful public-private partnerships under his belt and a third well along its way, what advice does Just offer to other communities? "Hire a professional to help you with your fundraising efforts. Local volunteers simply don't have the time or expertise to structure and communicate the sound business plan. Your investors are going to want to see a return on their investment."

tion to city and county officials, the entities involved often include the local chamber of commerce and/or the local economic development organization. Business leaders often include the publisher of the local newspaper, utilities, banks, major employers, and major manufacturers. Basically, anyone whose success or failure is tied to the local economy. We like to call it enlightened self-interest.

Q: How can a public-private partnership be of benefit to a business considering relocating to or expanding in a certain area?

A: From an expanding or relocating company's point of view, there are many pieces to the puzzle, including facilities; incentive programs; work force recruitment and training; infrastructure needs such as water, sewer, and power; nontraditional capital access (like venture capital and SBA lending); contract opportunities with federal, state, and local governments; among others. When those needs are bundled together in a public-private partnership, a company can address them with a one-stop–shopping environment, rather than having to coordinate with numerous players at the local level. In essence, a public-private partnership helps streamline the whole business recruitment/retention/expansion process with a seamless approach. Communities that are easy to do business with and have their act together win.

Also, a public-private partnership can provide expanding or relocating businesses with much-needed information about the commercial and industrial real estate conditions in a certain region. Let's say, for example, that a company is interested in building a 78,000-square-foot warehouse in a metropolitan area encompassing nine counties, and that the company would like the warehouse to be within five miles of an interstate. A regional public-private partnership can provide a wealth of customized data, as well as easy-to-get data on the Internet, such as unemployment rates, average wage rates, average housing costs, quality-of-life summaries, graduation rates, education level of the work force, etc. In a nutshell, it can offer a company a tremendous amount of very specific data about a certain area.

Q: How does it benefit local businesses to invest in a public-private partnership?

A: Today more than ever, economic development is a team sport. Businesses invest in the partnerships because they believe that their investment will increase the economic productivity in the area and result in overall economic prosperity. That's good for everyone because rising tides raise all ships.

A big advantage of such a partnership is the convenience for business. A business can write one large check to one group that is working on several fronts simultaneously and harmoniously to enhance a region's economic and community development and vitality, instead of writing many small checks to many small groups.

The money that is raised typically goes toward community marketing,

business retention, business recruitment, international development, and work force training and development. It's somewhat like a trickle-down effect. If you bring in businesses, you create jobs, which in turn helps to stimulate the local economy on all fronts.

Q: What are some of the pitfalls for business?

A: If a public-private organization doesn't have a strong, measurable plan with very specific goals — such as the number of jobs to be created or retained, capital investment targets, per capita income growth, etc. — it's very difficult for the private sector to see the return on their investment.

The partnership must identify the projected return on investment in terms of jobs and capital investment so that when the private sector is asked to invest in this new partnership to enhance the region, tangible results can be expected. If the partnership does not achieve those goals — and those goals can be difficult to reach in these economic times — the private sector can become discouraged and frustrated. Therefore, the group has to deliver on what it promised, or at least have a sound explanation of what it did to try and achieve those goals. Honest and frequent communication is paramount and the underpinning of successful public-private economic development initiatives.

Q: Are you seeing more public-private partnerships that are regional, as opposed to just local in nature?

A: Regional consortiums are key to making economic development work. Regions are substantially more effective in attracting new investment than a variety of local economic development organizations whose efforts are often fragmented or duplicative and, in some cases, competing against each other.

Unfortunately, we still have a proliferation of independent organizations struggling to make an impact. By some estimates, there are more than 35,000 economic development groups in the United States alone. Why do these groups continue to struggle alone? It usually boils down to attitudes of parochialism, selfishness, political agendas and empire building, and often apathy or a "we-could-never-do-that-here" attitude.

That being said, I think that more communities are starting to recognize that there's strength in numbers, and that it makes sense for local entities to work together under a regional umbrella to attract businesses and new jobs to the area. After all, commerce and business activity do not stop at county lines. A company thinking about expanding or relocating is not concerned about where the specific counties start or stop.

Q: In terms of investing in the partnership, who should lead the way — the private or the public sector?

A: More often than not, people view partnerships with a greater value when both parties make monetary investments. However, you typically see the private sector leading the way financially, with the public sector coming in

Indianapolis Area Benefits From Regional Teamwork Effort

What began years ago as the fragmented effort of eight local economic development organizations competing among themselves has blossomed into a regional $15.5 million effort.

According to Greg Schenkel, president and CEO of the Indy Partnership, all of the counties still have their own local economic development organizations (LEDOs) that work with prospective companies, but now they also work as partners at the regional level to attract interest and draw attention to the metropolitan Indianapolis area.

"All of us working together and competing against other regions of the country in a broader sense is certainly better than each of us working individually, competing with each other in a smaller sense," he says. "You can lose people or opportunity by being too narrowly focused."

What are some advantages for the business investors who are primarily funding this regional development effort? According to Bob Palmer, vice president of national hub operations for Federal Express, "Any growth that we have as a region is only going to add more business potential for all of us. There's a huge incentive for us to invest in a regional economic development organization because it increases our base for potential business clients." He adds, "Too many people believe that economic development is a political or government function. But the private sector needs to be directly involved in helping to grow the region."

According to Palmer, involving the private sector in the economic development process adds a lot of validity to the information that prospective companies receive. "Having the private sector involved helps to validate what a region really is like. When a prospective company comes to visit, for example, it helps to hear from other businesses what the regional market conditions, politics, and employment picture really are like," he explains.

Five years ago, according to Schenkel, there was no coordinated, concentrated, efficient method for the metropolitan Indianapolis area to present itself. "A few years ago, we brought everyone under a regional umbrella. We can now present a broader, more comprehensive picture about the area to prospective companies and provide that prospect with all sorts of data about the area as a whole or the counties individually," Schenkel explains. "The advantage for prospective businesses is that it helps them navigate the relocation process in a much more efficient way."

According to Schenkel, The Indy Partnership is funded almost exclusively by local private investors, though the LEDOs do contribute a small percentage of the funds. "It's very much a public-private cooperative effort. We have to work with the local and state governments. That's a part of the ball game. Offering a prospective company incentives is a very delicate thing. You can't afford to give away the store, but everyone else is dangling something in front of them, so you have to at least have a seat at the table."

He sums it up, "The public and private sectors figured out a long time ago that we have to work together to be successful."

with usually no more than half of the money, and preferably about 25 percent of the investment. That's important because when the private sector drives regional economic development, there's less of a chance that the initiative will get caught up in the political winds of change. If a partnership is too dependent on public money, it can be out of business fast with a change in political leadership. We always tell our clients not to belly-up to the public trough too much.

Q: How can businesses find out more about public-private partnerships going on around the country or in the world?

A: The easiest way is to start with their local chamber or economic development organization. There is also a website that is building one of the most thorough national and international directories of economic development organizations: www.ecodevdirectory.com. That website breaks down organizations by state throughout the United States. It also lists economic development agencies in Europe, Africa, Asia, as well as Canada and Mexico. AREA

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CONTACT INFO:

Terry J. Cusack
President and CEO

STELLAR Fundraising Executives, Inc.
E-mail: tcusack@stellarfundraising.com
Website: www.stellarfundraising.com

11585 Jones Bridge Road, Suite 420-141
Alpharetta, Georgia 30022

Direct: 770-380-7707
Office: 770-476-3049
Fax: 770-232-0367