

**MARKET ST**



**LIVE WORK GROW**

730 PEACHTREE STREET SUITE 540 ATLANTA GEORGIA 30308 404 880-7242 FAX 404 880-7246

## **LIVE WORK GROW**

*Market Street* brings original insights and clarity to the evaluation and revitalization of the places where people live, work and grow. Through honest and informed assessments, *Market Street* can equip you with the tools to create meaningful change. Our solutions successfully merge our experience and expertise with the economic and social realities of our clients. *Market Street's* community clients are successful at creating stronger programs, increasing operational budgets, and creating new quality jobs that improve the quality of life in their communities.

## Table of Contents

<b>Introduction .....</b>	<b>2</b>
<b>Community Profiles .....</b>	<b>4</b>
Collier County, FL .....	4
Overview.....	4
Diversification Efforts.....	5
Diversification Results .....	8
Central Oregon (Bend) .....	12
Overview.....	12
Diversification Efforts.....	12
Diversification Results .....	15
Savannah, GA .....	18
Overview.....	18
Diversification Efforts.....	19
Diversification Results .....	20
<b>Community Trends .....</b>	<b>24</b>
<b>Conclusions for Coachella Valley.....</b>	<b>26</b>
<b>Appendix A.....</b>	<b>27</b>
Location Quotients .....	27
Standard Deviation .....	28

## INTRODUCTION

As identified through public input, extensive research, and initial strategy development, one of the key priorities in developing a sustainable and competitive economy in the Coachella Valley is the need for a more diversified economic base. While tourism and agriculture have served the region well, the global economic landscape is changing and the jobs of tomorrow will be created in higher-wage industries that rely heavily on innovation, technology, and postsecondary education.

In conjunction with the need to pursue jobs in the high-growth industries of the coming decades, economic diversification in tourism, retail, and agriculture-dependent regions can have a number of benefits, including:

- Greater long-term sustainability
- Reduced reliance by residents on seasonal industries
- Reduced reliance by governments on tax revenue generated by retail sales
- Reduced risk associated with specialization in vulnerable industries
- Wider range of employment opportunities for existing residents
- Wider range of employment opportunities to attract new residents
- Elevation of personal incomes, and
- Reduced poverty through greater opportunities for upward mobility

While all regions should be taking a proactive approach to economic development, there is an especially imminent need to proactively shape the future of regions that are heavily reliant on tourism, retail, and agriculture. These regions – the Coachella Valley included – cannot wait for change to happen. Numerous communities have successfully implemented strategies to aid and nurture economic diversification.

This *Best Practices Analysis* will provide three examples from across of the country of regions that have taken various approaches to targeted diversification. The three communities reviewed within are: **Naples-Collier County, FL; Central Oregon (Bend); and Savannah-Chatham County, GA.**

While the selection of comparison communities for the *Blueprint* process' *Competitive Assessment* proved that there are really no regions exactly like the Coachella Valley, the three communities chosen for this *Analysis* had certain similarities to Valley dynamics. Whether the equivalent feature was a historical agriculture- or tourism-centered economy, strong local arts community, compelling natural environments, roughly similar population sizes, etc., the most important aspect of these communities is that they each tell a story. A story of a region coming together behind an effort to diversify the local economy to enable sustainable growth.

It is important to note that the measured study area chosen for each comparison corresponds to the geography represented by the principal economic development organization in each community.

This report will briefly summarize what made each community unique and will review how organizations in each community saw the challenge ahead and developed best practice programs to proactively shape their regional economies. Successful elements from each program will be discussed with relevance to the Coachella Valley's own priorities. Quantitative analysis will compare the Coachella Valley to each of these regions and will show how their diversification efforts have paid dividends in the composition of regional employment and income.

## **COMMUNITY PROFILES**

This section will review the attributes of three comparison communities, providing background on what unique assets have made each community an attractive destination place. It will then discuss the organizations and programs that have contributed to the diversification of their economies in response to the need to reduce risk, promote sustainability, and increase the array of employment opportunities for existing and future residents.

### **Collier County, FL**

#### **OVERVIEW**

Located in Southwest Florida along the Gulf of Mexico, Collier County is home to the incorporated cities of Naples, Marco Island, and Everglades. The county is surrounded by the Cape Coral-Fort Myers metropolitan area to the north, the Everglades National Park and Big Cypress National Preserve to the south, and the Miami-Ft. Lauderdale metropolitan area to the east. Portions of the Everglades National Park, the Big Cypress National Preserve, and other land reserves lie within Collier County. With an abundance of scenic beaches, wildlife, and recreational opportunities, the coastline of Collier County – occasionally referred to as the Paradise Coast – is one of the most popular tourist destinations in Florida.

Marco Island is the largest barrier island within Southwest Florida’s “Ten Thousand Islands” and is the northern anchor of the Everglades Wilderness Waterway. The nearly hundred-mile Wilderness Waterway provides a maze of scenic yet challenging paths for seasoned paddlers and boaters. While the beaches are heavily populated during the spring and summer months, paddlers and boaters frequent the Wilderness Waterway during cooler months when the humidity is lower and when storms are less frequent. In this way, the coastline of Collier County is rather unique from other coastlines that are typically only visited during the warmer months of spring and summer. Although the island offers year-round recreational opportunities, the population of Marco Island surges from a permanent population of nearly 16,000 residents to roughly 35,000 during peak season. A number of high-end hotels, resorts, and golf clubs populate the County.

In addition to tourism and accommodation, the County also enjoys an abundance of retail and arts-related businesses. Downtown Naples is home to the Naples Players, a community theatre company that has been named one of the top three community theatres in the United States. Downtown Naples is also home to a concentration of antique shops within the 5<sup>th</sup> Avenue South and 3<sup>rd</sup> Street South shopping districts, in addition to a concentration of art galleries dubbed Gallery Row. Outside of

downtown, the Village on Venetian Bay is an upscale, oceanfront shopping district that serves many of the higher income residents and visitors of the coastline.

In 2008, CNN and Money Magazine named Collier County as one of the five “best places to live a long life” in the United States.

## **DIVERSIFICATION EFFORTS**

Although the coastline of Collier County is well supported by tourism, accommodation, arts and entertainment, and retail establishments, the more inland and unincorporated portions of the County do not receive the same influx of income as the coastline, and many of the residents are dependent upon seasonal employment opportunities. In response to the need to diversify the region’s economic base and provide a wider range of employment opportunities for an ever-growing population, the Economic Development Council of Collier County (EDC) was established in 1976.<sup>1</sup>

### **History: Economic Development Council of Collier County**

The Council’s initial impact came by serving as an administrative arm for the Collier County Industrial Development Authority and issuing municipal bonds to support various projects that would improve employment opportunities in the County. Throughout the 1980s, the EDC began to broaden its operations and initiated its first formal targeting efforts by declaring film production as a potential engine for the future. Between 1990 and 1997, the EDC had a number of major achievements, and developed or assisted with the development of many new programs and initiatives. These achievements and initiatives include:

- Selection by the Florida Chamber of Commerce to serve as the first pilot community to implement a new program training business leaders to become more active in supporting, assisting, and developing the educational system in the County.
- Establishment of Collier County Airport Authority to oversee the development and management of three publicly owned general aviation airports.
- Receipt of Enterprise Zone designation for unincorporated Immokalee.
- Support for regional small business development efforts by assisting with the creation of the Southwest Florida Certified Development Company.
- Leading of initiative partnering five Southwest Florida counties to form the Center for Leadership and Innovation and Florida Gulf Coast University. The Center helps strengthen the region’s economy through a number of programs and services.
- Establishment of the Southwest Florida Film Commission to help attract new investment and employment opportunities in the entertainment industry.
- Launch of a NASA-supported technology outreach program offering up to 40 hours of technical assistance from NASA’s expert engineers to Collier County businesses.
- Launch of the first annual Business Outreach Survey to help gauge workforce skills and employer needs, and to help focus targeting efforts.

---

<sup>1</sup> <http://www.enaplesflorida.com/>

## **Public Private Partnership for Economic Diversification**

With positive momentum going into the late 1990s, the EDC and the Collier County Board of Commissioners saw that there was a need to bring a coordinated approach to economic development in the region between the public and private sectors. In 1997, the EDC and the County Commissioners established the Public Private Partnership for Economic Diversification. The new partnership refined and restated the EDC mission to promote initiatives that:

- Diversify the economy of Collier County
- Increase the average wage
- Create high-wage, value added jobs
- Facilitate capital formation
- Preserve and enhance the County's natural environment
- Enable residents to have ample opportunities for upward mobility

Since the Partnership's establishment, the EDC has actively engaged community leadership in the public, private, and non-profit sectors to diversify the region's economy by expanding employment opportunities in four target business sectors:

- Health and Life Sciences
- Computer Software and Services
- Aviation
- Light Manufacturing

The new partnership and their targeting efforts have been a success. The EDC was able to achieve these results in terms of job and wage growth by continuing to expand existing programs, introduce new initiatives, and serve as a leader in securing a number of major projects and investments in the County.<sup>2</sup> Some of these achievements between 1997 and 2007 include:

- Assisted with the development of a manufacturing incubator in Immokalee, in line with the County's light manufacturing target.
- Led initiative and gained "port of entry" designation from the U.S. Department of Treasury serviced by U.S. Customs.
- Developed the Collier County Microenterprise Corporation (CCMC) in cooperation with the Collier County Banking Partnership.
- Helped secure seven-figure grants for various communities within the County to aid with job creation and infrastructure development.
- Conducted a regional telecommunications assessment and formed the Telecommunications Task Force to promote digital infrastructure development throughout Southwest Florida.
- Partnered with business leaders to form the Gulf Coast Venture Forum to promote venture capital and angel investments in Southwest Florida.

---

<sup>2</sup> The next section, entitled 'Diversification Results' will provide detail on specific estimates of jobs created and investment generated as a result of the EDC's various programs.

- Assisted with planning, zoning, and development of the County's first research park, the North Naples Research and Technology Park.
- Partnered with public schools and community colleges in the region on the creation of a number of new training programs to align with target business and emerging industries.
- Heavily promoted the Florida Tradeport to strengthen trade and distribution, while helping to secure incentives for companies locating at the Tradeport.
- Initiated multiple foreign outreach missions to promote international investment in Collier County.
- Provided over \$1 million in bridge loans to 49 local businesses affected by Hurricane Wilma.
- Completed a study of the Collier County permitting process to improve permitting times. As a result, a "Fast Track manager" was hired to ensure that permits for businesses aligned with targets moved through the system more quickly.
- Helped develop the Southwest Florida Regional Technology partnership to cultivate a network of high-tech businesses in the region.

With these numerous successes, among others, helping to create the institutional and organizational infrastructure to support higher-wage job growth and economic diversification, the EDC conducted another target cluster study in 2007 to see if the County's targets needed to be realigned. The study confirmed that health and life sciences, as well as computer and software services remained highly viable targets. Given the recent investments in transportation infrastructure and the Florida TradePort located in the County, the study determined that distribution was also an emerging business sector that warranted targeting based on its potential to continually provide higher-wage job opportunities.<sup>3</sup>

### **Project Innovation**

With the completion of the new target cluster development strategy came one of the most promising new initiatives for Collier County in the EDC's thirty-year history. Project Innovation was launched in 2008 in response to an increasingly competitive global marketplace, while acknowledging that the County must develop new strategies in the wake of the current economic crisis to continue to diversify the economy and stimulate investment and job growth.<sup>4</sup> Project Innovation may be best described as an exploratory process; it is a series of programs designed to gather input, particularly from the business community, to help identify the means to creating a culture of innovation in Collier County.

---

<sup>3</sup> It should be noted that while the EDC has been a catalyst for economic diversification, it has continually supported the development of additional tourism and recreation opportunities along the coastline and throughout the County. The Council has heavily promoted the County's scenic and natural amenities, and helped ensure that there is a harmonized approach to economic and community development.

<sup>4</sup> <http://www.projectinnovation.cc>

*“The process will focus on bringing community-wide **consensus** on the importance of economy-building, a step needed to enable substantive change; fostering **creativity** in identifying new opportunities, an approach needed to develop a sustainable economy; and **collaboration** on delivering needed resources and initiatives, a strategy needed to put ideas into action...It will result in a specific, actionable plan to build a healthy economic foundation for current and future generations.”*

State representative Tom Grady is among the chairmen of the Project, in addition to key business leaders from the community. Project Innovation has five key components:

**Community of Innovation:** A series of speakers, forums, and dialogues that will explore topics including economic gardening, the development of a creative class, and the stimulation of innovation.

**The State of Innovation:** Broadcasts of the Community of Innovation forums on Naples FM talk radio station to help ensure that series is available to the entire community at no cost.

**Champions of Innovation:** A series of site visits to Collier County’s most innovative companies. These visitations allow business and community leaders to gain critical insight into ways that various companies are encouraging innovation while being exposed to the innovative practices and processes first-hand.

**Innovator’s Insights:** A program that utilizes various new media distribution channels to broadcast interviews and dialogues with entrepreneurs and leaders from innovative businesses within Collier County.

**Innovation at Work:** A series of interactive tours of innovative businesses in Collier County, designed specifically for elected and appointed government officials, and key education leaders to help enable policymakers and educators to better adjust their programs and services to meet the needs of the business community and workforce, and to create an environment that helps facilitate economic diversification.

With the first round of programs still in progress, Project Innovation has engaged the community in Collier County in an entirely new way. The various programs are helping to build critical trust, foster collaboration, and bring a wealth of new ideas to the table to ensure that Collier County continues to proactively shape its own future.

## **DIVERSIFICATION RESULTS**

According to the EDC, between the establishment of the Public Private Partnership for Economic Diversification in 1997 and the same period in 2007, the County has

attracted more than \$1 billion in capital investment and added nearly 19,000 jobs within the target business sectors alone, accounting for more than 46% of total employment growth during the period. These new jobs paid an average wage that was roughly 30% higher than the average for all jobs in the County.

To examine the returns on the various programs implemented in Collier County in greater detail, *Market Street* performed an analysis of competitive position by major business sector to determine if the region has successfully diversified over time. The analysis utilizes location quotients, a measure of the relative concentration of employment in a given industry sector.<sup>5</sup>

A location quotient (LQ) equal to one indicates that a region's share of total employment in a given sector is exactly equivalent to the national share of total employment in that same sector. A location quotient that is greater than one indicates that a region possess a higher concentration of employment in a given sector than the United States. The higher the location quotient, the more specialized the region is in that particular sector. A region with a spectrum of location quotients close to one in all sectors would be a relatively diversified economy, resembling the national distribution of employment by sector. A region with a spectrum of location quotients that are considerably higher and/or lower than the national average would indicate the region is heavily specialized in a few industries as compared to the nation.

As evident in the following table, Collier County was heavily specialized in agricultural sectors in 1997. The location quotient of 9.48 indicates that the region's share of employment in agricultural activities was 9.48 times the national share of sector employment. Given the region's draw as a destination place, Collier County also possessed a relatively high concentration of employment in arts, entertainment and recreation, as well as accommodation and retail trade.

Between 1997 and 2007, Collier County clearly became a more diversified economy. When a region's location quotient declines in a sector where it was specialized ( $LQ > 1.0$ ), this indicates that the region is becoming less specialized in that sector over time. When a region's location quotient increases in a sector where it was not specialized ( $LQ < 1.0$ ), this indicates that the region is growing a sector that was less concentrated than the national average and likely possessed some competitive disadvantage.

---

<sup>5</sup> Please see Appendix A for a thorough discussion of location quotients and the methodology used to evaluate economic diversification.

<b>ANALYSIS OF ECONOMIC DIVERSIFICATION: CHANGE IN LOCATION QUOTIENTS</b>				
	<b>Naples-Collier County, FL</b>			<b>Coachella Valley</b>
<b>Sector</b>	<b>1997</b>	<b>2007</b>	<b>Change</b>	<b>2007</b>
Agriculture; forestry; fishing and hunting	9.48	6.73	-2.75	3.66
Construction	2.18	2.16	-0.02	1.81
Wholesale trade	0.50	0.55	0.05	0.46
Information	0.66	0.55	-0.11	0.86
Finance and insurance	0.68	0.76	0.08	0.48
Real estate and rental and leasing	1.38	1.59	0.21	1.48
Professional and technical services	0.70	0.65	-0.05	0.65
Management of companies and enterprises	0.33	0.47	0.14	0.12
Administrative and waste services	1.11	0.99	-0.12	1.03
Educational services	0.08	0.09	0.01	0.70
Health care and social assistance	0.94	0.89	-0.05	0.85
Arts; entertainment; and recreation	2.83	3.24	0.42	4.60
Accommodation and food services	1.54	1.45	-0.09	2.45
Other Services	1.40	1.14	-0.25	1.17
Manufacturing	0.18	0.23	0.05	0.19
Retail trade	1.31	1.22	-0.09	1.28
Transportation and warehousing	0.37	0.35	-0.02	0.79
<b>Standard Deviation</b>	<b>2.18</b>	<b>1.59</b>	<b>-0.59</b>	<b>1.21</b>

It is evident from the table above that Collier County became less specialized in agricultural activities, accommodation, and retail trade: three industries commonly associated with tourism-dependent economies. This does not imply that employment declined in these sectors in Collier County; in fact, employment grew by 49% in accommodation and food services and 30% in retail trade between 1997 and 2007. However, employment growth in these sectors did not grow as fast as employment in other sectors, indicative that the County was developing sectors that it previously was not specialized or not competitive in relative to the nation, and was successfully diversifying the economy by growing other sectors faster than its traditional economic base. By comparison, employment grew by 58% in wholesale trade; 65% in finance and insurance; and 107% in the management of companies and enterprises. Efforts to develop the film and entertainment industry contributed to 88% growth in the arts, entertainment, and recreation sector.

One additional measure of economic diversification is presented at the bottom of the table: the standard deviation of location quotients in Collier County. The standard deviation provides a measure of the variability of the location quotients of all sectors from the average location quotient.<sup>6</sup> A standard deviation equal to zero would indicate that a region has location quotients equal to one in every sector, illustrating that the region would possess exactly the same industrial mix as the United States. The higher the standard deviation, the more widely dispersed the region's location quotients. A standard deviation that increases over time indicates that a region is becoming more specialized; a standard deviation that decreases over time indicates

<sup>6</sup> See Appendix A for a detailed explanation of the standard deviation.

that a region is becoming more diverse over time. The standard deviation of location quotients in Collier County declined considerably between 1997 and 2007, reinforcing the notion that the County's economy has become more diversified over time.

## **Central Oregon (Bend)**

### **OVERVIEW**

The scenic Central Oregon region, located roughly 100 miles east of Eugene, is anchored by the City of Bend, and includes Deschutes, Jefferson, and Crook Counties. The region has deep roots in forestry, logging, and wood products manufacturing, but has increasingly become known as a popular destination for a variety of recreational activities.

The Cascade Range, stretching from British Columbia to Northern California, runs through the region and is home to multiple volcanic and non-volcanic mountains. The Three Sisters, a series of volcanic craters, and other portions of the range provide miles upon miles of hiking trails and opportunities for rock climbing. Mount Bachelor is one of the largest ski resorts in the Pacific Northwest with a skiable surface of nearly 3,700 acres. The Deschutes River is a world-renowned fly fishing destination, drawing tourists from around the globe in the late spring and early summer, while also serving as a popular rafting destination.

The region's natural amenities have not only been a draw for tourists, but also for permanent residents. Central Oregon has experienced rapid population growth in recent decades and has remained the fastest growing region in the state for many years. And while the aforementioned natural amenities have resulted in an expansion of tourism-related activities and industries, these amenities also possess the potential to fuel new employment growth in new industries that are emerging nationwide.

The Newberry Crater is a shield volcano covering more than 500 square miles; although it has not erupted in over 1,300 years, it is still considered geologically active. During NASA's Apollo program, astronauts trained in the crater due to its resemblance of the Moon's surface. In recent decades, there has been a growing interest in the potential for geothermal energy production in the crater. When the volcano was named a national monument in 1990, geothermal energy production was restricted. However, a project was recently launched on the western side of the volcano where geothermal production is still viable. Owned primarily by Davenport Power and the US Renewables Group, the Newberry Project is expected to support more than 100,000 households upon completion. The first phase of power generation is targeted for completion in late 2009, with a total project completion date of 2011.

### **DIVERSIFICATION EFFORTS**

The Newberry Project is just one example of an investment in Central Oregon that is helping to provide high wage jobs to a region that seeks to diversify its economic

base. Leading the charge in the region is Economic Development for Central Oregon (EDCO), a private, non-profit organization that is supported by both public and private contributions.<sup>7</sup>

### **History: Economic Development for Central Oregon**

The organization was founded in 1981, during the height of a national recession that brought unemployment in the region to nearly 25 percent. The deep national recession was a wakeup call: Central Oregon needed to diversify in order to reduce susceptibility to cyclical fluctuations in the national economy. Tourism dropped as individuals cut back on vacations; retail spending dropped with reduced tourism and lower disposable incomes; and the resulting decline in municipal revenues restricted local governments from actively pursuing new economic development programs to combat the recession.

Throughout its twenty-eight year history, EDCO has pursued a common mission: to “lead the economic development and diversification of Central Oregon” and to “build a sustainable regional economy strong enough to create family wage jobs.” Throughout its history, EDCO has grown from a single office located in Bend and operated by only two staff members to an organization with eleven staff members and satellite offices located in the surrounding cities of Redmond, Madras, and Prineville.

The organization has helped elevate critical issues in the region while developing programs to address these issues and lobbying for the required support from external institutions. One such success story is the growth in air traffic capacity to service a rapidly growing population and a diverse base of tourists coming from around the world. Between 2001 and 2008, passenger boardings at Redmond Airport increased by 58%, nearly double the region’s population growth of 31%. This expanded air service is crucial for the region’s potential to attract new companies in business service sectors where travel is often extensive.

### **Targeting New Industries**

Although no successful community can rely on recruitment strategies alone in today’s economy, traditional recruitment strategies have contributed greatly to the diversification of Central Oregon’s economy. One example from Central Oregon is an excellent case study of how a single business can help attract an array of suppliers and spur organic cluster development due to positive network effects.

In the 1990s, the aviation and aerospace industry in Central Oregon consisted of a few manufacturers of helicopter avionics, aircraft lighting and electronics, and hydraulic systems for aircraft. The development of this industry into a true cluster of networked businesses began in the early 1990s with the recruitment of Lancair, a

---

<sup>7</sup> <http://www.edcoinfo.com>

small turbine and aircraft company. The primary product manufactured by Lancair was a new breed of aircraft; incredibly fast and manufactured from carbon fiber, a relatively new technology at the time. EDCO contributed to the recruitment efforts to land Lancair, who chose the City of Redmond in Deschutes County over more than 200 other communities. In its early stages, Lancair employed only 20 individuals.

After a few years of operating in Redmond, Lancair's founder, Lance Neibauer, set out to develop the first new certified turbine aircraft in over thirty years. After a nationwide search, Lancair decided to open a new facility at the Bend Airport, just a few miles from the existing Lancair facility. The company opened a new 140,000 square foot facility in 1998, and over the last ten years, the company has grown to 715 employees, operating under the spinoff Columbia Aircraft Manufacturing.

In 2003, Lancair and Columbia Aircraft set out to build a larger, all-carbon aircraft that would be the fastest light jet on the market. The new aircraft was developed by another spinoff, Epic Air, which currently produces five different models and employs 125 individuals in the region. In 2007, Columbia was acquired by Cessna, the largest manufacturer of general aviation aircraft. Cessna chose to keep operations at the Bend Airport, ensuring that the aviation industry and its many employees would continue to have a bright future in Central Oregon. During the acquisition and over the last two years, multiple suppliers have relocated to Central Oregon to be in greater proximity to their end market and the research and development taking place by their primary purchaser. Such relocations include:

- Fuel Sale/Aircraft Rubber – aviation fuel tanks
- Electronics International – aircraft electronics systems
- Mountain High Oxygen Systems – oxygen delivery systems for aircrafts
- Multiple custom machining suppliers

As of 2007, the aviation and aerospace cluster employed more than 1,000 people in Deschutes County alone, with an estimated 2,000 additional jobs that are indirectly supported by the cluster.

### **Supporting Entrepreneurship and Innovation**

Although EDCO has been active in its recruiting efforts, the organization has focused heavily on stimulating small business development and entrepreneurship to further its goal of economic diversification. One such example is the support provided by the EDCO for the development of the Bend Venture Conference, starting in 2004.<sup>8</sup> The annual event draws early stage companies from around the Pacific Northwest. Despite the heavy competition, companies from Bend have benefitted tremendously with investments exceeding \$200,000 for two high-tech startups located in the city.

---

<sup>8</sup> <http://www.bendvc.com>

Just recently, EDCO was awarded \$233,000 in federal stimulus funding to create a staff position to coordinate the region's venture capital activities. The goal is to create a regional point person to help catalyze innovation and connect early-stage opportunities with the region's growing aerospace and renewable energy sectors.

These efforts have contributed to national recognition for the region's small business climate. Bend has been ranked by Inc. Magazine as one of the Top Ten Hottest Small Cities for Entrepreneurs (2007) and the seventh Most Entrepreneurial Local Market in the United States by the Small Business Administration (2005).

### **The Future: Economic Development for Central Oregon**

For the aforementioned successes, EDCO has received three awards from the Oregon Economic Development Association since 2005: Partnership Excellence Award (2005), Best Economic Development Website (2006), and Best Business Development Success Story (2008).

In the years ahead, the organization will continue to focus on developing six target industries that will provide greater opportunities for wealth creation in Central Oregon. EDCO will also continue to support efforts to help alleviate two existing barriers to further diversification and economic development: the lack of a strong local higher education system, and a shortage of infrastructure-ready industrial property that limits the region's ability to compete for relatively large projects.

### **DIVERSIFICATION RESULTS**

According to EDCO, the organization has directly contributed to bringing 3,150 new jobs to Central Oregon in 112 new companies. Although these employment figures may seem modest, it is important to recall the case study that was presented of the aviation and aerospace cluster. Central Oregon's tourism industry was estimated to generate an annual economic impact of \$571 million in 2007. By comparison, an independent study released by the Oregon Department of Aviation in 2005 indicated that manufacturing and aviation activity located at the Bend Airport alone possessed an annual economic impact of \$579 million. This exemplifies the tremendous effect that diversification efforts have had on the region's economy; in less than two decades, a single targeted cluster has grown to possess an economic impact greater than the region's once dominant and still most recognizable asset.

To corroborate the evidence presented above, *Market Street* performed an analysis of competitive position by major business sector to determine if the region has successfully diversified over time. This analysis is identical to that which was presented for Collier County, Florida. Accordingly, all principles and methods reviewed in the section for Collier County apply to the analysis that follows.

Between 1997 and 2007, it is evident that Central Oregon’s specialization in agriculture and forestry declined considerably, with the location quotient for this sector falling from 1.99 in 1997 to 1.48 in 2007. The region’s rising location quotient in construction can be attributed to Central Oregon’s rapid population growth, which far exceeded the national average. Interestingly, we see that the region’s relative concentration of employment and specialization in manufacturing actually declined between 1997 and 2007, despite significant growth in aviation and aerospace manufacturing. This trend is primarily attributable to two factors. First, employment grew so rapidly in some other sectors of the economy that despite the only minimal losses in manufacturing employment, the sector’s share of total employment declined considerably over time. Second, manufacturing employment actually grew in the core, Deschutes County, as a result of growth in aviation, but manufacturing employment declined considerably in neighboring Crook and Jefferson Counties.

<b>ANALYSIS OF ECONOMIC DIVERSIFICATION: CHANGE IN LOCATION QUOTIENTS</b>				
	<b>Central Oregon</b>			<b>Coachella Valley</b>
<b>Sector</b>	<b>1997</b>	<b>2007</b>	<b>Change</b>	<b>2007</b>
Agriculture; forestry; fishing and hunting	1.99	1.48	-0.50	3.66
Construction	1.38	1.67	0.30	1.81
Wholesale trade	0.87	0.74	-0.13	0.46
Information	0.57	0.98	0.41	0.86
Finance and insurance	0.60	0.71	0.11	0.48
Real estate and rental and leasing	N/A	N/A	N/A	1.48
Professional and technical services	0.58	0.60	0.02	0.65
Management of companies and enterprises	0.13	0.24	0.11	0.12
Administrative and waste services	0.85	0.89	0.05	1.03
Educational services	N/A	N/A	N/A	0.70
Health care and social assistance	0.59	0.78	0.19	0.85
Arts; entertainment; and recreation	1.29	1.42	0.13	4.60
Accommodation and food services	1.30	1.23	-0.06	2.45
Manufacturing	1.04	0.96	-0.08	0.19
Retail trade	1.30	1.23	-0.07	1.28
Transportation and warehousing	0.54	0.53	-0.01	0.79
<b>Standard Deviation</b>	<b>0.48</b>	<b>0.40</b>	<b>-0.08</b>	<b>1.21</b>

As referenced earlier, other high-wage sectors that possessed a relatively small share of regional employment in 1997 grew considerably relative to national growth between 1997 and 2007. Although it remains a relatively small sector within the regional economy, information services grew at a rapid pace. Financial services and health care services employment also grew rapidly during this period. The growth in these sectors was primarily fueled by population growth and the resulting need for additional local service providers in the region, illustrating that the natural attractiveness that supports tourism and fuels population growth indirectly contributes to economic diversification.

Finally, the last measure presented in the table above illustrates that the standard deviation of location quotients has in fact fallen in Central Oregon, indicating that the region's location quotients are not as widely dispersed and confirming that the region has successfully diversified.

## **Savannah, GA**

### **OVERVIEW**

Savannah, Georgia has a rich history, steeped in Colonial and Southern traditions. The City's eighteenth and nineteenth century architecture has been well preserved and draws tourists from around the United States and particularly the Southeast. The Savannah Convention and Visitors Bureau estimated that 6.85 million people visited the City in 2006. A tourism study completed in 2007 showed that more than 30% of visitors indicated that they were likely to revisit Savannah an average of five or more times.

The Savannah Historic District, one of the largest historic districts in the United States, is home to some of the country's oldest and most well-preserved homes, churches, synagogues, and forts. The Savannah Waterfront, also known as River Street, is a popular destination for tourists and residents, offering nightlife, shopping, festivals, and recreational opportunities.

Nearby Tybee Island and Hutchinson Island also draw a number of tourists each year. Tybee Island, the easternmost point in the State of Georgia, has beautiful beaches and a historic lighthouse that draw thousands of visitors each year. Hutchinson Island is home to the Savannah International Trade and Convention Center and the Westin Savannah Harbor Resort.

Aside from tourism, the region also has a historical economic base in manufacturing, trade and distribution. International Paper, Gulfstream Aerospace, and JCB Corporation – the nation's third largest manufacturer of construction and engineering equipment – are among the largest employers in Chatham County.

The manufacturing industry is heavily supported by the presence of one of the country's largest ports. In recent years, the Port of Savannah has been the nation's fastest-growing and fourth busiest container terminal. The Savannah River provides inland freight access to Augusta, Georgia. Target Corporation, IKEA, and Heineken USA are just a few of the corporations with major warehouses and facilities that have recently located at or near the Port of Savannah. A series of agreements in 2007 vastly expanded the routes and service to and from international trading partners.

In addition to tourism and these other dominant industries, Fort Stewart and Hunter Army Airfield are located just outside the City of Savannah but within Chatham County and provide tremendous economic impacts within the region.

Over its 31 year history, the Savannah College of Art and Design (SCAD) has contributed greatly to the development of the arts community in Savannah by drawing thousands of young, creative minds to study in a variety of fields each year.

The College has also contributed to the restoration, redevelopment, and preservation of the City, and its student body ensures that new work is consistently on display at a number of local galleries. Efforts are ongoing to retain SCAD graduates in the community and assist them with sourcing employment and starting businesses.

SCAD provides a compelling example of the role a creative-industries-focused college can play in transforming the perception and workforce mix of a region.

## **DIVERSIFICATION EFFORTS**

Savannah's reliance on manufacturing, trade, and tourism has led to some unique initiatives to develop a culture of innovation and nurture the growth of industries that can leverage the region's creative talent and provide high-wage employment for current and future generations.

Economic development in Metro Savannah is conducted as a partnership between external marketing and internally-focused organizations.

The Savannah Economic Development Authority (SEDA) has primarily focused on traditional recruitment and retention strategies, while devoting significant resources to support major infrastructure and development projects with the potential to create additional jobs and income in the region. The organization's vision states that:

*"Savannah will continue to attract major investment from the manufacturing/assembly and distribution industries, while also becoming a desirable location for front office and headquarters operations. Capitalizing on its unique assets, Savannah will become a favored location for knowledge-based businesses that require creative and technical expertise."*

SEDA has pursued its vision through aggressive marketing and communication using various types of media, and leveraging local, national and global outlets. The organization has received a number of awards for the quality of its website and publications.

SEDA has been quite successful over the years in fulfilling the first half of its vision statement; the manufacturing and distribution industries boomed as the Port of Savannah continued to grow. The organization's strengths in marketing, sales, and recruitment were well suited for the development of more traditional industries like manufacturing and distribution. However, the organization knew that it must become more actively engaged in pursuing the second half of its vision – the development of knowledge-based businesses – if Savannah was to remain competitive in the global marketplace in the decades to come.

---

<sup>9</sup> <http://www.seda.org>

Complementing SEDA, the City's Economic Development Department and the Savannah Area Chamber of Commerce have helped lead the charge with respect to small business development and entrepreneurship. The City's primary tenet upon which it operates is to "focus on sustainable economic development" and to "support a resilient local economy that weathers shifts in national and international trends."

### **The Creative Coast Alliance**

In accordance with SEDA's goal to support the development of knowledge-based businesses, and the City's goal to create a resilient local economy, the city, county, SEDA, and local technology leaders helped form The Creative Coast Alliance in 2003.<sup>10</sup> As a public-private partnership, the Alliance aims to develop and attract creative and technology-based businesses in the Savannah area. And while the Alliance has developed a number of unique programs, its greatest value to the region is likely as a catalyst. The group helps to create networks and connect bright minds with those who can help turn ideas into action.

The Alliance hosts a variety of networking and professional development events each year. Weekly networking events before and after work hours are blended with career fairs, lunch and learn sessions, site visits, "fast pitch" angel investor and venture capital events, and numerous other programs to establish an environment where creative and innovative individuals and businesses can develop their ideas, transfer knowledge, and nurture the networks that are critical in knowledge-intensive sectors.

The Alliance also provides direct assistance to the private sector by offering business plan guidance, business counseling, technical support, workforce matching services, and providing a trusted gateway to numerous different providers of financing and small business loans.

The Alliance has continued to develop its programs and services over the years, despite losing its Director, Chris Miller, in 2007. Having experienced the success and impact of the Alliance first-hand, and seeing the attention that it earned nationwide, Mr. Miller began travelling the globe and working with communities to develop similar creativity-based programs.

### **DIVERSIFICATION RESULTS**

According to the Creative Coast Alliance, the organization directly assisted with the creation and attraction of 25 new creative and technical businesses between 2004 and 2006 alone, generating over 200 new high-wage jobs. These new jobs paid an average wage of \$57,000, well above the region's average wage. The Alliance's impact has undoubtedly grown since 2006.

---

<sup>10</sup> <http://www.thecreativecoast.org>

A study by the Bureau of Business Research and Economic Development (BBRED) at Georgia Southern University estimated that between 1996 and 2007, SEDA helped create 15,320 jobs and generate \$1.8 billion in investment within Chatham County. SEDA also contributed nearly \$500 million in low-cost financing for public infrastructure, a large portion of which was invested in higher education. The study estimated that without SEDA efforts between 1996 and 2007, the region would possess 13,450 fewer jobs and per capita income that was \$1,100 lower. It was estimated that without the SEDA-facilitated job growth during this period, it would take until 2020 for Chatham County to reach the level achieved in 2007 with SEDA's assistance.

As a result of the region's existing assets and the city/county/SEDA partnership that led to The Creative Coast Alliance, Savannah was named one of the Top Ten Places in the South for the Creative Class by *Southern Business and Development* magazine. Savannah joined much larger cities on the list, including Atlanta, Austin, Houston, Charlotte, Raleigh-Durham, and Nashville. The global recognition that Savannah has received will continue to propel the region forward as it attempts to further diversify with growth in knowledge-intensive and creative industries.

To further analyze the effects of the region's economic diversification efforts, *Market Street* analyzed how the region's industrial mix changed over time. It is evident from the following table that Savannah-Chatham County was already a relatively well-diversified economy in 1997. No major business sector possessed a location quotient greater 1.57 (transportation and warehousing) or lower than 0.57 (finance and insurance). Between 1997 and 2007, the County experienced tremendous growth in transportation and warehousing as well as wholesale trade as a result of rapid growth at the Port of Savannah and SEDA's targeted recruitment and expansion efforts in these sectors. In addition, SEDA's efforts to promote Savannah as a premier destination for corporate headquarters and front office functions paid dividends: the location quotient for the management of companies and enterprises rose from 0.60 to 0.96.

<b>ANALYSIS OF ECONOMIC DIVERSIFICATION: CHANGE IN LOCATION QUOTIENTS</b>				
	<b>Savannah-Chatham County, GA</b>			<b>Coachella Valley</b>
<b>Sector</b>	<b>1997</b>	<b>2007</b>	<b>Change</b>	<b>2007</b>
Agriculture; forestry; fishing and hunting	N/A	N/A	N/A	3.66
Construction	1.24	0.97	-0.26	1.81
Wholesale trade	0.77	0.98	0.21	0.46
Information	0.59	0.60	0.01	0.86
Finance and insurance	0.57	0.57	0.00	0.48
Real estate and rental and leasing	0.77	0.82	0.05	1.48
Professional and technical services	0.78	0.64	-0.15	0.65
Management of companies and enterprises	0.60	0.96	0.36	0.12
Administrative and waste services	1.02	1.25	0.23	1.03
Health care and social assistance	1.15	1.02	-0.13	0.85
Arts; entertainment; and recreation	0.88	0.73	-0.14	4.60
Accommodation and food services	1.41	1.49	0.08	2.45
Other Services	1.06	1.02	-0.04	1.17
Manufacturing	0.89	0.92	0.03	0.19
Retail trade	1.08	1.04	-0.04	1.28
Transportation and warehousing	1.57	1.75	0.18	0.79
<b>Standard Deviation</b>	<b>0.30</b>	<b>0.32</b>	<b>0.02</b>	<b>1.21</b>

What is most surprising is that Savannah did not exhibit significant progress in increasing its relative concentration of employment in professional and technical services, which captures much of the knowledge-intensive business services and creativity-intensive services such as graphic design that the region coveted so greatly. Total employment in this sector grew over the ten year period, but failed to grow as fast as the national average. When we examine the detailed sectors within professional and business services, it is evident that stagnant or declining employment in more traditional business services such as legal services (3% growth) and accounting services (15% decline) helped to cancel out the tremendous gains made in more creative industries such as specialized design services (82% growth), computer systems design (153%), architecture (47%), and engineering services (95%).

The table above helps illustrate that the region was already a well-diversified economy, and one that recognized it had two critical assets to leverage in the development of target industries: the Port of Savannah and the region's creative class. The region's tourism industry was a key economic driver, but a reliance on this industry alone would not sustain the region and provide opportunities for wealth creation and upward mobility. A focus on high-tech, advanced manufacturing as well as transportation, trade and distribution helped reduce the region's reliance tourism. The development of creative talent and the transfer of that talent into wealth and job creation have given the region another path to a sustainable economy that is being emulated around the world.

The final measure of economic diversification calculated by *Market Street*, the standard deviation of location quotients, indicates that the region became slightly more specialized over the ten year period, evidenced by the minor increase in standard deviation from 0.30 in 1997 to 0.32 in 2007. This was due primarily to a sustained focus on the industries that have supported the region well in recent decades, while complementing this focus with a new initiative aimed at developing talent and innovation in creative industries that will flourish in the decades to come.

## COMMUNITY TRENDS

This section compares the performance of the Coachella Valley with the three comparison best practice communities for a few key demographic and economic indicators. The *Competitive Assessment* developed earlier in the *Blueprint* process provides a comprehensive discussion of the Valley’s performance in each indicator and many others, relative to trends from across the state and the nation.

The Coachella Valley is the largest region examined in this review in terms of population, and also the fastest growing. Between 2000 and 2007, population grew by 39.5% in the Valley; Central Oregon (28.5%) and Naples-Collier County, FL (24.8%) also grew rapidly during this period. Savannah-Chatham County experienced only modest population growth of 7.0%. Much of the resident population in Chatham County began to move to surrounding counties outside the core of the Savannah metropolitan area.

KEY DEMOGRAPHIC AND SOCIOECONOMIC INDICATORS (2007)					
	Total Population	% of Adults with a BA or Higher	Per Capita Income	Total Poverty Rate	Child Poverty Rate
Coachella Valley, CA	362,867	22.3%	\$29,560*	11.7%*	15.8%*
Naples-Collier County, FL	313,655	31.2%	\$63,276	9.9%	16.2%
Central Oregon	197,284	25.9%	\$32,857	10.4%	14.8%
Savannah-Chatham County, GA	248,532	29.6%	\$37,850	16.3%	23.7%
*Indicates that data is reported for Riverside County. Please refer to the <i>Competitive Assessment</i> for figures and discussion specific to the Coachella Valley.					

Despite being the largest and fastest growing region in the comparison study, the Coachella Valley possessed the lowest percentage of the population with a bachelors degree or higher, as well the lowest per capita income. All regions improved their educational attainment levels between 2002 and 2007, but the Coachella Valley and surrounding areas lagged considerably behind the comparison best practice regions in terms of real per capita income (PCI) growth. Real PCI grew by only 2.8% between 2002 and 2007 in Riverside County, while real PCI grew by a tremendous 30% in Naples-Collier County; 13% in Savannah-Chatham County; and 8% in Central Oregon. The Valley experiences a tremendous influx of wealth from visitors each year, but there is an imminent need to raise the income levels of its residents to maintain a high quality of life and improve upward mobility of families in the region. It is important to note that per capita income is in part depressed in Riverside County due the relatively large population of retirees. However, it should also be noted that Naples-Collier County has an even higher share of total population that is aged 65 or

over. Even so, their per capita income level is more than twice that observed in Riverside County and has grown at a significantly higher rate in recent years.

Although the Valley led all comparison best practice communities in terms of population growth, Central Oregon (28.1%) experienced greater employment growth than the Valley (21.9%) between 2002 and 2007. This is indicative that Central Oregon’s population growth was fueled by job growth to a greater extent than the growth experienced in the Valley, which has served as an attractive retirement destination.

KEY ECONOMIC INDICATORS (2007)			
	Employment	Average Annual Wage	Labor Force Participation Rate
Coachella Valley, CA	141,700	\$37,394*	69.3%*
Naples-Collier County, FL	131,937	\$41,300	80.5%
Central Oregon	82,809	\$33,983	75.7%
Savannah-Chatham County, GA	137,617	\$37,269	81.8%
*Indicates that data is reported for Riverside County. Please refer to the <i>Competitive Assessment</i> for figures and discussion specific to the Coachella Valley.			

Average annual wages in Riverside County are higher than those observed in Central Oregon, but have grown at roughly the same pace over the last five years (21% nominal growth). This barely outpaced the growth observed in Savannah-Chatham County (20%) but lagged behind the growth experienced in Naples-Collier County (31%).

Finally, labor force participation has declined considerably over time in Riverside County as a result of a continuous influx of retirees, among other factors. And while the same is true for Naples-Collier County, the area has managed to keep its working-age population almost entirely engaged in the labor force.

## CONCLUSIONS FOR COACHELLA VALLEY

The best practices reviewed in this report should provide the Coachella Valley with a framework for considering how the region can leverage its existing assets while taking bold new approaches to promote economic diversification. They are examples of areas over-reliant on a handful of often lower-paying industries that leveraged regional public-private economic development partnerships to implement comprehensive strategies that better diversified their local economies.

The Valley possesses some interesting similarities to the Central Oregon region. First and foremost, both lack the significant presence of a large higher education research institution. However, Central Oregon has managed to grow high-tech industries such as aviation and aerospace that can leverage the existing community and technical college capacity. Second, Central Oregon has utilized a unique feature of its natural landscape (the Newberry Crater) to begin developing an emerging geothermal sector that will not only supply employment opportunities but also a sustainable energy source for the region's population. Along these lines, the Coachella Valley possesses strong potential for the production of wind energy based on average wind speed and unobstructed, flat terrain, according to measurements from the U.S. Department of Energy's National Renewable Energy Laboratory.

The Valley can also benefit from emulating components of the unique programs developed in the other two best practice communities. The State of Innovation program in Naples-Collier County and the Creative Coast Initiative in Savannah-Chatham County can be used as guidance for developing the culture of innovation and creativity in the Coachella Valley.

Collectively, the success stories within this *Analysis* provide a comprehensive examination of successful programs with proven results. These communities' diversification strategies will continue to pay dividends for many years to come. As the Coachella Valley's regional economic development organization begins implementation of a new strategic planning effort, these communities and the organizations within them should provide ideas and inspirations that can be used to ensure that similar success is realized within the Coachella Valley.

## APPENDIX A

This appendix will detail the analysis and methodology used to evaluate economic diversification efforts in the best practice communities included in this review.

### Location Quotients

Location quotients are commonly used to measure the relative concentration of local employment in a given industry or cluster. Specifically, they are the ratio of an industry's share of total local employment to that industry's share of total national employment.

$$LQ = \frac{(\text{Local Employment in Sector} / \text{Total Regional Employment})}{(\text{National Employment in Sector} / \text{Total National Employment})}$$

A local industry with an LQ equal to 1.0 possesses exactly the same share of total local employment as the industry's share of national employment. When a regional industry possesses a location quotient greater than 1.0, this signals that the industry is more concentrated in the region than it is nationwide. Conversely, a location quotient less than 1.0 indicates that the industry is less concentrated in the region than it is nationwide. The higher the location quotient, the more concentrated the level of local employment as compared to its national equivalent. For example, a location quotient of 1.25 would indicate that an industry's share of total regional employment is 25 percent higher than the industry's share of national employment. An LQ of 2.0 would indicate that an industry's share of regional employment is twice as large as the national share, while an LQ of 0.5 would indicate that the industry's share of local employment is half the national equivalent.

Those industries within a region that possess high LQs are those industries in which the region is heavily specialized. The more specialized a region is in a few industries, the less specialized it can be in other industries; the devotion of a large share of regional employment to certain industries implies that others must have a lower share of regional employment than the national share. When certain industries consume a higher share of regional employment than the national share, other industries within the region must possess a lower share of regional employment than the national share. When a region has few industries with high LQs, and a number of industries with LQs close to 1.0, this indicates that the region possesses an industrial mix that resembles the national average and is relatively well diversified as compared to the nation.

## Standard Deviation

The standard deviation is a measure of the variability of a data set around the mean, and is a standard measure of the dispersion of a data set. While the simple average, or mean, is a good indicator of the central tendency of a data set, the standard deviation provides a measure of the degree to which the data is spread out.

When applied to a distribution of location quotients, the standard deviation provides a measure of the variability of the location quotients of all sectors from the average location quotient. A standard deviation equal to zero would indicate that a region has location quotients equal to one in every sector, illustrating that the region would possess exactly the same industrial mix as the United States. The higher the standard deviation, the more widely dispersed the region's location quotients. A standard deviation that increases over time indicates that a region is becoming more specialized; a standard deviation that decreases over time indicates that a region's industrial mix is becoming more diversified over time.

The standard deviation is the square root of the sum of squared deviations of each value (LQ) from the mean, divided by the sample size minus 1.

$$\text{Standard Deviation} = \sqrt{\frac{1}{N - 1} \sum_{i=1}^N (x_i - r)^2}$$

where:

$N$  = sample size (number of industry sectors being examined)

$i$  = each individual industry sector being examined

$\sum$  = summation

$x_i$  = location quotient for industry sector  $i$

$r$  = the average location quotient across all sectors being examined