Reformative Economic Development through Regional Collaboration: A Requirement in Today's Hyper-Competitive World

The housing crash of 2006-2007 and the "Great Recession" of 2007-2009 created a firestorm of bad economics for municipal governments. These two events resulted in a trio of adverse effects (real estate tax decimation, sales tax evaporation, and the concurrent requirement to provide increased social services because of rising joblessness and homelessness) that have hobbled governmental entities well beyond the "official" end of the "Great Recession". In response to this barrage of heightened challenges, communities are increasingly competing on a regional, national and international level for business investments and relocations that bring with them jobs that stimulate local economic growth, homeownership, and use of private services and amenities which cyclically beget further growth.

In many instances an economic development project and its infrastructure requirements to accommodate development far exceed the capabilities of individual local governments acting on their own. Economic growth rarely affects only a single community as job positions are filled from regional human resources who also spend their collective incomes regionally. In order to more effectively compete for business growth, local governments are banding together to form regional coalitions that combine to make their regions more competitively attractive for economic development projects such as is the case in southeastern Wisconsin with the formation of the "Milwaukee 7".[1] Intergovernmental collaboration on economic development displays teamwork and a regionally unified voice improves each collaborator's position in their efforts to convince businesses on where to locate. This has resulted in an evolution of community-driven strategic best practices including the establishment and use of regional planning coalitions. While these regional coalitions have made great strides in bringing

[1] Milwaukee 7 is a regional coalition of 7 counties and numerous municipalities that represents the vast majority of southeastern Wisconsin's economic development interests. http://mke7.com/

business and political leaders together, they have not always established a clear pathway for sustainable and reliable collaboration. *What has been lacking is a foundation based on equitable apportionment of risk and reward among the coalition members*.

This article will review various approaches for the sharing of risk and reward among local coalition members on a fair and equitable basis and recommends processes and approaches for ensuring efficient and effective use of project resources throughout the entire economic development project lifecycle.

Successful Approaches to Coalition building

Local municipalities can improve their overall chances to successfully land substantial economic development projects through the development and application of a strategic plan that is inclusive of regional community participation and input that emphasizes regional attributes and supportive resources and conveys the region's commitment to providing sustainable assistance. Coupling this regional public approach with applicable existing private stakeholder resources aligns the region's financial, managerial and social expertise to provide unified regional backing for the projects bringing economic development benefits to the region.

The regional approach to economic development is also important as competition between municipalities for resources and potential employers can become intense and regional rivalries pitting one community against another can negatively influence a targeted company's site selection scorecards. A collaborative approach generating increased economic development activity creates efficiencies, is cost effective and collaborating members in the region have their individual risks mitigated by collectively sharing in the costs and benefits. Leaders who understand key regional public and private economic drivers can better position themselves in attracting and retaining investments from businesses. Professional, collegiate and amateur sporting tourism serve as an example of Public-Private Partnerships in which the private sector looks to the local government(s) to own, operate or provide financial incentives for the required facilities and other infrastructure, while local governments look to the private sector's team owners or tournament operators to deliver the attendance and employment that drives the desired economic development impacts.[2] One without the other creates failure in the outcome desired by both.

Creative approaches to financing the project – Capital Stack Planning

There are varieties of distinct financial tools that can be used individually, or in combination, to craft balanced sources of funding for communities to promote regional economic development projects. These tools can be used to mitigate the funding risk for all participating community with cost and benefit sharing spread among the coalition members. There are two important concepts in Capital Stack Planning:

1. Each and every project is different making customized financing pivotal for each project. The Capital Stack structure must align the desired goals and benefits and apportion risk among the coalition members to achieve broad-based support and participation.

2. Tight capital markets where credit enhancement may not allow for use of the full faith and credit obligations of the community requires financial tools to analyze options available to provide sufficient funding for projects while minimizing the financial impact on taxpayers.

One of the most effective tools used in capital stack planning is *deterministic financial modeling*. These financial models can be used as part of the incentive packaging process by taking information of the proposed deal terms and, using key variables, run scenarios to visualize the projected outcomes for the community. They can also be prepared for the business to track the effect of deal term changes on near and long term operations. These

[2] Sports tourism is one of many areas of economic development where communities on a joint basis have successfully built regional coalitions and utilized the tools and approaches covered in this article to effectively deliver their projects from conceptualization to completion.

models allow the coalition leadership to adjust the capital stack and other incentives to optimize the deal structure, enhancing prospects for success.

Efficient and On-Time Project Delivery through Lean Project Management

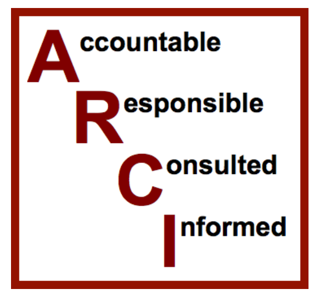
In today's economic climate, governments are learning to do more with less. The revenue crunch has forced government administrators to embrace transformative processes that bring private sector thinking to the public sector. The private sector has for a long time sought to optimize operations to increase profitability and its lessons and best practices are available for implementation in the public sector. Governments are getting assistance to control costs from organizations with the ability to employ private sector methodologies such as Lean Project Management (LPM) which is intended to minimize waste and maximize customer value with fewer available resources.[3] LPM maximizes efficiency of a public project by: (1) Eliminating touch points, (2) Reducing time lag, (3) Improving cross-entity coordination and (4) Standardizing work to reduce variance. LPM embraces best practices in the areas of: (1) Process, (2) Accountability and (3) Communications and Data Sharing which makes predictability of potential project outcomes possible. Additionally, engaging an Owner's Agent in the pre-construction and construction phases of the project can enhance the project outcome for the participating communities. Cooperating in this manner across entities creates a culture of increased productivity and transparency that encourages staff to identify and mitigate risks along with reducing inefficiencies and ensures greater coordination and enhances project outcomes.

Process: The process of Integrated Project Delivery (IPD) is endorsed by both the American Institute of Architecture (AIA) and the American General Contractors Association (AGCA).[4] Though generally used in building construction, the IPD process is a project management theory adaptable to view any project holistically from concept to completion along a continuum of development stages to facilitate on-time and on-budget project delivery.

[3] Lean Enterprise Institute. http://www.lean.org/WhatsLean/
[4] See *Integrated Project Delivery: A Guide.* The American Institute of Architects, 2007. http://www.aia.org/aiaucmp/groups/aia/documents/pdf/aiab083423.pdf

IPD begins with identifying regional community needs, determining a project's feasibility and quantifying economic impacts. IPD then proceeds through a series of phases including financial outcomes analysis and capital stack planning, deal term structuring and incentives negotiations, and project implementation monitoring including owner's representative services for construction. The regional coalition collaborates with senior members of the client entity during IPD and installs project management professionals to help scope, budget, phase and monitor the project to protect the regional coalition's interests using Project Management Institute methodologies and LPM.

Accountability: Part of IPD, an accountability chart is used to assign specific activities to personnel. Using a descending order of accountability, the ARCI charting model memorializes assignment of personnel to assist or accomplish activities: Those who are Accountable ("A") must make sure the activity is completed; Those who are Responsible ("R") do work on the activity; Those whose opinions are sought are in a Consulting role ("C"); and those stakeholders who need to be kept abreast of the project's status are Informed ("I").



Communications & Data Sharing: Project management includes a Communications Plan that establishes an agreed upon flow of information to avoid communications interference, establish a hierarchy of command and reduce back channel noise that can disrupt economic development projects. Project timelines and phasing plans are included in the Communications Plan and are placed on a cloud-based data site that enables regional coalitions to compile, maintain, share and edit relevant files/documents with their target entity private partners.

Owner's Agent: An Owner's Agent ("OA") acts in the interest of the Owner on all phases of construction projects as a liaison between the Owner and the architects, engineers, general contractors and construction managers. The OA works with project management teams (internal or external) on a daily basis to assess progress, identify issues, answer routine Owner questions, scrutinize overall project performance, evaluate change order requests, and provide insight and analysis that enable the Owner to make more informed decisions during all phases of the project. Acting strictly on behalf of the Owner's interests, the OA is most effective if brought into the project during the earliest phases when a more concise and cost effective scope can be developed that results in fewer change orders and more efficient construction schedules.

The use of IPDs, ARCI charts and Owner's Agent services has emerged as a leading standard to effectively manage projects and OAs provide critically important information to local government clients so that they can make informed decisions about how construction issues are addressed.

Summary

It can be said that the life's blood of a municipality is its tax receipts. However, perhaps more important is the leadership at the heart of the municipality who understands economic development is larger than a single community and that to maximize economic development benefits a collaborative approach to attracting projects best positions an entire region. Competition for new businesses that create jobs and produce new tax revenue is healthy until that competition becomes so fierce it dissuades potential candidates who may perceive regional infighting as potentially troublesome to long term business interests. The development of regional coalitions can prevent this infighting while providing a unified front and more robust support for potential businesses and ensuring an equitable apportionment of risks and rewards across the participating communities.

The creation of a regional coalition for economic development provides access to resources to develop better strategic planning and increase access to professionals acquainted with municipal law, finance and real estate development who, when brought together under an organized project management umbrella, greatly enhance the quality, quantity and efficient outcome of economic development deals. Over the years, many community's economic development projects have struggled due to the lack of resources available in one or more of three significant project phases: visioning, planning and delivery. They have also failed because the sharing of risk and reward among local coalition members has not always been done on a fair and equitable basis. In order to ensure project success, the regional coalition must be vigilant to ensure efficient and effective use of project resources throughout the entire economic development project lifecycle, including:

- Successful approaches to coalition building (both intergovernmental & public-private)
- Creative approaches to financing the project (capital stack planning)
- Efficient and Timely Project Delivery through Lean Project Management
- The important role of Owner's Representative services to assure on time, on budget project delivery

By embracing the approaches laid out in this article, local communities and their region are better positioned to build successful coalitions (inter-governmental and public-private), identify a clear set of benefits, develop a plan that has the greatest likelihood of success, align a project's economics, and institute a project oversight and management process to monitor the delivery of the stated goals and deliverables on-time and on-budget. By doing this a region becomes more competitive and compelling and can deliver the facilities and services that enrich its local communities.

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