

Policy Proposal-- The FitzGerald Jobs Agenda: The Fourth Frontier & Strategic Development Principles



This is the sixth in a series of policy proposals outlining priorities and strategies for Cuyahoga County government. This proposal addresses Ed FitzGerald's approach to "Creating Jobs and Promoting Economic Growth," the Fourth Frontier and Strategic Principles for economic development. FitzGerald's Five Point Plan for Cuyahoga County government is available at www.EdFitzGerald.org.

This policy proposal addresses the following policy priorities enumerated in the County Charter:

1. Focused, effective and accountable leadership;
2. Collaborative leadership with Cleveland, suburbs and others within the public and private sectors;
3. An improved focus on equity for all our communities and citizens;
4. Significant taxpayer savings by streamlining and eliminating unnecessary expenses;
5. Long-term regional and global competitiveness; and
6. Significant taxpayer savings by streamlining and eliminating unnecessary expenses.

The following policy proposal addresses the duties of the Executive in the Charter of Cuyahoga County:

7.05 The Director of Development, in conjunction with the County Executive and in consultation with the Economic Development Commission, shall prepare and present to the Council [an] economic development plan for the County, for actions to be carried out by the County itself, and in cooperation with other public and private agencies and organizations, for the purpose of enhancing the prosperity and well-being of the County and its residents and communities.

The Opportunity

The private sector is the driving force behind any thriving economy. For county government to play a substantive role in economic development, it must create opportunities for business to be successful in Cuyahoga County.

For the county to play an effective economic development role, it must first be a trusted partner that makes wise use of resources, delivers excellent services and protects the health and safety of its citizens. Second, economic development efforts should recognize that our greatest growth potential is already in Cuyahoga County: our people, infrastructure, companies and resources have great potential for economic strength and growth.

The new County Charter makes economic development a priority of county government. The county's charge to support economic development should not usurp the valuable roles played by the Greater Cleveland Partnership, the business attraction efforts of TeamNEO or regional growth engines like BioEnterprise, NorTech and others. Rather, the county should be a reliable partner to those endeavors, but principally focus its efforts to encourage companies to stay in our county, maximize businesses' local impact and partner in business and industry growth.

County government must also be a partner in local government’s economic development efforts. Most agree that more coordination for local planning and infrastructure is needed. It is. However, the first step must be a multi-lateral agreement among local governments to work together towards county-wide improvement.

As County Executive, Ed FitzGerald will lead a comprehensive approach towards economic development that creates opportunities for the private sector to thrive. Among his initiatives will be *the Fourth Frontier*, a funding source to stimulate growth among small and medium sized businesses and incentivize collaboration among Cuyahoga’s many cities focused on economic development.

Our county must execute and commit to a comprehensive plan. Mayor FitzGerald is committed to implementing the following jobs agenda that incorporates the reapplication of proven theory and economic development principles.

The Fourth Frontier

Establish a venture fund to stimulate growth among small and medium sized businesses and incentivize collaboration among Cuyahoga’s local governments

The Fourth Frontier

- A funding source for early stage capital
- For Cuyahoga County businesses and businesses considering locating to Cuyahoga County.
- Incentivize local governments to adopt anti-poaching measures
- Transparent, competitive and bi-partisan
- Develop a home for emerging supply chains

Predicated on Ohio’s Third Frontier program, *the Fourth Frontier* will establish an economic development fund to encourage Cuyahoga County businesses to stay and grow in the county by making investments in businesses’ growth, through product commercialization and strategic capital investments. The Third Frontier makes investments in Ohio businesses to assist the commercialization and research for emerging industries and cutting edge business applications. Ohio’s program has benefitted hundreds of Ohio companies and by its own measure attracted more than \$3.5 Billion of investment to the state. Ohio’s program has expanded businesses and created jobs that pay an average salary greater than \$60,000 a year. Just this year, voters overwhelmingly supported an extension of the Third Frontier program which has received bi-partisan support from elected leaders as well.

FitzGerald's *Fourth Frontier* program will tailor Ohio's successful program to benefit Cuyahoga County with the following principles:

Competitive: The Fourth Frontier will be a competitive process open to all small and medium sized businesses in Cuyahoga County or businesses considering locating in the county's participating local governments.

Transparent: The application and decision-making process will be public. The Fund for Our Economic Future's EfficientGovNow provides an excellent model of incorporating public input and transparency into a competitive funding program. Lessons from that model will be incorporated into the Fourth Frontier's selection process.

Sustainable: The Fourth Frontier will incorporate the priorities outlined in "Pursuit of the Sustainable Economy," capitalizing on our existing resources, remaining open to regional collaboration and facilitating perpetual growth.

Facilitate Cluster Development: The easiest opportunities for growth in Cuyahoga County are already here. Fourth Frontier investments must incentivize and reinforce the development of industry clusters in the county.

Private Capital Already Committed: The Fourth Frontier is a partnership between businesses and the public. The private sector will have a demonstrated commitment (and risk) to Fourth Frontier companies.

The Fourth Frontier will require a palate for risk and experimentation from the public. A fresh start for county government should bring with it an appetite for new approaches to old problems. These measured risks will be outweighed by the private investments already at stake. Nonetheless, the *Fourth Frontier* will build a partnership between county economic development and business growth unparalleled in the region.

While risk creates the possibility for loss, it also creates the opportunity for gain. In addition to incentivizing government collaboration (see below) and business growth, the Fourth Frontier can also generate a direct return on investment. For example, Ohio's Third Frontier has generated a return on investment of 9:1.

The Fourth Frontier will be expensive, but less expensive than economic development focused simply building *things*. *The Fourth Frontier* program can scale to available funding. FitzGerald will work with the County Council to identify the preferred amounts and sources of funding for *the Fourth Frontier*, including going to bond on future casino revenues. This approach could create an economic development fund greater than \$100 Million, and be augmented with CDBG funds and proceeds from Fourth Frontier investments. This proposed funding approach will provide a new pool of funds to grow the county, without using any of the county's precious general fund dollars.

The Cuyahoga Compact: Incentivizing collaboration among local governments

Too often, our communities use scarce resources to incentivize the relocation of businesses within the county. This approach hurts the county in three ways: first it takes away from one community to add to another community. Second, it reduces the benefit of having a

business in the county by directing public resources without broader public benefit. Third, it pits incumbent businesses against new businesses by competing for those dollars and changing the dynamics of fair competition, rather than collaborating to grow a cluster.

The decision to (re)locate is a *business decision*, rarely driven by incentives alone. Companies usually relocate to accommodate growth, downsizing or other quantum changes in their businesses. Business needs are met by locating to best serve customers, mesh with suppliers, attract superior labor and other employed talent, and the cost of doing business. Those factors are balanced against location (convenience, image, services, schools, etc).

The Fourth Frontier is more than an incentive, but an *investment* in a company's growth. It will be a useful tool to the county and participating local governments alike.

Many of the county's municipalities have staff and departments working on economic development. Cities that poach intra-county with tax breaks, grants and free land are spending time and resources to create a net loss for the County. Cities should focus on mutual alignment toward attracting new growth to the region, rather than incentivizing Cuyahoga businesses to relocate within the county while diminishing the countywide community benefit.

Any local government in Cuyahoga County can participate in *the Fourth Frontier* program, as long as they agree to not provide tax incentives or other public resources to lure companies away from other cities also participating in *the Fourth Frontier* program. Mayor Jackson led a successful effort to discourage cities from poaching businesses out of Cleveland by offering a discount on water rates in exchange for a commitment to not offer tax breaks or free land to businesses. *The Fourth Frontier* builds on Cleveland's many one-on-one agreements, by making access to millions in economic development funding predicated on one local government committing to many.

Stop competing against each other and start competing against the world

Promote new industries' supply chains

Cuyahoga needs to "own" industries (in addition to healthcare). The Fourth Frontier will look beyond final outputs to pursue opportunities to build an entire supply chain that is the foundation for new and emerging industries. One oft-cited example is the emerging wind-power generation industry. Our geography gives the region an opportunity to capitalize on the installation of wind power generation facilities, and our manufacturing heritage still holds the skilled labor and access to equipment to make the blades and structures required to assemble them. The Fourth Frontier will not overlook the supply chain that makes these facilities a reality. Just a fraction of this supply chain includes the nuts, bolts, engineers (mechanical, structural, electrical) specialty coatings, lubricants, paints, architects, research and education, continuing education, consultancies, electrical engineers, power storage and batteries, and safety harnesses. The same approach can be applied and incentivized with many emerging industries.

Commit to Strategic Economic Development Principles

Cuyahoga County has a number of worthwhile economic development programs, but they lack the scale and strategic execution to make a splash. In addition to *the Fourth Frontier*, Mayor FitzGerald will lead with an economic development agenda that incorporates the following principles in new and existing programs:

Assemble a first rate team including loaned executives from the private sector

The first step to building a county focused on jobs will be to assemble a multi-disciplinary team committed to the county's growth. Just like he did in the past, Mayor FitzGerald will recruit leaders from within government, and the private and non-profit sectors. They will be accountable to the County Executive, and report regularly to the public and economic development commission. Additionally, Mayor FitzGerald will partner with local business organizations to recruit private sector leaders to consult county staff on economic development projects and initiatives.

Create budget capacity for economic development

Throughout the transition to the newly chartered county government, redundant functions and costs will be eliminated. More efficient processes and improved customer service will replace more expensive and less effective approaches. Savings from streamlined operations will be used to save for future investments and allocated towards economic development. New county revenue will go to economic development, not ongoing operations costs. FitzGerald will make economic development a budget priority; currently the county spends a paltry 2% of its general fund on development.

Economic development programs funded and executed to achieve a critical mass

County programs are only worthwhile if they make a difference. Some county-run programs have the right design and goals, but lack sufficient funding to make an economic development impact. All economic development programs will be evaluated for effectiveness, and funded accordingly. As Executive, FitzGerald will fund the most effective programs to their needed scale.

Strategic Economic Development Principles

- Create budget capacity for economic development
- Economic development programs funded and executed to achieve a critical mass
- Cluster and prioritize investments
- Clear the red tape
- Establish standards for business incentives
- Build upon our existing strengths and opportunities
- Better market the region
- Coordinate external funding opportunities
- Broaden the impact of the County Land Bank
- Develop and preserve our lakefront
- Focus on workforce development training
- Embrace immigration
- Human capital development

FitzGerald took the same approach as Mayor of Lakewood, proposing and passing budgets that made dramatic cuts to municipal operational costs, while still allocating funds solely for economic development.

Cluster and prioritize investments strategically to leverage other public dollars and buttress private investments

Economic development investments can also become diluted to the point of ineffectiveness when they are spread across many industries and a wide geography. Under a new department of development, economic development investments will be prioritized to concentrate investments in strategic industries and geographies. Examples of this already exist, like the ODOD's \$250,000 grant to the Cleveland's HealthTech Corridor. The county should not be shy about declaring economic development priorities. See Ed FitzGerald's *Pursuit of the Sustainable Economy* for his proposed funding priorities.

Clear the red tape for access to economic development funds

Companies seeking growth opportunities in Cuyahoga or moving operations into the county may often seek public incentives, including financing, site preparation or infrastructure improvements. Through active marketing, networking and the web, all available incentives will be made known—including availability and expectations—to citizens, potential users, agents, brokers, site selectors and all other decision-influencers in the business recruitment, expansion and attraction realms. Additionally, programs need to be administered at the pace of business and administered from start to finish with excellent customer service.

Establish standards for business incentives

All economic development incentives come with high expectations; public funds must be spent to benefit the public, not pad private companies' pocketbooks. In addition to investing in worthwhile and strategic economic development strategies, recipients of public funds will be required to create jobs that pay a living wage, and all qualified applicants will have the same access to those jobs, not just friends and family. Last year, the county loaned more than \$20 Million to businesses and revitalization projects. Under a FitzGerald administration, these kinds of investments will have clear return on investment, or they won't occur.

Build upon our existing strengths and opportunities

Our region is uniquely positioned with the natural resources, infrastructure and expertise that have built a nation-leading economy. We can return to that foundation and do it again. The current economic environment creates opportunities for Cuyahoga County and the region to leverage these assets to rebuild our economy and further develop our workforce (see *Pursuit of the Sustainable Economy*).

Better market the region

We need to commit to a shared marketing approach which promotes a shared identity. As County Executive, FitzGerald will commit to playing an active role personally and commit county staff and resources to collaborating with award winning marketing efforts from organizations like TeamNeo and PositivelyCleveland to market and promote the region.

Coordinate external funding opportunities

External funding opportunities (federal and state, as well as private grant-makers) have become increasingly competitive. All of these sources have placed a greater emphasis on multi-jurisdictional coordination and regional impact when making funding priorities and decisions. As Executive, FitzGerald will lead county government to be the centering point for these opportunities. Existing organizations like the First Suburbs Consortium, the Cuyahoga Mayors and Managers Association, NOACA, and other (many) multi-municipality organizations will have the opportunity to coordinate goals and efforts in pursuit of attracting more resources.

As the county's lead representative, FitzGerald will use the clout of Ohio's largest county to demand more resources from Columbus and Washington, D.C.

Broaden the impact of the County Land Bank

The County Land Bank has led efforts to acquire abandoned and dilapidated properties using tax interest and penalty revenue. As County Executive, Mayor FitzGerald will build on that capacity by leveraging other resources to broaden the land bank's capacity to acquire strategic property and assemble larger developable properties. Depending on location and need, a comprehensive approach to land assembly can transform single vacant parcels into job-ready industrial sites, neighborhood green space, destination parks, natural habitat, development sites and even urban farming opportunities.

Develop and preserve our lakefront

With Ed FitzGerald as County Executive, Cuyahoga County will join the City of Cleveland's recent efforts to make developing the lake front a priority. Jobs, recreation and housing opportunities have more potential along the Lake than anywhere else in the county.

FitzGerald will also work to preserve the quality lake front development we already have in Cuyahoga by leading a multi-city shoreline protection initiative to protect some of the most valuable property in the state. Coordination of erosion control measures can cut implementation costs nearly in half through coordination.

Focus on workforce development training

Creating jobs is important, but ensuring that our citizens have the needed training to fill those jobs is essential. Currently, there are job openings which cannot be filled because we are inadequately preparing our workforce. Recent studies from the State of Ohio show that 40% of employers have had jobs in healthcare, technology and manufacturing go unfilled for lack of qualified workers. As County Executive, Ed FitzGerald will work with all those involved to make sure that our education and training systems are aligned with the jobs that are being created.

Embrace immigration as an opportunity to grow our population economy

Most periods of this nation's economic growth were fueled by the contributions of new Americans. Our next period of growth should be no different: the authors of Immigrant, Inc posit that immigrants are twice as likely to start a new business as non-immigrants. Put plainly, embracing immigration through simple means such as Welcome Houses and multi-lingual capacity at the county can make great strides for people to have no other option but to succeed. FitzGerald will make sure that embracing a growing immigrant economy is part the county's economic development strategy.

Human capital development

It is impossible to talk honestly about economic development without addressing its foundations in human development. Successful economic development cannot occur in a vacuum: a comprehensive strategy is needed that incorporates the means to ensure that our citizens have the opportunity to succeed and contribute to our region's growth.

As County Executive, Ed FitzGerald will lead the county to make a promise: every student will enter the K-12 system ready to learn and have the opportunity to pursue their higher education goals. Economists have calculated the return on investment for high-quality early childhood education to be as high as \$7 to \$17 for every \$1 invested (See FitzGerald's *The Cuyahoga Commitment*). In order to meet our economic development goals, the new county government must invest in the high-quality early care and education.