



Final Draft

**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

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I. Strategic Foundations



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 4, 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 stressing the professional, scientific and technical and the manufacturing Sectors.** 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 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 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, 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** —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 economics 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.

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.

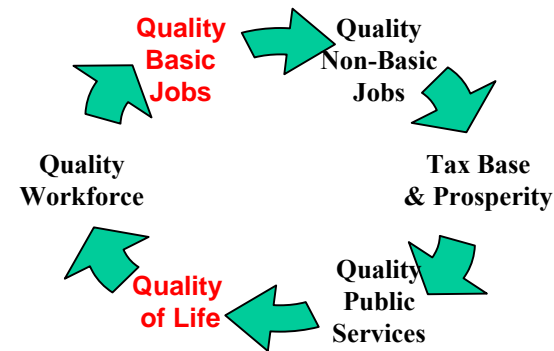
Examples of Basic Sector Activities	Examples of Non-Basic Activities
UW & State government	Local Government
Technology companies	Most neighborhood retail
National financial services	Restaurants
Manufacturers	Housing
Warehouse & Distribution	Schools
Regional Healthcare	Personal Services
Conventions & Visitors	
Retail sales beyond Madison	



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.



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. Other new RPSM employment-generating districts
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	Unclear	Forward Wisconsin WI Dept. of Com. UW Research Park	Some trade show marketing and prospect investor response	Project management Center of team initiative
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.



5. Leading Current City Economic Development Activities

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

- Modernizing the City Zoning Ordinance (underway)
- Working to establish 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.
- Establishing Research Park Specialized Manufacturing Districts for Research Park I, Old Saul Trails, and other business and technology parks.
- Initiating, developing, and gaining approval of the East Washington Ave. Capitol Gateway Corridor BUILD Plan (February 2008)
- Past development plans and assemblage of land for business and industrial park development, support of 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 assessments 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.



6. Lessons from the Competition: Where Madison Can Do Better

Comparing Madison with other similar economies--Ann Arbor, Austin, Boise, Des Moines, Lexington, Lincoln and Raleigh—identified a number of important opportunities to improve Madison economic development practices:

- The most competitive places have **stronger municipal economic development leadership**, whether from the Mayor and Council or the City Manager. Economic development has bi-partisan support as a way to increase quality jobs and build tax base. There may be debate about tactics, but not about the goal.
- Because they consider quality economic development to be an investment, they **commit substantially greater resources to economic development**, especially by offering 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 **strong public/private economic development partnerships, frequently with a very high level of City funding and leadership participation**.

In addition, Madison’s Dane County neighbors generally have faster and more certain regulatory approval processes and more aggressive Tax Increment Financing approaches. There is now more ready to occupy business and technology park land in surrounding Dane County communities than there is in Madison.



7. Best Practice Economic Development Principles

External comparisons, comments by Madison civic and business leadership, comments from public participation sessions combined with past Economic Development Commission studies indicate that the City can improve its economic development performance by improving in each of these important areas of good local economic development practice. To some observers, these principles may seem obvious, but that does not mean that Madison is well positioned in each area.

1. Recognizing that economic development is highly competitive and a key priority of City policy and governance.

Whether measured by its staffing and budget, permit approval process, TIF policies, long process of approving and providing infrastructure for University Research Park II, or absence of an effective economic development public/private partnership, the City has not **maximized** its ability to compete with its neighbors or the world for quality jobs.

2. Implementing a long-term strategy to build competitive advantage.

For many years, Madison has been better at setting goals than at building effective implementation activities. The fact that this is the City's first economic development implementation plan since 1983 speaks for itself.

3. Making superior customer service a high priority among all municipal service providers.

There is no way to monitor whether customer service is effective and improving.



4. Building leadership through public/private partnership.

Madison lacks an ongoing tradition of public/private partnership to its very great detriment. While non-profit public/private economic development partnerships are the norm in most cities and counties across the land, there is none for Madison or for Dane County. The newly launched THRIVE serves an eight-county region, but it has been intentionally designed with relatively weak City monetary support, voice, and staff participation. The City Economic Development Commission has only a few private sector representatives has no budget or program oversight.

5. Having effective staff capabilities & resources to implement the strategy, including program performance measures.

Given the absence of a local public/private economic development corporation, the City has too few specialized economic developers. Employer interaction is too reactive. Further, the City lacks policies differentiating between basic sector employers (those that generate wealth from outside Madison) and local retail businesses that capture a share of existing wealth. Council has not mandated aggressive application of economic development tools.

In sum, there are important ways to improve City of Madison economic development goals, processes, and outcomes to take better advantage of the region's competitiveness to create quality jobs.



II. Recommendations

Major Recommendations



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- 1. Make Economic Development a Higher City Priority**
 - 2. Build the Public/Private Economic Development Team**
 - 3. Fundamentally Improve Zoning, Customer Service, and the Business Climate**
 - 4. Support Existing Employers by Developing Superior Business Retention & Expansion Practices**
 - 5. Accelerate Physical Development Necessary for Quality Job Creation**
 - 6. Make the City Economic Development Toolkit More Strategic**
 - 7. Implement Necessary Organizational Changes to Carry Out the Strategy**
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1. Make Economic Development a Higher City Priority

- Rationale:**
- Goal setting, resources, and a highly skilled staff are critical to sustained economic development effectiveness.
 - Changes are needed for Madison to maximize its opportunities to create quality jobs and build tax base.
 - The future will be more challenging. It is time to be more proactive to ensure the future remains positive.
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- 1-1. Build an experienced team of City economic development specialists led by an experienced, forward thinking, and team-oriented Director of the Division of Economic Development.
- 1-2. EDC adoption and Council adoption and funding of this economic development implementation plan.
- 1-3. Include economic development in support of high quality of life directly within the City and Department of Planning and Community Economic Development and City mission statements
- 1-4. Monitor implementation effectiveness and fine tune this implementation plan annually and fully update it every second year.



1. Make Economic Development a Higher City Priority

Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Build an experienced team of City economic development specialists (see Strategy 7) in the following areas: Development Project Management Business Retention & Expansion Communications, Research & Website Development Business Attraction Entrepreneurial & Small Business Solutions		Mayor DPCED Dir.	Critical	Moderate	See Strategy 7	1
2) Adopt an ED Implementation Plan EDC Plan Adoption Council Adoption and Funding of Recommendations	2Q, 2008 3Q, 2008 2009 Budget	EDC Chair Mayor, Council	High Very high	Low TBD	\$0 See details	1 1
3) State & communicate the ED Mission. Revise DPCED Mission Statement accordingly Revise the City of Madison Mission Statement	3Q, 2008 4Q, 2008	DPCED Dir. TBD	High High	Low TBD	\$0 \$0	2 2
4) Update the plan as conditions change. Annually monitor implementation progress Fully update the Implementation Plan every two years	2Q, 2009 3-4Q, 2010	ED Div. Dir. EDC, Mayor, ED Div. Dir.	High High	Low Moderate	\$10,000 \$60,000	1

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = To be Determined



2. Build the Public/Private Economic Development Team

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- Rationale:**
- Working more effectively with economic development allies leverages resources and increases effectiveness.
 - Employers create jobs. Limited public/private cooperation drastically limits success.
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- 2-1. Convene, energize and continuously utilize the Madison-based team of public and private economic development practitioners to help to implement collaborative aspects of this plan. These practitioners include: Madison Gas & Electric, Alliant Energy, Department of Commerce, MDC, SBDC, WWBIC, Downtown Madison, Inc., Madison's Central Business Improvement District, Madison Area Technical College, Workforce Development Board of South Central Wisconsin, Dane County, the Greater Madison Chamber of Commerce and THRIVE.
- 2-2. 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. These Leaders should include the Mayor, Superintendent of Madison Metropolitan School District, UW Chancellor, President of MATC, and CEOs of major Madison employers.
- 2-3. Convene public/private/non-profit leadership support to implement key tasks within this plan—especially the business retention & expansion strategies, external marketing, and the development of key physical priorities. Membership would be dependant upon the task at hand.
- 2-4. Develop a more aggressive 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). Reinstigate and develop a Madison business rapid response team, including the Mayor and key representative from MATC, UW-Madison, the City Economic Development Division, Chamber of Commerce, Convention and Visitors Bureau, Workforce Development Board of South Central Wisconsin and other key Madison City Departments
- 2.5. Build the public/private alliance to support UW-Madison as a growth center for basic sector economic development and employment growth.
- 2-6. Although conditions do not currently appear to be favorable, encourage the eventual formation of a countywide public/private development corporation that includes Madison, Dane County, and other neighboring communities.



2. Build the Public/Private Economic Development Team

Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Build the team of local economic development allies.	ASAP	ED Div. Dir. OBR	Critical	Low	\$0	1
2) Convene an informal public/private economic development leadership group.	2Q, 2008	Mayor	High	Low	\$0	1
3) Convene private and non-profit leadership support to implement key tasks within this plan, starting with business retention and expansion and the East Washington Capitol Gateway.	3Q, 2008	EDC Mayor	Very High	Low/ Moderate	\$0	1
4) Develop joint business attraction strategy. Convene partners/commit to marketing plan. Select target industries. Develop website information, target company/consultant list Mobilize existing employers through R&E (Strategy 3) Mobilize appropriate UW-Madison faculty. Work with CVB and UW-Madison to connect to Madison business and scientific meetings/conferences. Establish agreement to follow leads directly.	2-4Q, 2008 Ongoing Ongoing 2009 2009 Ongoing 2Q, 2008	OBR	High	High	\$50,000 to 100,000	2
5) Build public/private/non-profit leadership support for UW-Madison growth and development.	3Q, 2008	Mayor	High	Low	\$5,000	1
6) Seek opportunities to build a countywide public/private economic development partnership.	2009 or beyond	Mayor & Collaboration Council	High	Very High	TBD	4

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = To be Determined (For Future Action)



3. Fundamentally Improve Zoning, Customer Service & the Business Climate

- Rationale:**
- Working with employers on a timely and predictable basis will favorably impact business retention and expansion and better chances for attracting outside employers.
 - These changes are especially important to small business.
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- 3-1. Complete the pending Zoning Code modernization so that basic sector economic development projects producing quality jobs and tax base have fewer needs for special or conditional use permits (in process).
- 3-2. 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). Evaluate Fast-Track permitting for projects with high basic sector employment impact and for green buildings.
- 3-3. 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 EDC, Mayor, Council, and the public.
- 3-4. Build understanding through better communications.
 - Upgrade the DPCED website to fully reflect current organization and services.
 - Communicate DPCED plans and successes through a quarterly electronic newsletter and an annual report.
 - Encourage City Council to consider the economic development role of business climate issues in making City policies. Simultaneously encourage employers to report the positives as well as the negatives of the Madison operating environment.
- 3-5. Upgrade citizen/customer service across City Departments.
 - Use the greater emphasis upon customer service within the DPCED as a springboard to develop customer feedback systems for other City departments.

3. Fundamentally Improve Zoning, Customer Service, and the Business Climate



Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Complete the Zoning Code modernization. (underway)	Through 2009		Critical	High	\$330,000	1
2) Implement Development Services Center (underway)	2008		Very High	Moderate	\$1.6 million	1
3) Monitor and communicate customer service ID best practices. Train staff & Implement changes. Regularly report outcome.	2Q, 2008 2009 Budget 2009	DPCED Dir.	Very High	High	\$50,000	2
4) Improve communications Upgrade DPCED website Establish Quarterly DPCED electronic newsletter Encourage Council/business rapprochement	2-3 Q, 2008 4Q, 2008 Ongoing	DPCED Dir. DPCED Dir. Council/ Business	High High High	Moderate Moderate TBD	\$7,000 \$5,000 \$0	2 3 2 2
5) Develop customer feedback systems for other City departments	2009	Mayor	High	High	TBD	1

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = Potentially Important but To be Determined



4. Support Existing Employers through Superior Business Retention & Expansion Practices

Rationale: Since the majority of quality job creation comes from existing Madison businesses and entrepreneurs, develop systematic programs to remove obstacles and facilitate their growth.

4-1. Partner with local economic development allies (UW-Madison, Madison Area Technical College, Madison Gas & Electric, Alliant Energy, THRIVE, the Chamber of Commerce, the Workforce Development Board of South Central Wisconsin, Convention and Visitors Bureau, Madison Metropolitan School District, and City Departments as needed) to collaborate in conduct comprehensive business retention & expansion outreach to address employer expansion and workforce development needs and to build proof sources about Madison's competitive, highly educated workforce.

- Targeted employers would likely include: major existing basic sector employers, fast growing employers of all sizes and types, and non-basic employers with a strong connection to Madison's basic-sector employers.
- Create a Retention & Expansion Task Force with key employers, educators, workforce personnel, and OBR staff to implement and evaluate the outreach plan.
- Implement an account management plan and contact management support software to sustain contact relationships, determining whether to purchase the Synchronist or Executive Pulse systems or developing your own.
- Specific goals of this effort include: identification of business expansion needs with the goal of being able to assist expansion on-site or identify alternative sites in Madison, identification of municipal service needs and connection to appropriate agencies (Metro, Community Services, CDGB, etc), identification of key non-basic service providers with the goal of assisting these to expand within or move to Madison, identification of workforce development needs, and connecting business space needs with community goals outlined in City plans (i.e. connecting businesses with available space, especially urban infill/redevelopment opportunities, that might not be as apparent as large employment centers.



- 4-2. Capitalize upon these systematic contacts to:
- Convene employers for joint problem solving.
 - Utilize these contacts to link employers with municipal and civic quality of life development opportunities.
- 4-3. Recognizing that most small business development efforts are outside of City government, leverage external organizations to enhance entrepreneurial and small business development.
- Establish a Small Business Solutions specialist on OBR staff.
 - Refine the Business section of the OBR website to enhance small business development referrals.
 - Continue to support and work with the Madison Development Corporation, Wisconsin Women’s Business Initiatives Corporation, Urban League of Greater Madison, UW-Madison Small Business Development Center, Latino Chamber of Commerce, and African American Black Business Association to provide small business development counseling.
 - Monitor future additional small business development opportunities through student entrepreneurship stemming from the Kauffman Foundation grant to UW-Madison.
 - Investigate whether to emulate the highly successful Littleton, Colorado “Urban Gardening” concept by making highly qualified market research and web development staff available to Madison small businesses to help them with business planning, market analysis, and development of websites to sell beyond Madison. This latter effort will increase non-basic sales of existing Madison retail businesses
- 4-4. Support a feasibility study for how to best further Madison’s incubation success.



4. Support Existing Employers through Superior Business Retention & Expansion Practices

Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Develop a superior retention & expansion program. Build partnership & establish employer Task Force Develop target list Purchase or create tracking and information analysis system	2009 2009 2009	OBR OBR OBR	Very high	High	\$35,000	1
2) Capitalize on systematic retention & expansion contacts Joint employer problem solving Recruiting support for municipal & civic community and quality of life development opportunities	2009 on	OBR	High	Moderate	\$0	3
3) Leverage external entrepreneurial and small business development resources Establish Small Business Solutions OBR staff Develop OBR website Continue small business contracts Monitor Kauffman impacts Support “Economic Gardening”	2009 2-4Q, ‘08 Ongoing Ongoing	DPCED Dir. OBR CDBG Manager ED Division Dir.	High Moderate Moderate TBD	Moderate Low Low Low	\$0 \$5,000 0 new \$0	2 2 2 TBD TBD
4) Incubation feasibility study	2009	ED Division Dir.	TBD	Low	\$30,000	2

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = Potentially Important but To be Determined



5. Accelerate Physical Development Necessary for Quality Job Creation

- Rationale:**
- Most employers require properly zoned sites with full infrastructure in place to build new facilities.
 - Because Madison is mostly land-locked and land for future employment generating activities is limited, the City must plan carefully for its future.
 - Companies now have more fully-developed business and technology park options in the balance of Dane County than in Madison.
-

- 5-1. Continue to work with property and business owners in existing employment centers to expand, upgrade and construct state-of-the-art facilities. These areas include, but are not limited to, University Research Park I, Silicon Prairie, Old Sauk Trails, Hillfarms/Marshall Erdman properties, the Stoughton Road Corridor, Center for Industry and Commerce, American Family Center, Pennsylvania Avenue/Northport Drive Corridor, Truax Airpark-East and Truax Airpark -West.
- 5-2. 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 as well as the establishment of Research Park Specialized Manufacturing zoning status.
- 5-3. 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.
- 5-4. Promote industrial and applied technology development in the Southeast Industrial Area, utilizing City land assembly and Tax Increment Financing.



5. Accelerate Physical Development Necessary for Quality Job Creation

Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Continue to work with existing business/technology park owners and business. Include in Business Retention & Expansion calling. Track customer response feedback carefully.	Ongoing 2009 2009	OBR, Planning OBR OBR, Planning, EDC	Very High	Moderate	\$0 \$0 \$0	1
2) Make development of UW-Madison Research Park II an utmost priority. Continue City Engineer/Planning Director liaison. Develop full infrastructure plan. Negotiate infrastructure requirements to meet City urban density planning goals.	Ongoing 2-4Q, 08 4Q, 08	Eng., Planning DPCED Dir., Mayor & Council	Very High	Very High	TBD	1
3) Restore the East Capitol Gateway as a major employment district. Seek to establish vertical research buildings. Appropriate land assembly Developer competition Establish BID Develop public/private/foundation advisory committee	Ongoing 2009 1Q, 2009 TBD 2Q, 2008	DPCED Dir. Mayor/DPCED Dir.	High	Very High	TBD	2
4) Promote industrial and applied technology development in the Southeast Industrial Area. Reestablish Tax Increment District. Utilize City land assembly capabilities. Develop & implement Bio-Ag marketing plan , focusing on this area but including the whole city.	2008 TBD 2-4Q, 08 Ongoing	DPCED Dir. OBR Staff CBDG Manager ED Division Dir.	High	High	\$0 TBD \$235,000	1

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = Potentially Important but To be Determined



6. Make the City Economic Development Toolkit More Strategic

- Rationale:**
- In order to maximize return on City economic development investment, Madison must rethink its TIF and impact fee assessment policies to differentiate between basic and non-basic development projects.
 - Growing international, national, and regional competitiveness for Madison companies also recommends a fresh look.
-

- 6-1. Develop and utilize a benefit/cost model to measure the fiscal impact of key development projects and to align TIF and other City economic development tools with the benefit received .
- 6.2. 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.
- 6-3. Utilize the Community Development Authority and/or investigate creating a public/private venture to catalyze basic sector employment creation opportunities within key physical priority areas, including along the East Washington Corridor.
- 6-4. Seek to direct a greater percentage of the job-generating share of Community Development Block Grant funds to basic sector economic development.
- 6-5. Develop matrix of state, federal and non-profit programs and grants that may be of use in reaching economic development goals and further staff grant-writing capabilities.



- 6-6. Encourage the formation of Business Improvement Districts for neighborhood development, establishing the same principles of self-determination and self-help as utilized for downtown Madison BID, buy working knowledgeable local partners to educate neighborhoods about BID opportunities..

- 6-7. Continue to develop funding strategies to implement key physical priorities of this plan, and employment centers outlined in other City plans, using financial sources noted above and the Capital Budget.



6. Make the City Economic Development Toolkit More Strategic

Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Develop and utilize a fiscal impact benefit/cost model to allocate tools for major development projects. Contract for tool development. Apply to major projects to allocate TIF, justify land assembly, analyze whether to build parking, etc.	1Q, 2009 2009, ongoing	ED Div. Dir.	Very high	Low	\$50,000	1
2) Revise TIF policies to favor basic sector development and compete more effectively with neighbor and other Midwestern communities.	2-3Q, 2008	TIF Administrator	High	TBD	\$0	2
3) Utilize the Community Development Authority more aggressively to assemble land and/or provide parking to spur East Washington development.	Ongoing	CDA Board	High	High	TBD	TBD
4) Create Project Facilitation Fund	2009	Mayor, Council	High	TBD	\$1 mil.	1 to 2
5) Develop staff capabilities and expertise to seek state and foundation grants more effectively and to partner with state and local foundations. Assess upside potential Assign present or hire new staff or outside contract Develop matrix of programs and timelines	2009	ED Div. Team DPCED Dir.	TBD	Low	\$0 TBD	3 TBD
6) Encourage the formation of Neighborhood BIDs.	2009	Planning & OBR	Moderate	TBD	\$0	1
7) Develop enhanced proactive funding strategies	2009	TBD	TBD	TBD	TBD	TBD

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = Potentially Important but To be Determined
Draft

Economic Development Implementation Plan



7. Implement Necessary Organizational Changes to Carry Out the Strategy

Rationale: ▪ Improvement requires change. The City can not be more proactive without more dedicated resources.

- 7-1. 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 Resources, and the Office of Economic Revitalization (Community Development Authority, façade grants, and housing rehabilitation assistance).
 - Retain an experienced Economic Development Director with deep economic development experience including project management and public/private development financing, to lead the internal and external teams.
 - Add staff to lead the Retention & Expansion function and small business development support process.
 - Deepen the business attraction function.
 - Retain a project development specialist, preferably with private sector development experience.
 - Expand the OBR staffing role to support small business solutions.
- 7-2. Add stronger central administrative, communications, GIS and website development capabilities (for newsletter and continuous website development) to the Department of Planning and Community and Economic Development.
- 7-3. Designate and train more individuals with project management skills to help implement key physical priorities outlined in this plan.
- 7-4. Develop Implementation Champions and Teams for each strategy area of this plan, including non-city partners as appropriate. Have Team Leaders monitor implementation progress against plan metrics. Report progress annually to the EDC, Mayor and Council.
- 7-5. Expand funding for professional training, conference attendance, organization and association membership, and attendance at pertinent business events for all DPCED staff in an effort to maintain knowledge of current planning, community development and economic development trends, tools and resources.

7. Implement Necessary Organizational Changes to Carry Out the Strategy



Key Implementation Steps	Target Dates	Leader	Benefit	Difficulty	Cost	Priority
1) Fully staff the newly created Economic Development Division. Retain an experienced, highly skilled ED Director. Hire experienced economic developer to lead R&E Add another project manager to lead key physical projects/priorities Expand support of small business solutions	3Q, 2008	Mayor, DPED Dir.	Very high	Moderate	\$140,000	1
		Mayor, ED Div. Dir	Very high	Moderate	80,000	2
		Mayor, ED Div. Dir.	Very high	Moderate	90,000	2
		OBR Manager	Moderate	Low	\$10,000	3
2) Develop or add stronger DPCED project management, central administrative, communications, GIS and website development capabilities.	2009	DPCED Dir.	High	Moderate	\$50,000	2
3) Project management designation of staff & training	2009	TBD	TBD	TBD	TBD	TBD
4) Develop Implementation Champions and Teams for each of the six major strategy areas. Monitor progress against metrics. Report annually to EDC, Mayor and Council	2Q, 2008		Very high	Low	\$0	1
	4Q, 2008					1
	4Q, 2008					1
5) Expand funding for DPCED staff training.	2009	DPCED Director	High	Low	\$10,000	2

For Priorities: 1 = Critical, 2 = Very Important, 3 = Important, 4 = Potentially Important but To be Determined

8. Cost Summary, Plan Initiatives



Initiative	In 2008 Budget	2009 Budget	2010 Budget
1-1 Build ED staff	See 6-1	See 6-1	See 6-1
1-2 Adopt and Fund Plan	\$0	See Below	See Below
1-3 Adopt and Communicate the Mission	\$0	\$0	\$0
1-4 Update Implementation Plan as Conditions Change	\$8,000	\$10,000	\$60,000
2-1 Build the Ally Team	\$0	\$0	\$0
2-2 Convene an Informal Public/Private Leadership Group	\$0	\$0	\$0
2-3 Convene Public/Private Groups to Assist with Key Tasks	\$0	\$0	\$0
2-4 Develop a More Aggressive Joint Business Attraction Strategy	\$100,000	\$50,000	\$50,000
2-5 Build Public/Private Alliance supporting UW-Madison	\$0	\$5,000	\$5,000
2-6 Encourage Formation of Countywide Public/Private ED Corporation	\$0	TBD	TBD
3-1 Complete Zoning Code Modernization	\$330,000	\$0	\$0
3-2 Implement Development Services Center (Capital Cost)	\$1,600,000	\$0	\$0
3-3 Monitor & Communicate Customer Service	\$0	\$50,000	\$25,000
3-4 Upgrade Communications	\$0	\$12,000	\$15,000
3-5 Extend Customer Feedback Systems to Other City Depts./800 #	\$0	TBD	TBD
4-1/2 Develop Superior Business Retention & Expansion	\$0	\$35,000	\$25,000
4-3 Entrepreneurship/Small Business Support	TBD	TBD	TBD
4-4 Feasibility Study for Further Incubation	\$0	\$30,000	TBD

8. Cost Summary, Plan Initiatives



Initiative	In 2008 Budget	2009 Budget	2010 Budget
5-1 Continue to Facilitate Existing Business/Technology Parks	\$0	TBD	TBD
5-2 Infrastructure related to Research Park II (Capital cost)	\$2,900,000	TBD	TBD
5-3 Facilitate East Capitol Gateway Corridor Development	\$125,000	TBD	TBD
5-4 Facilitate Southeast Madison Industrial Area Development	\$235,000	TBD	TBD
6-1 Develop/Utilize Fiscal Benefit/Cost Model	\$0	\$50,000	\$0
6-2 Revise TID/TIF Policies	\$0	\$0	\$0
6-3 Utilize CDA More Aggressively for Major Projects	\$0	TBD	TBD
6-4 Major Project Fund (Capital cost)	\$0	\$1,000,000	\$2,500,000
6-5 Seek Grant/Foundation Support	\$0	TBD	TBD
6-6 Encourage Neighborhood Business Improvement Districts	\$0	\$0	\$0
7-1/2 Additional ED Division and DPCED Staff	\$130,000	\$430,000	\$445,000
7-3 Project Management Designation, Training	\$0	\$50,000	\$50,000
7-4 Develop Champions, Metrics	\$0	\$0	\$0
7-5 Enhance Professional Training	\$0	\$10,000	\$10,000
Total Operating Costs	\$938,000	\$632,000	\$575,000
Project Fund	\$0	\$1,000,000	\$2,500,000
Other Capital Costs	\$4,500,000	TBD	TBD
Total	\$5,438,000		



9. Monitoring Plan Implementation

There are three levels of monitoring to track economic development programming.

- Program input progress (putting programs, resources in place in a timely manner)
- Intermediate program outcomes (indicators of possible success)
- Hard results in terms of quality jobs and fiscal impact (bottom-line outcomes).

Initially the EDC, Mayor, Council and Director of the Department of Planning and Community and Economic Development and the Director of the Economic Development Division can monitor whether the City is making timely progress in adding the right staff and building the right initiatives. Most tactics will be part of building holistic capabilities to facilitate the retention and expansion of Madison employers and the modest attraction of outside firms. Hard results will not be immediate, and none of these initiatives should be expected to produce jobs and tax base overnight.

As soon as the programs are in place, however, it is time to start tracking intermediate outcomes that are precursors to final outcome success.

Finally, it is important to gauge the impact of the strategy in terms of facilitating quality job creation and positive fiscal impact. The target is to facilitate 15,000 quality jobs (those that pay above the Madison average wage/salary) over the next 10 years. This will be a cumulative impact from doing many things right.

Outcome Metrics



Initiative	Input	Intermediate	Final Outcome
1-1 Build ED staff	Budget, search	Fill with right fit	Supports R&E, attraction
1-2 Adopt and Fund Plan	Plan Review	Adoption	Supports R&E, attraction
1-3 Adopt and Communicate the Mission	Necessary discussions	Adoption	Supports R&E, attraction
1-4 Update Implementation Plan as Conditions Change	Meet target dates		Supports R&E, attraction
2-1 Build the Ally Team	Meet target dates	Stronger ED processes More nimble response	Supports R&E, attraction
2-2 Convene an Informal Public/Private Leadership Group	Meet target dates	Stronger ED processes More nimble responses Possible formation of c-3 non-profit ED Corporation	Supports R&E, attraction
2-3 Convene Public/Private Groups to Assist with Key Tasks	Meet target dates	More proactive ED. Broader resources.	Supports R&E, attraction
2-4 More Aggressive Joint Business Attraction Strategy	Meet target dates Implement Marketing Plan	Identify 5 Projects/year 15 Information responses 5 Site Tours/year	Attraction of 200 jobs/year
2-5 Build Public/Private Alliance supporting UW-Madison	Meet target dates	State & federal advocacy	Funding, grants, earmarks
2-6 Encourage Countywide Public/Private ED Corp.	Build communications	Form c-3	Supports R&E, attraction
3-5 Extend Customer Feedback Systems to Other City Depts.			Supports R&E, attraction

Outcome Metrics, continued



Initiative	Input	Intermediate	Final Outcome
3-1 Complete Zoning Code Modernization	Full planning process Meet target dates	Modernized plan	Supports R&E, attraction
3-2 Implement Development Services Center (Capital Cost)	Meet target dates	Better customer service Better business climate	Supports R&E, attraction
3-3 Monitor & Communicate Customer Service	Meet target dates	Service response procedures Improving service ratings	Supports R&E, attraction
3-4 Upgrade Communications	Meet target dates		Supports R&E, attraction
4-1/2 Develop Superior Business Retention & Expansion	Meet target dates 120 employer calls annually	15 Business solutions opportunities per year Better workforce development	500 jobs per year
4-3 Continue Entrepreneurship/Small Business Support	Meet target dates	Emphasize job creation, not business assistance	120 jobs per year
4-4 Feasibility Study for Further Incubation	Meet target dates	Additional incubation?	Cumulative 120 jobs
5-1 Continue to Facilitate Existing Business/Technology Parks	Ongoing process	Continued supply of quality business & technology parks	Cumulative 2,000 jobs
5-2 Infrastructure related to Research Park II	Establish & meet target dates	Infrastructure development Parcels available for development	Cumulative 6,000 jobs
5-3 Facilitate East Capitol Gateway Corridor Development	Meet target dates	Development competition Concrete development proposals	Cumulative 1,200 jobs
5-4 Facilitate Southeast Industrial Area Development	Meet target dates	Part of 2-4	Part of 2-4

Outcome Metrics, continued



Initiative	Input	Intermediate	Final Outcome
6-1 Develop/Utilize Fiscal Benefit/Cost Model	Meet target dates	Stronger quality job impact	Supports R&E, attraction
6-2 Revise TID/TIF Policies	Meet target dates	Stronger quality job impact	Supports R&E, attraction
6-3 Utilize CDA More Aggressively for Major Projects	Opportunity driven	Stronger quality job impact	Supports R&E, attraction
6-4 Major Project Fund	Opportunity driven	Stronger quality job impact	Supports R&E, attraction
6-5 Seek Grant/Foundation Support	Meet target dates	Additional \$1 million per yr.	Supports R&E, attraction
6-6 Encourage Neighborhood Business Improvement Districts	Opportunity driven	Stronger neighborhood business districts	Supports R&E, attraction
7-1 Additional ED Division Staff	Budget, search	Fill with right fit	Supports R&E, attraction
7-2 Additional DPCED Staff	Budget, search	Fill with right fit	Supports R&E, attraction
7-3 Develop Champions, Metrics	Develop assignment, teams	Progress assessment Fit with performance review	Supports R&E, attraction



10. 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, Greater Madison Chamber of Commerce, Madison Gas & Electric, Alliant Energy, Dane County, and the Wisconsin Department of Commerce, Greater Madison Convention and Visitors Bureau, and the Madison Metropolitan School District 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.



11. 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
- 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 Commission 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. Critical Economic Trends



Although there continue to be many positive signs in the metropolitan Madison economy, there are 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 or downsized 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.



2. 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	656,562	1,513,565	Yes	Texas	46,993	7.2%
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	289,324	668,128	--	--	31,443	13.3%
Madison/Competitors	77%	81%	--	--	144%	153%

* 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.



3. 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).



4. 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 2.9% higher than the state of Wisconsin average, 6.4% above the US average. It is below the median family income of 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).



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).



IV. 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:

- Madison taxpayers should be grateful that tax abatement is prohibited in Wisconsin. Yet peer locations such as Austin and Ann Arbor utilize tax abatement or other aggressive tools when necessary to secure important projects. To attract a \$9 billion Samsung fabrication plant, Austin committed more than \$150 in tax rebates. Ann Arbor provided tax abatement for the Pfizer research center and the expansion of Borders headquarters and technology center.
- 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 City \$	Retention/Expansion	Entrepreneurship	Attraction	City as Team Member
Madison	Local: None Regional: THRIVE	None 8	\$18,000	None 3 clusters	At UW 3 clusters	Weak TBD (Weak)	NA Staff Weak Funding Weak
Austin	Austin Chamber	3	\$325,000	Strong	Strong	Very strong	Staff Moderate Funding Strong
Ann Arbor	Ann Arbor SPARK	1	\$650,000	Strong	Very Strong	Very strong,	Staff Weak Funding Strong.
Boise	Boise Valley Econ. Partnership	2	“A lot”	Strong		Strong	Staff Weak Funding Strong.
Des Moines	Greater Des Moines Partnership	3	\$73,000	Strong	Weak	Very strong	Staff Strong Funding Weak.
Lexington	Commerce Lexington ED Dept.	8	\$621,000	Strong	Strong, inc. minority bus.	Strong	Staff Strong Funding Very Strong .
Lincoln	Lincoln Partnership for Economic Dev.	1	\$450,000	Strong	Weak	Strong	Staff Weak Funding Very Strong
Raleigh	Wake County Development	1	\$0	Strong	Moderate	Very strong	No staff or \$ role now. Under examination.



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 less 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 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.