



*Draft for EDC Review:
The Plan is Still Under Development*

**Building Quality of Life
through Strategic Economic Development**

The City of Madison

3-5 Year Strategic Economic Development Implementation Plan
Preliminary Working Draft for Reader Review & Comment

Ticknor & Associates
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Please send comments & suggestions to Tticknor@aol.com

Preface



Purpose of the Working Draft

1. Present preliminary findings & recommendations
 - Purpose of Implementation Plan
 - Key definitions
 - Key data trends
 - Lessons from peer cities
 - Recommendations
2. Identify gaps/places for revision
3. Gather input/Confirm Priorities/Build plan support
4. Set the stage for the Roll-Out Strategy

Next Steps to Complete the Plan

1. Department Management Review (February 15-18)
2. Post Preliminary Working Draft on City website for outside comment (February 20)
3. City staff presentations to civic, neighborhood and business groups (ongoing)
4. Implementation Team Meetings (ongoing)
5. Present Draft to Economic Development Commission (EDC) and City Council (February 27 and March 3, TBD)
6. Present Draft/receive public input at three 2 ½ -hour sessions (March 25)
7. Finalize Plan for EDC approval (TBD)
8. Implementation (Ongoing)
9. Update Plan (Ongoing, with full update in 2010)

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I. Strategic Foundations

1. The Purpose of the Plan

Good jobs matter. They provide high wages, good benefits, and an opportunity for human growth and advancement. They anchor local prosperity, contributing mightily to local quality of life by creating resources for positive choice.

In order **to develop proactive ways to stimulate quality job creation for Madison citizens**, the Madison Common Council charged the Economic Development Commission (EDC) to develop a 3-5 Year City of Madison Strategic Economic Development Implementation Plan. This is the first such plan since 1983.

The following important considerations shape the plan:

- Focusing on **core economic development, the creation of quality basic sector jobs in sectors that serve markets beyond Madison**, rather than on the equally important areas of neighborhood and community development and planning;
- **Recognizing that economic development is the merger of public and private interests** to create quality jobs and grow the tax base to provide essential city services;
- **Maximizing effectiveness and efficiency by collaborating** with other economic development organizations;
- **Stressing implementation** —the level of City commitment plus dollar, and organizational resources required to stimulate quality job creation for the benefit of all of Madison’s citizens.



2. Leading Current City Activities to Pave the Way for Growth of Quality Jobs

Although the public and the business community do not always recognize it, the **City of Madison deserves acknowledgement for a number of economic development initiatives.** Highlights include:

- Modernizing the City Zoning Ordinance (underway)
- Establishing a Development Services Center and utilizing Enterprise Permitting software to streamline the permitting process (2008)
- Office of Business Resources and other departments and division contacts to assist with the development of existing Madison employers (ongoing), with particular importance to the expansion of St. Mary's Hospital, Covance, and other critical employers in the City.
- Initiating, developing, and gaining approval of the East Washington Ave. Capitol Gateway Corridor BUILD Plan (February 2008)
- Past actions to prepare development plans (Pioneer Plan, Hanson Road Plan, and Marsh Road Plan) and assemble land for business and industrial park development, support this development through the establishment of Tax Increment Districts, including current efforts to market and develop the Southeast Industrial District.
- Using Community Development Block Grant funds to subsidize the creation of the Madison Enterprise Center.
- Supporting small business development through investment in the Madison Development Corporation, annual support to the Wisconsin Women's Business Initiative Corporation, African American Black Business Association, and Latino Chamber of Commerce.
- Approving the formation of and collecting the fees for the downtown Madison Business Improvement District.
- Supporting and investing \$18,000 annually in THRIVE, the recently formed 8-county regional public/private economic development group initiated by the Collaboration Council.
- Supporting the business climate by maintaining a AAA municipal bond rating and by supporting a high quality of life that helps local employers recruit and retain key employees.



3. Why Implement a Proactive Economic Development Strategy?

Plan participants identified major reasons for the City to be more proactive than currently.

- **Madison competes** with communities within the region and around the world for quality job growth and positive fiscal impacts.
- While state government and university employment remain very important, **the private sector is playing a growing role in the local economy.**
- Despite its low unemployment and low poverty rates, **median family income in Madison is only slightly above the state and national averages.**
- **A progressive City is proactive.** It molds its future rather than waiting for things to happen.



4. Economic Development Best Practice Principles

The City can improve its economic development performance by improving in each of these important areas of good local economic development practice:

1. Recognizing that economic development is highly competitive.
2. Implementing a long-term strategy to build competitive advantage.
3. Making superior customer service a high priority among all municipal service providers.
4. Building leadership through public/private partnership.
5. Having effective staff capabilities & resources to implement the strategy, including program performance measures.

5. Peer Community Competition

Comparing Madison with other similar economies--Ann Arbor, Austin, Boise, Des Moines, Lexington, Lincoln and Raleigh—we identified the following important opportunities to apply best practices:

- The most competitive places have stronger economic development leadership at the municipal level, whether from the Mayor and Council or the City Manager.
- They are willing to offer economic development incentives and Tax Increment Financing for very important basic sector expansion or location projects.
- They have a stronger, more formalized customer service framework and feedback mechanism within planning, development review, economic development, and other municipal agencies.
- And they have a stronger public/private economic development partnership. (Madison/Dane County have none. The newly launched THRIVE serves an eight-county region, but it has been intentionally designed with comparatively/relatively weak City and County monetary support, voice, and staff participation.)

II. Recommendations



1. Establish First Priorities

- 1) Elevate the importance of economic development by adopting this plan, funding its implementation, and including economic development in support of high quality of life directly within the City and Department of Planning and Community Economic Development mission statements.
- 2) Energize and continuously utilize the Madison-based team of public and private economic development practitioners to help to implement collaborative aspects of this plan and shape City participation in THRIVE.
- 3) Convene a public/private economic development leadership group informally so that top City leadership can meet more regularly with business and educational leaders and to set the foundation for a future public/private economic development partnership organization.
- 4) Convene public/private leadership support to implement key tasks within this plan—especially the business retention & expansion strategies, and the development of the East Washington Capitol Gateway Corridor.
- 5) Solidify the public/private alliance to support UW-Madison as a growth center for basic sector economic development and employment growth.



2. Regulation, Customer Service & Business Climate

- 1) Complete the pending Zoning Code modernization so that basic sector economic development projects producing quality jobs and tax base have fewer needs for special use permits (in process).
- 2) Implement the Development Service Center, redesigning physical space and implementing Enterprise Permitting Software to make the development application process more consistent, transparent, and efficient (in process).
- 3) The Department should monitor regulatory, permitting, and economic development customer service through internal metrics and external customer comment techniques, post results regularly within the Department, and regularly report results to the Mayor, the EDC, and the public.
- 4) Encourage City Council to consider the economic development role of business climate issues in making City policies; simultaneously encourage businesses to report both the positives and negatives of the Madison operating environment.



3. Business Retention & Expansion

- 1) Partner with local economic development allies (UW-Madison, MATC, Madison Gas & Electric, Alliant Energy, THRIVE, and the Workforce Development Board of South Central Wisconsin) to conduct comprehensive business retention & expansion outreach program to address employer expansion and workforce development needs.
- 2) Develop public/private leadership to convene major basic sector employers for joint problem solving.
- 3) Utilize these contacts to link employers with municipal and civic quality of life development opportunities.
- 4) Continue to support small business & entrepreneurial development through contracts with the Madison Development Corporation and the Wisconsin Women's Business Initiatives Corporation. Monitor whether there are future additional small business development opportunities, including student entrepreneurship, through further incubation or other means.
- 5) Develop and support an account management plan and contact management support software to sustain contact relationships.



4. Physical Priorities to Foster Quality Basic Sector Job Creation

- 1) Continue to work with UW-Madison to make development of University Research Park II an utmost priority, including the use of City tools to develop complementary infrastructure required to meet City quality development goals.

- 2) Restore the East Washington Capitol Gateway area as a major place of basic-sector employment. Exert strong City leadership, including concept planning, land and property assembly, developer competitions, advocacy of a Business Improvement District, close collaboration with UW-Madison, and other appropriate means.

- 3) Promote industrial and applied technology development in the Southeast Industrial Area, utilizing City land assembly and Tax Increment Financing.

- 4) Expand, enhance, and further develop project manager capabilities and systems within the Department of Planning and Community and Economic Development to facilitate the development of these major projects.



5. Expand & Revise the City Economic Development Toolkit

- 1) Review and revise, as necessary, Madison Tax Increment Financing (TIF) policies (currently under review) to give priority to basic sector projects generating quality jobs, projects producing a substantial positive fiscal impact, and those with which the City faces substantial competition with neighbor or outside communities.
- 2) Utilize the Community Development Authority and/or investigate creating a public/private venture to catalyze basic sector employment creation opportunities along the East Washington Corridor.
- 3) Seek to direct a greater percentage of the job-generating share of Community Development Block Grant funds to basic sector economic development.
- 4) Encourage the formation of Business Improvement Districts for neighborhood commercial development.
- 5) Develop and utilize a benefit/cost model to measure the fiscal impact of key development projects and to allocate TIF and other City economic development tools.



6. Organizational Change to Implement the Strategy

- 1) Fully staff the newly formed Economic Development Division within the Department of Planning and Community and Economic Development comprised of the Office of Real Estate Services (including TIF), Office of Business Resource, and the Office of Economic Revitalization (Community Development Authority, façade grants, and housing rehabilitation assistance).
- 2) Retain an Economic Development Director with a high level of economic development experience, including project development and public/private development financing.
- 3) Build staff project management capabilities within the new Division and across the Department. Build Economic Development Division capabilities to include development project finance, business retention & expansion relationship development, research and web development, and small business solutions.
- 4) Add stronger central administrative and communications/website capabilities (for newsletter and continuous website development) to the Department of Planning and Community and Economic Development to help to implement this plan.
- 5) Develop Implementation Champions and Teams for each strategy area of this plan, including non-city partners as appropriate.
- 6) Develop a business attraction strategy in cooperation with UW-Madison, THRIVE, and existing employers once the retention & expansion strategy is fully operational. (Dane County is currently one of the least experienced THRIVE member in terms capabilities to respond to information requests from outside business investment prospects). Reconstitute and develop a Madison business location response team, including the Mayor and key representative from MATC, UW-Madison, the City Economic Development Division, and other key Madison City Departments
- 7) Update this strategy at least every other year as the City economic development capabilities and partnership relationships develop and as conditions change.



The Importance of Leadership

Strategic implementation planning is as much about change management as much as it is about what to do. To significantly improve economic development practices, leaders must step up to advocate sustained economic development and to lead implementation:

- The Mayor
- Common Council
- The Economic Development Commission
- Department of Planning and Community and Economic Development (DPCED) Managers
- The newly formed Division of Economic Development within the DPCED
- Major economic development allies beyond City government, including UW-Madison, MATC, THRIVE, Madison Gas & Electric, Alliant, Dane County, and the Wisconsin Department of Commerce who can form Team Madison.
- Key local civic leaders who can participate with the City to form stronger public/partnerships.

Economic development is a collaborative process. Done well, all of Madison's citizens benefit.



Project Inputs & Acknowledgements

The City wishes to thank the **important contributions of the several hundred individuals who participated in interviews, listening sessions, and other meetings to develop and refine this implementation plan. Their ideas and feedback have been invaluable. The passion that local citizens have for this very special place has been well in evidence.**

Major process inputs have included:

- Madison Economic Development Commission Auspices & Guidance
- City Staff Interviews (32)
- Leadership Interviews (43)
- Interviews with City and private ED staff in 6 peer cities: Ann Arbor, Austin, Boise, Des Moines, Lexington, Lincoln and Raleigh
- Consultant experience, client contacts
- 4 Listening Sessions attended by approximately 120 persons
- Strategy Retreat attended by approximately 60 persons
- Implementation Task Force meetings for each major strategy area (in process)
- Posting on City website for Review and Comment (pending)
- Draft Presentation & Comment Sessions (pending)

We also wish to acknowledge Madison Gas & Electric for underwriting the public listening sessions and The REALTORS Association of South Central Wisconsin and Alliant Energy for helping to underwrite the draft plan presentation process.



The Madison Economic Development Commission

- Susan M. Gleason, Acting Chair
- Alder Zachariah B. Brandon
- Edward G. Clarke
- Peng Her
- Ralph Kauten
- Noel Radomski
- Victoria S.Selkowe
- Richard A. Slone
- Sandra J. Torkildson

The Economic Development Council Mission:

“Responsible for working with the Mayor, Common Council, other City boards and commissions and City staff to facilitate the development of a healthy, diversified economy in which businesses can locate, innovate, grow and prosper, and all residents have opportunities for economic prosperity. The Commission shall be responsible for preparation and periodic updating of the city's economic development plan and strategy for recommendation to the mayor and Common Council; evaluate economic conditions in the community; identify economic problem areas; recommend specific policies, programs and projects; recommend items for inclusion in the capital and operating budgets in support of the development strategy.”



III. Core Definitions

1. City of Madison Project Goals

Consistent with the Economic Development chapter within the January, 2006 City of Madison Comprehensive Plan, City Council charged the Madison Economic Development Commission (EDC) to create a 3 to 5 year **strategic economic development implementation plan**. This is the first City economic development implementation plan since 1983.

Our mandate is to recognize the City of Madison’s unique assets and qualities and to **emphasize the creation of quality jobs for Madison residents** (quality jobs pay at least a living wage, have competitive benefits, and have promotional and human growth opportunities).

We have framed the plan within Madison’s own economic and organizational environment. We seek to build upon and reinforce Madison’s special quality of life. We recognize that the City’s economic development role must complement what key economic development allies such as UW-Madison, THRIVE, state Wisconsin Department of Commerce, the Workforce Development Board of South Central Wisconsin, Madison Gas & Electric, among others.

2. What is Economic Development?

Economic development is ultimately the creation of quality jobs and local tax base through the development of companies and organizations that serve markets beyond Madison. Economic development is about growing the pie, not how the pie is distributed.

For these reasons, this plan does not focus on very important community development issues such as housing, child care, programs for disadvantaged youth, or neighborhood retail development. While each contributes to the overall economic well being of the community and its development potential, the purpose of this effort is to focus more directly on quality job creation. It is through quality job creation that other vital and critical community objectives are met.

Municipal Government Economic Development Fundamentals



Economic development, community development, and planning are complementary, but they are also different in terms of their goals, programs, and staff skill sets required.

	Planning	Economic Development	Community Development
Major Goal	<p>“The right ingredients.” Land use and infrastructure. Integration of Economic and Community Development. Policies to guide community growth and development.</p>	<p>“Growing the pie.” Sustainable quality job creation and tax base development.</p>	<p>“Distributing the pie.” Healthy neighborhoods & housing stock, anti-poverty.</p>
Geographic Area	Neighborhoods, corridors & citywide.	Citywide with a regional consciousness.	More neighborhood and target population focused.
Major Tools	Setting vision. Near and long-term planning, Zoning regulation. Permitting & regulation.	Employer relationships. Overcoming economic development obstacles. Basic sector project facilitation.	Housing programs, child care, targeted development to poorer neighborhoods. Community Development Block Grant
Ethos	Total picture. Open and inclusive, involving all public and private sector stakeholders. Planning and regulation.	Merging public & employer interests Building public/private partnerships. ED is competitive.	Meeting community needs. Public/social service partnership.

Basic Sector Development Drives Local Economies



- An old tenant of economics is that economies cannot grow by residents taking in each other’s washing.
- The basic sector (sometimes called the export sector) is the set of activities that generate wealth from beyond Madison.
- The first dictum of urban economics is: “Tell me your economic base and I will tell you your fortune.”
- In most cases, basic sector jobs pay more, have more benefits, and have more promotional and human growth opportunities than the retail, food service and personal service jobs that dominate the non-basic sector.
- Economic development therefore seeks to grow the basic sector in a manner consistent with community values.
- A healthy and competitive basic sector stimulates non-basic development and drives the local tax base to support community development services.

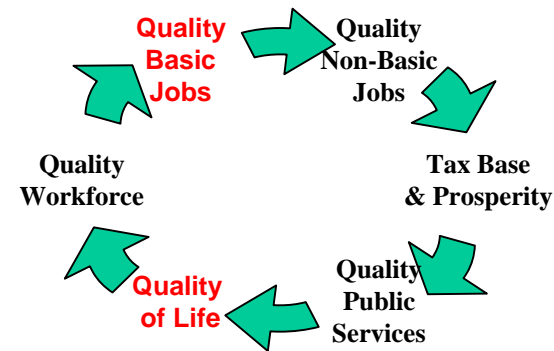
Basic Sector Activities	Non-Basic Activities
UW & State government	Local Govt. and schools
Technology companies	Most neighborhood retail
National financial services	Restaurants
Manufacturers	Housing
Warehouse & Distribution	
Regional Healthcare	
Conventions & Visitors	



The Local Prosperity Cycle: Connecting Economic Development to Quality of Life

Quality basic sector jobs are the linchpin connecting economic development to local quality of life. A healthy economy creates options and opportunities.

- » High paying basic sector jobs support growth of the retail and non-basic sector and provide more consumer choice and build the middle and upper segments of the local housing market.
- » The basic and non-basic sectors create the property tax base that sustains local government and the income to support desired social services.
- » Adequate funding is a necessary component to quality public and social services.
- » Economic prosperity and quality public and social services anchor the local quality of life.
- » High quality of life enables Madison to retain and attract a quality workforce.
- » More than any other factor, quality workforce is essential to sustaining quality basic sector job growth.





3. Relationships Count: Economic Development is a Collaborative Effort

Cities and economic development organizations do not create jobs and tax base. They create the climate and remove the barriers so that private and non-profit basic sector employers create jobs and tax base. So first economic development is a team sport because it involves merging public and employer benefits.

It also necessarily includes many economic development players: state, regional, Chamber, business associations, labor groups, higher education, utilities and many more.

Our strategy is conscious of other players because we are looking for the City of Madison's proper role.

- What must it do directly as City government?
- What should it contract out?
- When should it be a support player?
- When should it help to build the local public/private economic development team so that all benefit?

The Madison Economic Development Map



	Lead Players	Support Players	City Role (Current)	City Role (Potential)
Business Park Development	Private sector UW-Madison	City	Planning, zoning, permitting, regulation Infrastructure Tax Increment Districts Sometimes land assembly	Up-to-date plan and zoning Streamlined permitting Full Research Park II support
Basic Sector Retention & Expansion		Madison Gas & Electric MATC & WDB THRIVE Madison Chamber	Planning, zoning, permitting, regulation Infrastructure Largely reactive Small loan programs	Development Services Center Full team player Proactive key account relationships & management
Entrepreneurship	Incubators UW-Madison MDC		Past \$ support to incubators Support of MDC & UW-Madison	Small business development coordinator Greater outsource support
Business Attraction	(Possibly THRIVE)	Forward Wisconsin WI Dept. of Commerce UW Research Park	Some trade show marketing and prospect investor response	Project management Greater partnership w/ UW, THRIVE
Workforce Development	MATC WDBSCW			As part of Retention & Expansion strategy
Downtown Development	Downtown Madison Inc. BID		Planning, zoning, permitting, regulation Infrastructure & Parking	Streamlined permitting. Up-to-date plan and zoning
Public/Private ED for Madison			Informal relationships with private sector	Build local ED team Build public/private partnerships.



4. Does Madison Need a Proactive Economic Development Strategy?

Madison has so many economic competitive advantages, some might argue that it has the luxury of stressing neighborhood and community development while being reactive about economic development opportunities. Population and employment continue to grow in Madison and the metropolitan labor market. Madison has long benefited from full employment (2.5 % in 2006) and very low poverty rates (5.0% in 2006). And major business publications rank Madison as one of the best cities in which to live and work.

Plan participants have identified at least five major reasons in favor of a stronger, more proactive economic development strategy for the City of Madison and to build a stronger Madison/Dane County public/private economic development partnership.

- 1) **Competition:** Madison basic-sector employers, and thus Madison, competes with the world for quality workers, market share, and quality jobs.
- 2) **Seed economic change:** The private sector is becoming a much more important component of the local economy. Old habits of relying on state government and education to carry the economy are outmoded.
- 3) **Greater prosperity:** Despite its economic success, Madison's median family income is only slightly above the state and national averages.
- 4) **The surrounding communities are emerging:** Not only is the balance of Dane county growing faster than Madison in terms of population and jobs, but the disparity of median family income between Madison and the surrounding communities is rapidly increasing. Some predict increasing out-migration.
- 5) **A progressive City is proactive:** The best-managed cities with an eye to improving quality of life seek to make their own best future. Neither the City of Madison, key economic development allies, nor the private sector are as invested in Madison's economic future as are their counterparts in most peer communities.



IV. Critical Economic Trends

Although there continue to be many positive signs in the metropolitan Madison economy, there are also a few clouds on the horizon for the City of Madison.

Much has changed since the 1983 economic development plan a generation ago.

- The University has continued to grow its research functions and adapt to changing times, leading to significant new construction on campus.
- Madison has given birth to dozens of new technology companies, and some, such as TomoTherapy, Epic, and Promega, have become major providers of local quality jobs.
- Traditional manufacturers, such as Marquip, Rayovac, Bancroft Dairy have closed while some of the leading technology companies, such as EPIC and Promega, have relocated to surrounding communities.
- University Research Park I was still a university research farm. Today it has nearly filled and more than 4,100 people working there.
- New office parks have opened on the far East and West sides, and the downtown office market no longer dominates as it once did.



1. Signs of Economic Health

Madison and Dane County continue to have a very diversified economy that is highly concentrated in white-collar activities and is relatively recession proof. In addition, the University of Wisconsin-Madison, the second leading scientific research university in the nation and an international leader in fostering business development through technology transfer and commercialization, is a very positive engine of basic sector employment growth.

There are many healthy economic trends since 1980.

- **Population grew** from 170,000 to 223,000 (31%) between 1980 and 2006.
- **Employment within Madison increased even faster**, growing from 134,000 jobs to 205,000 (53%). Madison therefore attracts more commuters today than in 1980.
- **Unemployment among Madison residents has fallen** from 4.4% to a very healthy 2.5% (in 2006).
- And according to the US. Census, **Madison's poverty rate has fallen slightly**, from 5.3% to 5.0% during the intervening 25 years.



Compared to Wisconsin and the US, Madison has many favorable demographic and economic characteristics, including:

- a highly educated population
- a disproportionate share of its workforce in management, professional and related positions
- low unemployment
- low poverty.

	Educational Attainment		Management Professional & Related	Median Household Income	% Unemployed	% Families Below Poverty Line
	Bachelors or Higher	Graduate or Professional Degree				
Madison	52.6%	24.1%	49.7%	\$50,171	3.6%	5.0%
Wisconsin	25.1%	8.4%	31.8%	\$48,772	5.5%	7.3%
United States	27.0%	9.9%	34.0%	\$48,451	6.4%	9.8%

Source: 2006 American Community Survey.



3. Peer City Economic Comparisons are Generally Favorable

To learn lessons from beyond Madison, we selected peer comparison cities. Ideal matches are state capitals with major public universities that are emerging high technology centers.

	2006 Population		State Capital	% of Population In College/Grad School		
	City	Metro		University	Number	%
Madison	222,389	543,022	Yes	UW-Madison	45,234	20.3%
Ann Arbor	112,371	344,047	No	Michigan	37,787	33.6%
Austin			Yes	Texas		
Boise	204,027	568,086	Yes	Boise State	18,213	8.9%
Des Moines	196,857	532,425	Yes	Drake	13,361	6.8%
Lexington	270,789	437,545	No*	Kentucky	31,203	11.5%
Lincoln	238,302	285,569	Yes	Nebraska	32,149	13.5%
Raleigh	346,358	995,662	Yes	NC State	40,398	11.7%
Competitor Average	228,117	527,222	--	--	28,852	14.3%
Madison/Competitors	97%	103%	--	--	157%	142%

* No, but many commuters to Frankfurt. Source: 2006 American Community Survey.



With the exception of population growth, on almost every structural and outcome measure Madison is performing better than its peers. It has:

- a highly educated population
- a high number of management & professional persons
- relatively high median family income
- low unemployment, and
- a comparatively low proportion of families in poverty. (See Table, next page.)

Madison (frequently metropolitan Madison) has also fared very well in several prestigious national business magazine rankings, including Fast Company, Forbes, and Expansion Management.

While some might think that this continues to give Madison the option to be reactive to economic development opportunities, the vast majority of citizens who participated in this process believe that there are enough potential future economic concerns and potentially missed opportunities that the City is wise to act now before more serious problems set in.



Madison is Still Highly Competitive When Compared to Benchmark Cities (Key Indicators-2006)

	Demographic Indicators				Economic Indicators			
	Population Growth		Educational Attainment		% Management Professional & Related	Median House- hold Income	% Unemployment	% Families Below Poverty Line
	1990-2000	2000-2006	Bachelors or Higher	Grad or Prof. Degree				
Madison	9.1%	0.5%	52.6%	24.1%	49.7%	50,171	3.6%	5.0%
Ann Arbor	4.0%	-0.2%	74.0%	41.7%	49.7%	50,160	5.3%	5.3%
Austin	39.1%	1.5%	42.9%	16.3%	63.5%	47,212	6.1%	12.7%
Boise	46.7%	1.6%	37.4%	11.1%	41.9%	49,692	5.3%	6.9%
Des Moines	2.8%	-0.2%	23.1%	7.3%	40.3%	41,651	6.8%	11.4%
Lexington	15.6%	0.6%	40.7%	16.6%	30.9%	44,211	4.2%	10.0%
Lincoln	17.5%	0.9%	34.5%	10.9%	43.6%	45,982	4.5%	7.5%
Raleigh	30.2%	3.9%	45.0%	15.6%	37.3%	51,123	5.7%	7.4%
Competitor Average	22.3%	1.2%	42.5%	17.1%	44.0%	47,147	5.4%	8.7%
Madison/Competitors	41%	43%	124%	141%	113%	106%	66%	57%
Wisconsin	9.6%	0.6%	25.1%	8.4%	31.8%	\$48,772	3.8%	7.3%
US	13.1%	1.0%	27.0%	9.9%	34.0%	\$48,451	6.4%	9.8%

Source: 2006 American Community Survey.



4. Two Major Economic Transformations

Madison now depends much more upon the private sector. Due mainly to downsizing in state government, government and education jobs fell from 45,000 in 1980 to 40,000 in 2006, declining from 34% of the Madison employment base to 20%.

The job base is much more white-collar. The service sector has exploded and the financial sector has grown significantly, while manufacturing, and distribution have lagged far behind.



City of Madison Employment			
	1980*	2006	% Change
Population	170,616	223,389	30.9%
Total Employment	134,188	205,561	53.2%
Construction	3,314	7,174	116.5%
Manufacturing	13,467	16,603	23.3%
Transportation, Communication & Utilities	5,303	6,501	22.6%
Wholesale Trade	4,555	6,224	36.6%
Retail Trade	23,155	33,055	42.8%
Finance, Insurance, Real Estate	11,424	20,726	81.4%
Services	27,479	72,393	163.4%
Government & Education	45,282	40,328	-10.9%

*Employment data are for 1981, all other data are for 1980.

Note: Employment data for 1981 was collected by SIC code, while 2006 data was collected by NAICS meaning that data for each category is not strictly comparable between the two years. Categories shown are SIC Groups (2-digit SIC level). Government includes waste management and remediation.

Sources: WI Department of Industry, Labor and Human Relations (from "Enhancing the Madison Advantage: A 3-Year Economic Development Plan for Madison Wisconsin"), US Census Bureau 1980 Census, Consumer Price Index for Mid-West Region, 1979-2006 (US Bureau of Labor Statistics).



5 Signs of Economic Concern

1). Slowly Growing Average Family Income

Economic growth and structural transformation have not made Madison a significantly more prosperous urban economy—partially due to out-migration to surrounding communities, partially to the relative absence of jobs with very high levels of compensation. (Note: We chose median family income because it excludes individuals and unaffiliated individuals, a way to exclude the unmarried student population from our income analysis.)

- Real median family income for Madison residents rose from \$60,760 in 1980 to \$69,709 in 2006 (both in 2006 dollars).
- Madison's 2006 median family income was only x% higher than the state of Wisconsin average, y% above the US average. It xxxxxxxx Kenosha, Brookfield, Franklin.
- For residents in the balance of Dane County (Dane County excluding Madison), real median family income increased from \$61,719 in 1980 (virtually the same as in Madison) to \$82,770 in 2006 (34% higher than for Madison residents).

Insert Graphic



2). The Surrounding Communities are an Emerging Competitive Economic Force

Because Madison and Dane County are one labor market, quality economic growth in either area is good for residents from both jurisdictions. From several perspectives, including local tax base development, journey to work, and local prestige, the communities in the balance of Dane County compete directly with Madison. And the outer communities are gaining.

- With open land, sometimes more streamlined zoning and development processes, and alternative quality schools, out-County population growth rates substantially exceed Madison's.
- Although area jobs are still overwhelmingly concentrated within Madison, the balance of the county is gaining, especially in retail trade, distribution, finance, and services. In 1980 Madison had 79% of the jobs within the county. Today it has 70%.
- As Madison has less vacant land for business park and industrial areas in the future and as suburban sprawl continues, the job growth discrepancy will continue. In 2008, there are 1,340 available business, technology, and industrial park acres available within Madison compared to 3,278 in the balance of Dane County.

For Madison, the question is therefore how to grow and retain the highest quality jobs possible while also keeping options for residents with fewer skills.



	1981		2006	
	Madison	Rest of Dane	Madison	Rest of Dane
Population	170,616	152,929	223,389	240,437
Total Employment	134,188	35,612	205,561	89,562
Construction	3,314	2,082	7,174	7,068
Manufacturing	13,467	5,098	16,603	11,885
Transportation, Communication & Utilities	5,303	753	6,501	4,391
Wholesale Trade	4,555	1,962	6,224	4,906
Retail Trade	23,155	3,916	33,055	17,123
Finance, Insurance, Real Estate	11,424	1,742	20,726	5,772
Services	27,479	2,107	72,393	17,701
Government & Education	45,282	16,918	40,328	18,047
Median Family Income (2006\$)**	\$60,760	\$61,719	\$69,709	\$82,770
Unemployment Rate	4.4%	5.2%	3.6%	3.5%
% Poverty (families)	5.3%	4.1%	5.0%	2.3%

*Employment data are for 1981, all other data are for 1980. **Median income for rest of Dane County is a weighted average median.
 Note: Employment data for 1981 is by SIC code, while 2006 data is by NAICS meaning that data for each category is not strictly comparable.
 Categories shown are SIC Groups (2-digit SIC level). Government includes waste management and remediation.
 Sources: WI Department of Industry, Labor and Human Relations (from "Enhancing the Madison Advantage: A 3-Year Economic Development Plan for Madison Wisconsin"), US Census Bureau 1980 Census, Consumer Price Index for Mid-West Region, 1979-2006 (US Bureau of Labor Statistics).

V. Economic Development Best Practices



There is an extreme range of economic development practices among Madison and the peer cities.

1. Madison Good Practices

- UW-Madison is a major source of quality job spin-offs. Both the Wisconsin Alumni Research Foundation (WARF) and University Research Park I are world-class models—something not always understood or appreciated by local residents.
- Madison is a leader in business incubator development (two of which have received important City financial assistance).
- The City of Madison has been more active in facilitating business park development than many of its peers (though using public land acquisition capabilities and Tax Increment Financing for business park development is a common practice throughout Wisconsin).
- The three person staff within the Office of Business Resources within the Department of Planning and Community and Economic Development is larger than the direct business assistance staff in many of the peer cities (though in many places these functions are contracted to a public/private economic development group). This office has provided substantial help to a number of Madison employers such as Covance and St. Mary's Hospital, has secured a \$1 million State Department of Commerce grant to capitalize a new brownfield remediation program, and has worked with several local businesses to secure Wisconsin Technology Zone Tax Credits.



2. Peer City Economic Development Comparisons

Examples of Extraordinary Peer City Economic Development Efforts

Of course, not all peer communities are equally strong in all economic development practices. By looking at a number of peers, we can develop a menu of outstanding practices or extraordinary resource commitments that may apply to Madison's development environment. These include:

- While Madison taxpayers should be grateful that tax abatement is prohibited in Wisconsin, places such as Austin and Ann Arbor utilize tax abatement to attract such major projects as the \$9 billion Samsung fabrication plant (Austin \$\$\$\$), the Pfizer research center or the Borders headquarters and technology center expansion (Ann Arbor).
- A 12-person small and technology business development staff at the City of Austin.
- All peer communities have strong public/private economic development partnerships through outside non-profit organizations. These organizations are able to hire and retain experienced economic development professionals, paying the Executive Directors salaries as high as \$250,000, and attracting active board members that usually include the Mayor or City Administrator.
- Annual peer City investments in the local public/private economic development partnership amounting to \$325,000 in Austin, \$621,000 in Lexington, and \$650,000 in Ann Arbor.
- Very strong City staff participation in the public/private partnerships in Austin, Des Moines, and Lexington.
- Major efforts to improve customer service with strong City Manager support in Des Moines and Raleigh.

Good Peer Municipal Economic Development Practices



	Peer Communities	Potential Madison Role
Business Park Development	Austin support of airport redevelopment. Des Moines Community Development Corporation.	Zoning modernization (underway). Streamlined permitting. Full Research Park II support. Greater Tax Increment Finance District use.
Basic Sector Retention & Expansion	Recognized as an unmet need in most places—lead role usually played by public/private ED corporation. Ongoing relationships with key company officials by Des Moines City Manager, through informal meetings and active participation in public/private ED group and other civic boards, is critical All have TIF capabilities.	Development Services Center (underway). Full team player. Proactive key account relationships & management.
Entrepreneurship	Austin has technology business development officer on staff and 11 persons in its small business development unit. Ann Arbor SPARK gives superior emphasis to entrepreneurial development.	Small business development coordinator. Greater outsource support.
Business Attraction	Austin, Boise, Des Moines and Lexington make financial contributions to public/private ED groups for business attraction. Austin, Des Moines & Lexington regularly participate in prospect development events and building location consultant relationships.	Project management. Greater partnership w/ UW, THRIVE
Workforce Development	Not a major City ED role in any of the peers. The City of Lexington contracts out to do this.	As part of Retention & Expansion strategy in cooperation with MATC and the Workforce Dev. Board of South. Central Wisconsin .
Public/Private ED for Madison	Cities with sufficient capable and experienced ED staff (Austin, Des Moines, and Lexington) are full team members.	Build the local ED team. Build public/private partnerships.

Stronger Public/Private Partnerships are the Norm



City	Ally	# Counties	Annual Budget	Annual City \$	Retention/Expansion	Entrepreneurship	Attraction	City as Team Member
Madison	Local: None Regional: THRIVE	None 8	X	\$18,000	3 clusters	3 clusters	(Moderate?)	NA Junior?
Austin	Austin Chamber	3	X	\$325,000	Strong	Strong	Very strong	Moderate, but depends on staff capability
Ann Arbor	Ann Arbor SPARK	1	X	\$650,000	Strong	Very Strong	Very strong,	Reactive but responsive.
Boise	Boise Valley Econ. Partnership	2	X	“A lot”	Strong		Strong	Weak due to small City staff.
Des Moines	Greater Des Moines Partnership	3	X	\$73,000	Strong	Weak	Very strong	Strong partnership.
Lexington	Commerce Lexington ED Dept.	8	X	\$621,000	Strong	Strong, inc. minority bus.	Strong	Very strong \$ but limited City staff.
Lincoln	Lincoln Partnership for Economic Dev.	X	xx	x	x	x	x	Weak
Raleigh	Wake County Development	1		\$0	Strong	Moderate	Very strong	No role now. TBD in future.



3. Best Practice Principles Applied to Madison

1) Recognize that Economic Development is Competitive

Madison is not self-sufficient. It is increasingly dependent upon the outside and it increasingly competes with other local and regional communities, and the world.

- The University competes for world-class faculty, the medical centers for world-class physicians. Area insurance companies, technology companies, and manufacturers compete nationally and globally for key people and for market share.
- Private sector companies have options about where to expand. Economic development groups from other regions and states are constantly marketing to attract your major companies and leading technology growth firms.
- Private sector developers and some local communities, are actively recruiting Madison's key employers to relocate or expand outside of Madison. Epic and Promega are very visible. But smaller basic sector employers are also subject to decentralizing within metropolitan Madison as population decentralizes, outlying retail opportunities grow, and more outer business parks are available. Madison can not be expected to retain everyone. But it should try to maintain an adequate supply of business park land, anticipate employer needs, and to be highly creative in seeking to provide business solutions for basic sector employers providing quality jobs.
- Madison's competitors provide a welcoming economic development environment. They demonstrably want quality jobs. Their regulatory processes are more streamlined. And they offer development incentives. To compete more effectively, Madison must do the same.



2) Implement a Long-Term Strategy to Build Competitive Advantage

Madison builds competitive advantage by continually building quality of life. The Board of Estimates devotes appropriate attention to the management of City spending. The Plan Commission devotes extensive attention to land use and development review.

But the City spends little time focused on the generation of tax base or competition for quality jobs.

- Madison lacks a strategy to build competitive advantage in hard economic development terms. That this is the first economic development implementation plan in 25 years speaks for itself.
- The EDC is only one of 108 Madison Commissions, standing committees, ad hoc committees and taskforces advising City government. It has no budget or program oversight. Common Council has also asked it to respond to issues unrelated to basic sector economic development such as the non-smoking ordinance effect on business.
- The Office of Business Resources is mostly reactive.
- Differences between services to and financial tools for basic and non-basic businesses are unclear.
- Economic benefit (tax revenue)/cost (infrastructure and municipal services) is rarely considered.



3) Make Superior Customer Service a High Priority

There is a growing trend among progressive governments to identify citizens and taxpayers as customers. For economic development, this means having a strong sense of the employer, especially the basic-sector employer, as a client who can help the city by creating quality jobs for community residents and to enhancing the municipal tax base.

- The Department of Planning and Community and Economic Development has made significant responses, albeit slowly, to the December, 2004 EDC report, “Opportunities to Make Madison City Government More Friendly to Business”. It has made the permitting process more transparent, committed to modernizing the zoning ordinance, is purchasing Enterprise Permitting software, and has budgeted to turning the zoning and regulatory functions into a Development Services Center in 2008. Unfortunately, these initiatives are little known among the business community, and it will take a long time to overcome past negative perceptions and a predominate negative image.
- The City does not participate in an organized, proactive outreach effort to know and work with its major employers. Only one person within the Department of Planning and Community and Economic Development has this as his/her primary task.
- The City has no way to monitor systematically whether the Department of Planning and Community and Economic Development or other departments, for that matter, are doing a good job in the eyes of business and citizen customers.



4) Build Leadership through Public/Private Partnerships

How can you ensure the best results if you are not geared for the most effective economic development process? Most progressive and proactive communities, including Ann Arbor, Austin, Boise, Des Moines, and Lexington, gain from sustained economic development leadership and capable local public/private economic development partnerships.

- Madison and Dane County are very severely handicapped by the absence of locally-focused public/private economic development partnership. The Collaboration Council and THRIVE have very good potential to build a eight-county regional economic partnership on a broader regional basis, although the extent to which it will welcome the City as a player and affect City strategic economic development implementation is still unclear. Dane County and Madison are among the least-prepared jurisdictions in terms of public/private economic development on the local level to complement THRIVE's good potential on the regional level.
- The City government can seem very slow and uncertain to deal with private businesses, which frequently have a strong sense of opportunity cost and the time value of money. The private sector has been so frustrated in dealing with City regulation and the delays from inconsistent requirements from different City regulatory and review commissions, many members tar Madison with a reputation for being highly unfriendly to development and economic development. This affects small business as much or more so than large. There is currently no way to benchmark the extent to which this criticism is warranted or whether the City is making progress.
- The City should do a better job of communicating to the public and the business community the staff process improvements that are underway.
- And the private sector has not been prepared to recognize that process improvements are coming or to insist upon stronger local public/private economic development partnership.



5) Have Effective Staff Capabilities and Program Resources to Implement the Strategy

Facilitating proactive economic development is a profession and a calling. It requires a can do and cross-functional mentality. It needs consummate people skills to be able to bridge the interest of the public and private sectors and to develop purposeful long-term relationships. It also requires business savvy.

- Many people within the Department of Planning and Community and Economic Development have basic sector economic development as part of their job, but only three individuals have it as a fulltime mandate. Among these three, priorities are unclear and demands are so great that most actions are reactive.
- The Department lacks a sufficient number of project managers to facilitate important basic sector development initiatives and must either develop or hire these skills.
- The City does not have a strong economic development toolkit to differentiate Madison from its neighbors, much less from national competitors. By far its strongest tools are Tax Increment Financing (TIF) and the ability to assemble land.
 - Yet Madison applies TIF almost on a “first come, first-served” basis, not differentiating housing and retail projects from basic sector development. Further, it has far more restrictive policies in terms of length of time of the Tax Increment District, proportion of increment dedicated to project or related infrastructure costs, and what assessable infrastructure costs the developer must pay for.
 - Generally, there seems to be lack of differentiation between basic and non-basic projects or those that create very high positive fiscal impact.

VI. Implementation Requirements



Costs/Timeframe/Lead Responsibilities to Implement the Strategy
(To be developed with DPCED Management Team & EDC.)

Initiative	Estimated Cost	In 2008 Budget	Timeframe	Lead
1-1 Approve & Fund Plan. Mission statement development. (City) Mission statement development (Dept.)	\$0 0	NA NA		EDC, Mayor, Council EDC, Dept. Mgt. Team
1-2 Team Madison	0	NA		
1-3 Public/Private Leadership Group				
1-4 Public/Private support for key tasks Capitol Gateway				
1-5 Solidify partnership supporting UW-M Growth				
2-1 Zoning Code Modernization			Underway	
2-2 Development Center			Underway	
2-3 Monitor Customer Service				
2-4 Encourage Council & business sector to consider full economic impact of their actions				



Costs/Timeframe/Lead Responsibilities to Implement the Strategy
(To be developed with DPCED Management Team & EDC.)

Initiative	Estimated Cost	In 2008 Budget	Timeframe	Lead
3-1 Partner for comprehensive retention & expansion				
3-2 Convene key employers for joint problem solving				
3-3 Link employers to municipal and civic opportunities				
3-4 Support entrepreneurship				
3-5 Develop Account Management plan				
4-1 Work with UW-M to realize Research Park II				
4-2 Facilitate East Capitol Gateway Development				
4-3 Facilitate Southeast Madison industrial development.				
4-4 Further DPCED project development skill capabilities				



Costs/Timeframe/Lead Responsibilities to Implement the Strategy
(To be developed with DPCED Management Team & EDC.)

Initiative	Estimated Cost	In 2008 Budget	Timeframe	Lead
5-1 Revise TIF policies				
5-2 Utilize CDA for Capitol Gateway				
5-3 Utilize CDBG more for basic sector job creation				
5-4 Encourage BID's for neighborhood retail				
5-5 Develop & utilize a benefit/cost model				
6-1 Fully staff Economic Development Division				
6-2 Retain experienced ED Director				
6-3 Add Division staff capabilities				
6-4 Add DPCED staff capabilities				
6-5 Develop implementation champions/teams				
6-6 Business attraction strategy w/ THRIVE, UW				
6-7 Update ED strategy regularly, formally in 2010				

Appendices (**Forthcoming**)



List of Persons Interviewed

Consultant Background