

# BUILDING QUALITY OF LIFE THROUGH STRATEGIC ECONOMIC DEVELOPMENT

## The City of Madison 3-5 Year Strategic Economic Development Implementation Plan



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# Acknowledgements

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## APPENDICES



# I. Introduction and Background



## 1. Madison's Economic Development Goals

The City of Madison's Economic Development Goals are clearly stated in the Economic Development Chapter of the City of Madison Comprehensive Plan (January, 2006):

“The City's main economic development goal is improving the economic well being of the community through efforts that entail job creation, tax base enhancements and quality of life enhancements. If successful, economic development actions will lead to the City of Madison being the preeminent urban center in the south central region of Wisconsin.

Goal: The City of Madison will be the predominant urban center in the south central region of Wisconsin, providing a livable, innovative, vibrant and economically flexible community in which:

- Businesses want to locate, start, innovate, grow and prosper.
- Residents have a wide variety of choice in jobs, education and training, and opportunities to prosper.
- The natural and built environment is supported as an asset for future economic development.

Note: This goal incorporates several fundamental concepts – that Madison has an important position as economic driver for the State and the region; that economic development needs to focus on business that build upon the community's strengths and investments and offer high quality employment opportunities; that a sustainable, attractive environment is essential to compete in the global economy.” (Volume II – Recommendations, City

of Madison Comprehensive Plan, January, 2006, Chapter 5, page 4.)

This Implementation Plan builds from these pre-existing goals. It stresses priorities and organizational actions for how to reach these goals rather than reexamining the goals themselves.

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). This means devoting attention to the manufacturing, professional, scientific and technical, and other sectors that provide employment positions paying at or above the average Madison wage/salary. In the 2002 Economic Census, average annual compensation for jobs in Madison's professional, scientific and technical sector was \$48,385, in manufacturing \$42,000. In retail the average pay was only \$18,459.

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 of Wisconsin Department of Commerce, the Workforce Development Board of South Central Wisconsin, Madison Gas & Electric, among others.

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 can create jobs

and tax base. As such, economic development is first 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, education, utilities, Convention and Visitors Bureau 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?

## 2. The Purpose of the Implementation 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. They provide tax base to support quality public services at reasonable tax rates, income to develop neighborhoods, support local retail establishments, and contribute to local philanthropic organizations. And sustainable employment provides economic security.

To develop more 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 implementation recommendations:

- Focus 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, knowing that the City of Madison can not be all things to all people;
- Stressing implementation through 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.

## 3. Why Implement a More Proactive Strategy?

Madison is fortunate that it is not in economic crisis. The City and metropolitan economies have low poverty and low unemployment. They place very well in rankings by publications such as Forbes and Expansion Management in terms of favorable places to work and live. So, does

Madison need a more proactive economic development strategy?

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

1. Madison competes with communities within the region and around the world for quality job growth and positive fiscal impacts. Leading local technology companies serve global markets. Companies such as Kraft and American Family frequently consider where best to grow (or shrink) operations. Companies such as EPIC and Promega have moved from Madison to surrounding communities, and other technology companies have located elsewhere because suitable sites were not available. And the University and major employers compete widely for key talent.



2. The private sector is playing a growing role in the local economy. Since 1981, jobs outside of government and education have grown from 66 to 80% of Madison's employment. Due mostly to state government downsizing, Madison now has 5,000 fewer jobs in government and education than it did in 1981.
3. Madison is not a particularly prosperous city. Despite its low unemployment and low poverty rates, median family income in Madison (\$50,171 in 2006) is only slightly above state and national levels, (\$48,772 and \$47,147 respectively). It will surprise most Madisonians to learn that in the last Census (1999 data), Madison's median household income (\$41,491) trailed not only Brookfield (\$76,225) or New Berlin (\$67,576), but also West Bend (\$48,135),

- Appleton (\$47,285), and Janesville (\$45,961).
4. Madison is losing ground compared to the balance of Dane County. The median income for out-county families now surpasses that for Madison families by 34%. A number of major employers now report that the living in the city is no longer the attractive draw for key employee recruits that is once was.
5. A progressive City is proactive. It molds its future rather than waiting for things to happen.

#### 4. Economic Development Defined

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.

## Basic Sector Development Drives Local Economics

- 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.

## 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.

### Examples of Basic Sector Activities:

- UW & State Government
- Technology companies
- National financial services
- Manufacturers
- Warehouse & Distribution
- Regional Healthcare
- Conventions & Visitors

### Examples of Non-Basic Activities:

- Local Government
- Most neighborhood retail
- Restaurant
- Housing
- Schools
- Personal Services

