

# **A New Model for Economic Development:**

## **The Guilford County Economic Development Strategy**

### **INTRODUCTION**

In June 2003 the Board of Commissioners directed staff to update the county's comprehensive plan. That effort generated Framework for the Future: Guilford 2020 - A Fiscal Impact Analysis and Economic Development Strategy. A primary objective of the effort was to assess the county's present economic situation and provide strategies to enhance the county's competitive positioning in the future.

Guilford County Community and Economic Development presents this report to be incorporated into the Framework for the Future document and recommends strategies to enhance Guilford County's economic development efforts. These strategies are a result of expertise and research by Community and Economic Development staff. This report presents a new economic development philosophy that is centered on workforce development, job creation, higher wage rates and prosperity.

Traditionally, economic development efforts were measured simply by the number of jobs created. In today's economic development world, job creation is merely one factor to consider. Living wage rates, rising wage rates, environmentally sound local practices, rising educational attainment, basic infrastructure needs, including wireless connectivity – all have become critical components of a successful local economic development landscape. The quality of place – that subjective term for how others perceive a location – has become a more critical factor than ever. The role that county government plays can impact the development and ultimate outcome of that economic development portrait. After taking into account all of the different goals that are important to Guilford County, the primary goal of all economic development efforts can be boiled down to one basic concept:

### **PROSPERITY FOR THE CITIZENS OF GUILFORD COUNTY**

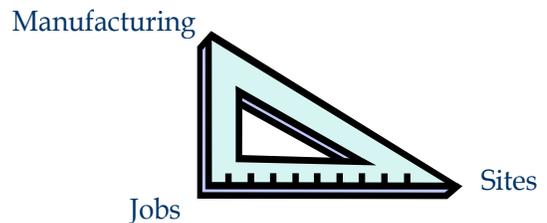
### **ISSUES, STRATEGIES, AND RECOMMENDATIONS**

There may be ample room to discuss – or even disagree – over the philosophy, strategies and tactics regarding the advancement of economic development. But there is no doubt that the primary purpose of economic development activity in Guilford County is to provide economic prosperity for its citizens. A prosperous community can support its families, enhance the opportunities for citizens to achieve home ownership status, and build a measure of wealth to weather bad economic times or to ensure sufficient funding

for retirement. How Guilford County gets there is the basis for this Economic Development Strategic Plan.

## Traditional Economic Development

The American economy has transitioned from an agrarian state to a manufacturing economy, has become more service-provision oriented and is in the midst of another transition. According to TIP Strategies, an economic development consulting firm from Austin, Texas, the old economic triangle model of jobs, sites and manufacturing is still being followed by most economic practitioners today. This plan presumes that most economic development practitioners focus on this concept for three reasons: it is what has worked in the past and is what they know; it does provide jobs (though in today's world typically low-paying); and it provides an easy measure to gauge a success (which is politically important). This model of economic development - whereby economic development organizations work to recruit relocations and expansions of manufacturing operations - is still alive, but is now beginning to wane.



In fact, since 1997 the number of factories in the United States is down to 336,000 - a 10% reduction in the last eight years. Guilford County has witnessed this very phenomenon, either in factory knock-downs or substantial reuse: Guilford Mills sites are now a knocked down and redeveloped retail site (W. Wendover Ave.) and an international market (W. Market St.); Cone Mills Revolution plant is a business incubator and developing office site; the Proximity plant has been knocked down and is the site of the Guilford County DSS building; factory sites in High Point, including the Highland Yarn Mill, Adams Millis Hosiery and Amos Hosiery sites, are now redeveloped furniture showrooms. There are many reasons for the loss of manufacturing in the U.S.: moving those functions to areas of cheaper labor is one. Much of the manufacturing that was done in Guilford County, principally furniture, textiles and apparel, has moved to Central America and Asia. Since 1990, Guilford County has lost 25,000 manufacturing jobs, 28% of its total manufacturing job base. For manufacturing, the news gets little better:

From the U.S. Bureau of Labor Statistics: "Employment Projections indicate that manufacturing employment will decrease 5.4 percent over the 2004-14 period. Total employment for all industry sectors is expected to increase 14.8 percent."

The bottom line is that basing an economic development strategy around new manufacturing plants in the U.S., and Guilford County in particular, is not likely to be a successful strategy. As manufacturing opportunities come available, Guilford County should certainly take advantage of them. But other areas should be emphasized more heavily.

The one situation that could dramatically change this scenario is the arrival of the FedEx hub in 2009. In each market where FedEx operates, there are companies who find it advantageous to do business in close proximity to the express carrier's operation. The future has not yet been written regarding the number of companies who will expand into the Piedmont Triad region - and Guilford County specifically - to benefit from being close to FedEx's hub. But if there were to be a significant number, then their arrivals could prolong Guilford County's preeminence as a worldwide manufacturing leader.

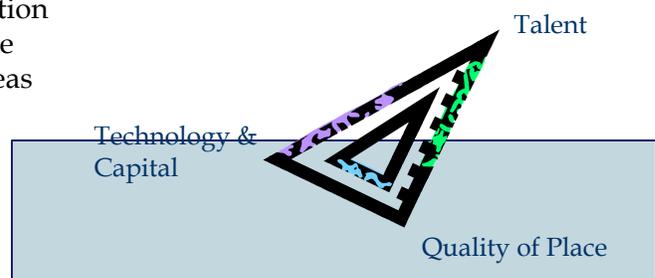
Another vestige of traditional economic development is that it has been conducted locally within the confines of each individual jurisdiction with little or no communication, cooperation or partnering with others in the region. Failure to work with others on recruitment, expansion or regional community development issues reflects poorly on local leaders, economic developers and planners, and is ultimately expensive. A better model is in order.

## New Economic Development

Regionalism is a concept that needs to be put into play whereby local cities and counties, in conjunction with the State of North Carolina and other participants in economic development (like PART and Duke Power), reach agreements to share costs and benefits of new investment and tax base creation. Companies function in regional economies and operate across political jurisdictions. For example, the recent expansion of Dell Computer, though located in Forsyth/Winston-Salem, draws workers from multiple counties. As local governments compete for future projects and private investment, there is not only benefit but a need for these projects to be considered within the context of regional collaboration. There is simply never going to be enough assets in the area for each jurisdiction to independently compete with each other over the same project. The Heart of the Triad project is an excellent opportunity to put this concept into practice.

Because the price of attracting large economic development projects has become increasingly more expensive, neither Guilford County - nor other local jurisdictions - can afford to compete for these projects independently. Rather, cooperation will be the new dynamic. Regionalism also plays well with the new macroeconomic model of economic development.

The new model is led by the triangle of **talent, technology and capital**, and **quality of place**. To give a quick explanation of the differences, the new model is based on education and brainpower and is highly impacted by the lifestyle amenities and quality of place, whereas the old model relied on cheap unskilled and semi-skilled labor. Even today, there are examples of crossover from one to the other in Guilford County's economic development work: recruiting the placement of the newly created Elon University Law School to Guilford County; recruiting the siting of the American Judicature Society's Institute of Forensic Science and Public Policy; the recruitment of Triquint's new research and



development operation and the recruitment of the headquarters of a large national professional services organization. All four represent brainpower. And education and brainpower is where the future of successful and prosperous local economies will continue to migrate.

### Education = Prosperity

In every list of American communities where income and education are evaluated, there is a virtual direct correlation between the well-educated communities and income levels.

Drawing their conclusions from U.S. Census Bureau data, American Community Survey states, "Education levels bode well for a city's economic success. More than half of America's 20 most educated cities also rank at the top of the list of the country's most prosperous cities..." Ned Hill, professor of economic development at Cleveland State University agreed, saying "The largest predictor of economic well-being in cities is the percent of college graduates." To do well, he said, cities must be attractive to educated people.

American Business Journals ranked the 171 largest American markets on their individual educational attainment, using a scoring system that gave increasingly more points for higher levels of education. The Greensboro/Winston-Salem/High Point market ranked 127<sup>th</sup>. Placing greater emphasis on raising all levels of education in Guilford County is important because a well-educated area, almost by default, is more prosperous.

Jon Roberts of TIP Strategies has studied the differential characteristics of prosperous areas versus those with a mediocre or declining economy. His research came to this conclusion:

**There is one, singular differentiating characteristic between successful and prosperous cities and those that aren't: The high number and high percentage of bright, educated young people. Period.**

So how does Guilford County get there? What are the tools and resources that need to be put into play to provide for a prosperous Guilford County? The talent; technology; capital; bright, educated young people; creative class; industry cluster assortment of instruments that will lead to a better future?

Perhaps an assessment of current community assets and liabilities is appropriate. A simple SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis is a good place to start.

### **STRENGTHS, WEAKNESSES, OPPORTUNITIES, THREATS**

## Strengths/Opportunities

Guilford County is fortunate in many ways with its moderate climate, parks systems that surpass the scope of all but a few in America, and a generous, hard-working populace. Those are wonderful assets to have.

From an economic development perspective, the evaluation of a community's strengths has boiled down to a study of clusters – those industries or business assets that can be further enhanced to provide a competitive edge, leading to job creation and more prosperity.

By their very definition, clusters imply not only a strength, but an opportunity to grow and develop that cluster. For the sake of this plan, clusters are considered in a combined strength/opportunity fashion.

## **Cluster Evaluation**

As a part of this Economic Development Strategic Plan, Dr. Andrew Brod of UNCG's Bryan School of Business performed one of the standard evaluative exercises on the economic activity of Guilford County. His statistical analysis methodology is regarded as being in the forefront of cluster analysis, and he did an excellent evaluation as a part of this plan. Using the most up-to-date data and most modern analytical tools (IMPLAN), he identified clusters that have grown in Guilford County relative to others in America in industries that are growing as well. The strength of IMPLAN and other trend analysis systems is that they take into account and will naturally promote areas where there is already strength – i.e. one of Guilford County's local industries is growing relative to the growth rate in that same industry compared with other regions and the nation in a growing and expanding industry. The goal is to try to determine which of those industries might be worth placing extra emphasis behind to develop its cluster potential locally. The principal benefit of having successful clusters is that the commonalities of the companies in the cluster group help them gain economies of scale and competitive advantages because of their linkages and proximity. A labor pool with similar skills, the ease of transfer of technology and best practices, and the likelihood of both suppliers and customers being located nearby help raise the productivity level of the cluster industry. Guilford County has a storied history of successful clusters in textiles, furniture and tobacco.

However, super-dependency on one or two clusters can be hazardous; at some point the cluster(s) can go through dramatic change and even into a downward business spiral. Nonetheless, the benefits of healthy associated-industry development should not be overlooked and should be promoted. What a statistical model cluster study may not take into account is an untapped, underdeveloped, unnoticed or possibly resurgent industry. If these assets are not currently being utilized to their fullest, thereby failing to show a leadership pattern in a leading industry, then standard economic development measuring and modeling software may ignore their potential contributions. This plan takes these other factors into account and they are included in this report.

Since 2000, there have been no less than six economic development studies conducted on Guilford County, each with its own cluster analysis. These studies have identified 24 clusters worth pursuing and advancing in Guilford County. There is some modest overlap among some of the clusters; in other cases some that were closely associated but not exact were accordingly not listed a second time.

It is very heartening to see that six studies, conducted within six years, found 24 clusters worthy of target cluster status. That speaks well to Guilford County's diversified local economy. Yet listing 24 specific different industries to build an economic development strategy around almost makes light of the whole concept of clusters. It is almost as if those who conducted the studies were trying to *induce* clusters – to will them into existence or to prominence despite a possible lack of supportive infrastructure. Though this plan certainly respects the fact that each of the 24 clusters has some merit and that there is growth opportunity in each, a strategy that has such a wide disparity of focus is doomed to failure. Of equal uncertainty is defining where clusters fit in the overall economic development strategy and what government can do to enhance their development.

Dr. Brod's study concurred, concluding: "Levels of the desirability measures were not incredibly high, reflecting the relative "flatness" of the Guilford economy, with few industries standing head and shoulders above the rest. That, along with the strong results for transportation and health care, is a striking result of this analysis. **In Guilford County, targeting the next generation of growth industries is a very difficult task.**"

The aforementioned SWOT analysis may give us the best clues to identify areas of emphasis that are the best fit. In particular, the plan focuses on strengths and opportunities for this challenge.

## A New Look at Clusters

Over the last century, billions of dollars from both the public and private sector have been invested in Guilford County into the community's infrastructure. Those infrastructure investments have been made in a variety of places, including the public schools, streets and highways, airport, colleges and universities, manufacturing plants, showrooms, and entertainment and convention facilities. Signature events and the development of one-of-a-kind museums are part of that infrastructure. Guilford County is fortunate in that in several cases the investments made have given Guilford County both a critical mass and a differentiating margin compared with peer communities. From

### Identified Industry Clusters

#### Primary Clusters

1. Transportation, Shipping, Logistics, and Aviation Maintenance
2. Printing and Publishing
3. Automotive Parts
4. Finance and Insurance
5. Chemicals and Plastics
6. Information Technology Software and Computer Services
7. Biotech and Pharmaceutical
8. Healthcare
9. Wholesale Trade
10. Motor Vehicle and Motor Vehicle Parts Manufacturing
11. Banking and Advertising
12. Hospitals, Labs, Specialized Medical Services
13. Communication Services and Software
14. Information Technology and Instruments
15. Advanced Manufacturing / Medical Instruments
16. Biomanufacturing
17. Design/ Arts
18. Construction
19. Professional Services

#### Secondary Clusters

20. Food Processing
21. Tourism
22. Entrepreneurship
23. Homeland Security and Defense
24. Education

a strategic planning perspective, it is this plan's contention that Guilford County should take every advantage of positive disparities in these differences.

At right, there is an itemized list of merely some of the infrastructure that has been identified as providing some of that differentiating margin – that leg up – that this plan believes Guilford County can capitalize on. Each of the members of that list belongs to a potential developable cluster – or, better referred to as areas of emphasis – that can provide jobs, critical services and economic prosperity to Guilford County. Of note is that in Dr. Brod's study, he stated that of the five clusters he identified through his evaluation that were worthy of development, only two of them held great job creation potential (transportation/distribution/ warehousing and health care). Those two are included here as well as two others that provide particular long-term promise.

Each of the assets listed above had, does or will provide a service or financial stimulus to Guilford County. Taken within the context of their intended purposes, each has (or will) serve(d) its purpose: Schools teach, hospitals serve the ill, etc. But when considered in the context of an economic cluster and associating it with the resources that can enhance its economic impact, each of these resources can become a part of a new economic engine.

Taking these assets into account, four developable areas of emphasis clearly emerge.

- **Transportation/Distribution/Logistics**
- **Healthcare/Health Related Services**
- **Higher Education/College and University Business Development**
- **Conventions/Hosting and Hospitality**

### Differentiating Infrastructure/ Assets in Guilford County

- ❖ Hospitality
  - Greensboro Coliseum and Special Events Center
  - Sheraton Four Seasons and Grandover
  - International Home Furnishings Market
  - International Civil Rights Museum
  - Carolina Classic of Greensboro PGA Tour Event
- ❖ Higher Education - Colleges and Universities
  - Bennett College
  - Greensboro College
  - Guilford College
  - High Point University
  - NC A&T University
  - UNCG
  - Elon University School of Law
  - GTCC
- ❖ Health Care - Hospital Campuses
  - High Point Regional
  - Moses Cone
    - Wesley Long
    - Women's Hospital
    - Behavioral Health
- ❖ Transportation
  - Interstate Highways
  - PTI
  - FedEx Hub
- ❖ Former Manufacturing/Distribution Sites
  - Cone Mills Plants
  - Sears Warehouse

## The Areas of Emphasis

### Transportation/Distribution/Logistics

Perhaps the largest public investment in Guilford County has been made in its transportation infrastructure. Guilford County is very fortunate to stand at the crossroads of two existing interstate highways (I-85 and I-40), two more to be built soon (I-73 and I-74), and two more interstate highways within 100 miles (I-77 and I-95). The

Piedmont Triad International Airport is well-run and has available capacity. The pending opening of the FedEx regional hub in 2009 will make a huge impact on the distribution capacity and level of business in Guilford County, the Piedmont Triad region, and the State of North Carolina. With all this infrastructure in place, it only makes sense for Guilford County to emphasize its marked competitive advantages in promoting the ability to move goods on the east coast of the U.S. Guilford County is within 500 miles of 50% of the U.S. population and with the benefit of the aforementioned assets can truly be a major transportation/distribution/logistical hub.

Several large trucking companies – both publicly and privately held – are successfully operating in Guilford County. Logistics, as a trailing associated industry, is growing on the heels of the strength of the trucking and transport industries. The new FedEx ground transportation terminal is built and operating. UPS has one of its larger east coast operations in Greensboro. Issues associated with particulate emission and ozone air quality measurement non-attainment have been addressed, lessening the likelihood of future EPA action. Advantageous location, enormous present and pending infrastructure investment, and excellent ground and air transportation operations combine to give Guilford County an enviable position as a world-class transportation hub. With superior growth potential, Guilford County is poised to become one of the largest distribution centers in the United States.

## Health Care/Health Related Services

According to the U.S. Department of Labor, seven in ten jobs created in America over the next ten years will be in health care and related services. Though currently in fine shape locally, nursing shortages are rampant in other parts of the country. The demand for nursing staff will continue to grow. Guilford County's two hospital systems (represented at five main sites) – Moses Cone Health System (Moses Cone Memorial Hospital, Wesley Long Community Hospital, Women's Hospital of Greensboro and The Behavioral Health Center) and High Point Regional Health System (High Point Regional Hospital) – are the 2<sup>nd</sup> and 9<sup>th</sup> largest employers in Guilford County. Their operations are substantially recession resistant and are likely to grow over time.

Health care has now passed manufacturing as the third largest sector of the U.S. economy and by a wide margin is certainly the fastest growing sector of the economy. There are huge job opportunities through the provision of services to individuals through the hospitals and private health care organizations. Nurses, hospital technicians, records technicians, home service providers, and health care service personnel are all projected to have substantial job growth over the next decade and beyond. Simply to meet the demand of Guilford County's local market in each of these areas, there needs to be a streamlined student identification and education system to reach local high school students -especially those who are considered at risk for premature exit from high school. Health care services can also be a viable area for retraining of displaced workers from local manufacturing industries. The Guilford County schools currently have a Healthcare Middle College curriculum; GTCC offers health care coursework; UNCG and NC A&T have nursing schools. Guilford County has ample educational opportunities to train its citizens in health care provision; simply assuring that the available resources are matching up with the needs in providing

training and employment opportunities is the biggest challenge. The health care area of emphasis may prove to be the biggest job creator among the four areas of emphasis.

The business of health care is a huge economic generator for Guilford County. Beyond the employment numbers are the businesses that support or are associated with health care. United Healthcare and Spectrum Laboratories (a company originated within Moses Cone Health System) are just two examples of the impact that the corollary businesses can have. Because of the tremendous growth in health related services nationally, this plan must recognize health care and related services as an area of emphasis.

## Higher Education/College and University Business Development

Guilford County is extremely fortunate to have six colleges and universities as well as an outstanding technical community college. Another, Elon University, has just opened its new law school in downtown Greensboro. In education-rich North Carolina, there isn't another county that can make that claim; perhaps not one in America. A cluster? An area of emphasis? A differentiating asset? Absolutely.

Guilford County's institutions of higher education have over 30,000 students – plus the 10,000 enrollment of GTCC. Six full-scale campuses and over \$1 billion in campus building investment is huge. A recent news article profiled the \$100 million in construction projects that are currently being built on local campuses. That is certainly a critical mass of students, associated faculty and building investment that makes a compelling case for the *business* of the colleges and universities to be an area of emphasis.

### Guilford County Colleges and Universities

1. Bennett College
2. Greensboro College
3. Guilford College
4. High Point University
5. North Carolina A&T State University
6. UNC Greensboro
7. Elon University School of Law
8. Guilford Technical Community College

In addition, colleges and universities have at least as good a finger on the pulse of the new technologies and demographic and structural changes that are developing in the world as the rest of the marketplace. Because they have relationships – through faculty and staff – with colleagues nationwide in nearly every academic curriculum, Guilford County's universities are on the cutting edge of advances and breakthroughs, trends and issues. There is an increased emphasis on Technology Transfer – the point at which the discoveries, patents and business applications of research and work done on campus is commercialized. UNCG and NC A & T now have Technology Transfer officers and are putting a much greater emphasis on patents and performing research that may have commercial applications.

**On August 4, 2006, Dr. Andrew Brod of UNCG's Bryan School of Business released a study that showed the impact of UNCG to the local economy to be \$1.22 billion dollars annually. According to the News & Record article, "That puts it in league with the Moses Cone Health System, the Piedmont Triad International Airport and the International Home Furnishings Market in High Point as a driver of the local economy." UNCG is the largest of seven colleges and universities**

**operating in Guilford County. Dr. Brod's study helps validate the conclusions stated earlier, which were written well in advance of the release of his study.**

Dr. Brod's conclusion also validates this plan's assertion that Healthcare/Health Related Services (Moses Cone Health System), Transportation/Distribution/Logistics (Piedmont Triad International Airport), Conventions/Hosting and Hospitality (International Home Furnishings Market) and Higher Education/College and University Business Development (UNCG) are the areas of emphasis that drive Guilford County's economy.

## **Conventions/Hosting and Hospitality**

Of all the areas of emphasis that Guilford County could examine to provide economic activity, provide jobs and offer one way to provide additional tax revenue without unduly affecting residents, Conventions/Hosting and Hospitality may be the sleeper of the group. It is certainly the most ignored and even dismissed as a potential economic generator. Yet, when local elected leaders and business officials stand and exhort the community to support local initiatives, they invariably – almost exclusively – mention key components of this area of emphasis. It happened again at a recent well-attended Greensboro Area Chamber of Commerce "State of the Community" breakfast. Perhaps beyond any other effort, both the Mayor and the Chair of the Greensboro Partnership spoke fervently of the need to support the completion of the International Civil Rights Museum, to make the ACC Hall of Champions a reality, to support the Carolina Classic of Greensboro and to work hard to make the International Home Furnishings Market a continued success. These are the front doors to Guilford County; they are the best means of presenting Guilford County to the world.

Guilford County is uniquely fortunate to have some of the finest public and private investments in convention and hospitality facilities on the east coast of the United States. The International Home Furnishings Market has over 12,000,000 square feet of showroom space and has the largest conventions related to home furnishings in America in the spring and fall of each year. The Greensboro Coliseum complex seats over 23,000 spectators for fans in the arena, has a multitude of meeting rooms and four large exhibition halls, making it one of the superior sites for trade and consumer shows in the southeast. For the first time anywhere in the U.S., the facility recently hosted three successive NCAA basketball events – the Women's ACC Tournament, the Men's ACC Tournament and the First Round of the NCAA Men's Championships. The Koury Convention Center, Sheraton Four Seasons and Grandover as a group provide superior convention hosting ability.

Combined with an outstanding array of restaurants, hotels and meeting facilities, Guilford County, as stated before, has immense convention and hospitality hosting capacity. These assets provide the basis for an area of emphasis that has been overlooked or underappreciated in every cluster study performed regarding Guilford County. The job creation potential – specifically, good jobs – as well as sales and hotel/motel taxes generated from the convention and hospitality industries make this area a prime group on which to place economic development emphasis.

There is a dual importance to those benefits as well. Providing quality jobs to those who are facing chronic unemployment provides some measure to reduce the costs of services that the County ultimately provides to its citizens who are unemployed or make less than a living wage. The Department of Social Services, the Department of Public Health, perhaps Mental Health and Sheriff's Department, and certainly the Guilford County Schools are adversely impacted by high unemployment or by those who cannot earn enough to support themselves or their families.

The other positive benefit of a thriving convention/hospitality industry is the generation of sales and hotel/motel taxes. The Fiscal Impact Analysis study performed as a part of the Guilford County Framework for the Future showed a large financial deficit in years to come, due to large capital expenditures, specifically a new jail and schools. If those large expenditures were funded through a series of significant property tax increases, the impact on citizens on fixed incomes could certainly become overly burdensome. A strong convention/hospitality industry brings in revenues from visitors to restaurants and motels in Guilford County, providing a boost to sales and hotel/motel taxes, potentially alleviating some of the pressure on rising property tax rates. Because of the current strength of the hospitality industry and Guilford County's location on major interstate highways, as much as 45% of all sales tax collected in Guilford County comes from non-County residents. Further development of Guilford County's convention/hosting/hospitality industries – the primary generators of sales tax revenue – is a compelling quest to undertake.

The key element in making Conventions/Hosting and Hospitality a truly viable area of emphasis is an absolute focus on **world-class customer service training**. Without that focus – designed to create and elevate jobs in the hospitality industry to a new level of professionalism and earnings capacity (like one might witness at resort areas or large cities) – this area of emphasis does little more than create low-paying service jobs.

But with this focus, a much more positive outcome is likely to unfold. For example, restaurants rarely fail due to bad food. It is generally because of chronic poor service. Creating a supply of qualified service professionals to the local restaurant industry may help build a larger core of outstanding restaurants – again, enlarging the industry and making Guilford County more of a hospitality/convention destination point. Raising the level of standard of service through training is critical. Starting that process by allowing high school students to choose a career path opportunity in this growing industry is good for the individual and good for the industry.

Providing the trained workforce to capitalize on this infrastructure advantage and providing access to the opportunities to this area of emphasis is extremely important. Each year in Guilford County, like most of America, thousands of high school students drop out of school. In the new economy that has transitioned from manufacturing to service and again to a knowledge economy, their collective decisions to end their education without a high school diploma leaves these individuals woefully unprepared to find a job that will provide sustainable income. Too many of these young adults suffer from chronic unemployment and at best, dead end jobs.

Meetings have already been held that included the Guilford County Schools, the International Home Furnishings Market Authority and Guilford County Community and Economic Development to initiate this process.

The planning process used for taking the concept of the Convention/Hosting and Hospitality area of emphasis from paper to practical application is being used for other industries and career paths. A special academy for health care is in operation. Suggested academies in construction and public service have been discussed as well. The net result is that students seeking relevance to their education and seeking a career path could enter a Guilford County School Middle College Academy (or other parallel arrangement) and get education and training that would both fill an industry need and keep the student in school furthering his or her education. This model would truly be a working example of community and economic development “connecting the dots.”

**On January 26, 2006 the Guilford County School Board approved the plan for a Hospitality Early College Academy at High Point Central High School. The discussion that led to that decision was based on a document authored by Community and Economic Development and wholeheartedly supported by the International Home Furnishings Market in High Point. (Due to issues related to Judge Manning’s rulings regarding student test score improvement at High Point Central, the Tourism/Hospitality Early College will be implemented at some point after the Culinary and Public Service Early Colleges have been established.)**

**On March 16, 2006, the Board of Commissioners approved a purchase plan for the former Oakwood Homes headquarters on S. Holden Rd. in order to develop a middle college academy focusing on health care, construction and public service instruction.**

### Areas of Emphasis Summary

The selection of these four areas of emphasis was not made in random fashion. All four are currently very large local employers that will continue to grow. Another sign of their future prominence is evidenced by the development of new curricula at Guilford County’s universities. UNCG (education area of emphasis) has created an undergraduate curriculum in hospitality and tourism. The Bryan School of Business at UNCG also announced two new advanced programs that relate to the other two different areas of emphasis. One, in conjunction with NC A& T State University, is in the Information Systems and Operations Management Department that provides education in supply chain management and logistics. The other is a graduate program that combines a master’s degree in gerontology (the study of aging) with a traditional MBA. UNCG also formed a partnership with Moses Cone Health System and Duke University to create the Guilford Genomic Medicine Initiative, whose goal is to introduce genomic medicine services into primary care practices in Guilford County.

Important to note is that while these four areas of emphasis are likely to be the greatest job generators in Guilford County for the foreseeable future, the direct role of local government to impact the growth of these areas may be limited. Traditional economic development practices such as industry recruitment are perhaps outside the scope of the County’s relationship to these clusters. Recruiting a trucking company or a motel chain

to Guilford County only brings competition to the county's existing businesses and may serve little benefit to cluster development. Hospitals and colleges are not suitable for traditional economic development activity (yet both are adapting well to opportunities). Each of these four areas will develop on their own terms. They already have a competitive advantage.

Of greater assistance by local government to these areas of emphasis may be non-recruitment/non-monetary assistance. Supporting the private sector through efforts to gain synergies through business relationships would help (school/industry relationships; SBIR/STTR promotion). Remove obstacles to growth. Work to mitigate problem issues (air quality). Support legislation that makes each more competitive. These actions may be the best measure of support for these areas of emphasis.

### Other Local Strengths

Other strengths of the local economy bear watching. Opportunities outside of the four primary areas of emphasis should not be ignored and are worthy of recognition. Several in particular are listed below.

### **Manufacturing/Advanced Manufacturing**

Manufacturing, despite recent job losses, is still the second largest industry sector in Guilford County. From a competitive situation, the difficulty for manufacturing is that the wage and benefit rate that local companies must pay their labor force to operate the business is many times an exponential multiple of what manufacturers in other countries pay. Companies that are able to innovate and automate their production – becoming more of a technology company that makes products rather than a maker of goods who tries to compete on a price basis – have the best chance to survive and thrive.

This evolution has led to the industry development called advanced manufacturing. Advanced manufacturing may be able to take advantage of any biotech, nanotech, general technological advances or other new product evolutions because of the strong work ethic of the citizens of Guilford County and the successful history of manufacturing in this area. However, there are clouds on the horizon outside of the readily apparent textile, tobacco and furniture job losses. In an admitted overstatement, Jon Roberts of the TIP group in Austin, Texas offered the biggest caveat in all of manufacturing: "In five to ten years, all manufacturing in the U.S. will be advanced manufacturing – or it won't exist at all." Other authors are even less cheery. One has cited the American South as the "hospice of U.S. manufacturing."

Knowing full well that these are overstatements, the thoughts do ring alarms for this important sector of the local economy. This historically important area of Guilford County's economy – where there is a huge human capital resource – is mattering less and less. It is sad to note that perhaps the best case for the future of American manufacturing just might be the threat of foreign nationalization of American assets or the threat of terrorism against U.S. assets abroad that lure manufacturing back to the United States.

Four areas of manufacturing have a particular advantage and may withstand foreign production pressure better than others:

- Niche markets – those small, one-of-a-kind products that meet individualized demand.
- Just-in-time production – product need that is so time sensitive that it needs to be made just before delivery and moved quickly.
- Very heavy/hard to ship – the transportation costs of some products preclude it from being successfully manufactured elsewhere and shipped.
- Government restricted – many drug and military items must be made in the U.S.

As stated earlier, the arrival of the FedEx hub in 2009 may supercede any of the negative national issues surrounding the health of manufacturing and reestablish Guilford County as a preeminent national manufacturing center.

## Entrepreneurship/Creative Class

There are many highly respected lines of thought in today's pursuit of economic development success. Most observers of today's topical ED themes are aware of populist theories and practices regarding cluster analysis, the importance of the entrepreneur to the success of the economy, and Richard Florida's "creative class." None of the outcomes they suggest are wrong for Guilford County. To use the examples above, having successful clusters in industries that encompass an entrepreneurial mindset using creative methodology is outstanding. That would be the best of all worlds. However, none of the concepts for economic development advancement provides the singular "silver bullet" to solve the dilemmas of tax base creation, unemployment and low wage rates. Nonetheless, the theorists uniformly admonish local business and government to take an activist role to cure local economic development shortcomings. Doing "something" rather than sitting idly by is certainly more acceptable. Too often, in those collective aggressive attempts to do "something" – to have more entrepreneurs, more creative class members or successful industry clusters – the natural response is to try to "induce" them through sheer willpower and determination. But pushing the rope of artificially creating entrepreneurship, a creative class and cluster development is not working. The Global TransPark near Kinston, NC is a glaring example of doing "something," of encouraging the development of a cluster, with little thought to the ultimate outcome. As evidenced by that project, over-aggressive efforts to do "something" may lead to bad mistakes and can be very expensive.

Guilford County's entrepreneurship goal:

**Cultivate an environment that makes entrepreneurial efforts more successful rather than try to "induce" more entrepreneurs.**

Perhaps by providing the base needs and wants for each sector to succeed, i.e. creating or providing an environment where each of these (and so many other) ideas thrive, the solution may be found.

Unfortunately, some of the lessons of the past have been forgotten and some are perhaps mistakenly trying to reinvent the wheel through duplicative services. The McKinsey and Company report commissioned by Action Greensboro and released in September, 2001, universally chastised Greensboro for its expensive duplication and overlap of economic development and provision of services. Those providing economic development services must be careful not to spend limited resources unwisely by duplicating the efforts of others who are successfully operating in any of the economic development areas, entrepreneurship included.

## **Financial Services**

This plan would be incomplete if it did not recognize the huge number of jobs in the financial services field. Jefferson Pilot (now Lincoln National), Bank of America, American Express and CitiCard all have large processing and call center operations in Guilford County. These jobs almost universally provide good wages and working conditions. By all appearances, Guilford County is currently providing an amply qualified workforce to allow these large operations to thrive.

## **Special Industry Situations**

### **Eco-Business**

Greentech and an emphasis on sustainable growth strategies are getting worldwide attention. The businesses of “clean technology,” recycling and reuse, and renewable fuels are drawing some of the wealthiest and most visionary business people in America to heavily invest in their futures. Bill Gates, John Doerr (Google and Amazon), and Steve Case (AOL founder) have invested hundreds of millions of dollars into green technology, Doerr stating that “Greentech could be the largest economic opportunity of the 21<sup>st</sup> century.”

Guilford County can participate by attracting and promoting companies who are in those businesses to expand their operations locally. Many cities and counties across America are seeing the economic development benefits of the business of recycling. The reduction in waste to landfills is an obvious benefit; dealing with future solid waste costs may be one of the top five most expensive public issues in years to come. Promoting a related business while reducing that cost makes perfect sense. The proper sorting and collection of marketable waste and the logistic-savvy business of reprocessing and locating markets for these goods has enormous economic development potential as a private enterprise. In addition, recyclers are afforded a favorable tax dispensation from the state of North Carolina that allows little or no property taxes to be paid.

Guilford County’s unique job creation mindset puts it into an advantageous competitive position compared with other locations. With that in mind, Guilford County should place consideration of assistance to attract recyclers and “greentech” businesses within its Economic Development Policy.

## Alternative Fuels

Guilford County Community and Economic Development began a process in May 2005 to look into the opportunities in alternative fuels. There were several critical factors that played into that decision to provide the potential benefits for the County. Among them were that North Carolina and Guilford County rely almost exclusively on imported oil. As the alternative fuels are derived from grain, they are renewable resources that can be grown here. There are no biodiesel or ethanol retailers in the Piedmont Triad – or in Guilford County, specifically. One reason wholesalers and retailers decline to carry the fuels is that they had been very expensive. By locating distribution sites in Guilford County, both wholesale and retail, the availability and distribution cost reduction benefits could be realized.

Three other factors weighed into this decision: the desire for the County to develop its transportation/distribution/logistics cluster; the recent EPA non-attainment designation for particulate emissions and the air quality implications; and to help the local farm community by promoting crops that would fulfill this initiative in the wake of the tobacco settlement. This initiative truly was another case of “connecting the dots.”

Like the eco-business examples above, assistance to the alternative energy component of green technology should likewise be included in Guilford County’s Economic Development Policy.

## Design

Design services, such as advanced manufacturing engineering, can provide some of the key value added ingredients in product development and profitability. Jon Roberts of TIP made a presentation on the importance of the design industry. He cited the effects on two industries, automotive manufacturing and athletic shoes. Regarding the automakers, he pointed out that the design and engineering that it took to make the computerized equipment in a car – the total package one could hold in one hand – is worth as much, if not more, than the value of all the sheet metal, rubber, plastic and other materials that go into the car. The design and engineering and the products they generate bring more value to the car than the remaining parts. The question was raised as to whether this process actually had more value than the auto manufacturing plant and process itself.

Perhaps this is the best place to lament the demise of manufacturing, especially local manufacturing. The first and highest profile reactions to losing thousands of manufacturing jobs is the loss of the jobs themselves. Thousands of families lost head of household quality jobs and earning capacity as mill after mill closed. Those job losses came in waves in a relatively short time span. Nothing written here is intended to lessen the heartache or the suffering that many residents endured during this period.

Had those industries gone through a more subtle transition over a longer period of time, the impact on the local community may have not been so acute. Yet, with all the pain

from direct job losses from factory closure, Mr. Roberts expressed a view that may reflect a more long-term impact. From his analysis he concludes that: "Manufacturing matters most because of the design and marketing and distribution attached to it."

The value of design and marketing is exhibited in the sale of athletic shoes. Shoes that are produced in low-cost manufacturing environments and cost from \$2 to 5 a pair to make are customarily sold at prices from \$80 to \$150 per pair. Companies such as Nike provide design and marketing to the athletic shoe business that creates demand for shoes at these prices. That value-added component of business is worthy of attention and attraction to Guilford County.

"Manufacturing matters most because of the design and marketing and distribution attached to it."

-- Jon Roberts, *TIP Strategies*

This is not an area to ignore. A recent study for Forsyth County gave a clear indication that design services can provide important economic development benefits for the area. In fact, two state grants have been authorized for Forsyth County to help develop their design industry. University (principally N.C. A&T University) assets should be utilized and private sector design businesses need to be attracted and retained in this area.

## Weaknesses/Threats

### Education and the Dilemmas

Thomas Friedman, in his best selling book "The World is Flat," explains how businesses worldwide have taken advantage of outsourcing and off-shoring to remain competitive and to boost profits. He explains, too, that many current jobs in America have become worldwide jobs - not "American" jobs, especially in manufacturing. In many cases, finding cheaper labor markets is a matter of profitability; in others it is a matter of survival. He speaks of the desirability to be an employment "untouchable," someone whose job cannot be outsourced

because what they do is so valuable or difficult to reproduce and therefore, difficult to outsource. He referenced four broad categories of workers among the "untouchables," the first of which are workers who are "special," who have a global market for their goods and services and can command global-size pay packages. He references people like Michael

"Being adaptable in a flat world, knowing how to "learn how to learn," will be one the most important assets any worker can have, because job churn will come faster, because innovation will happen faster."

-- Thomas Friedman

Jordan, Bill Gates and Barbra Streisand as individuals that fit this category. The second category is comprised of those who are "specialized" - that is, knowledge workers from accountants to software engineers to brain surgeons, whose services are always in high demand. The third and fourth categories relate more to this plan. Those who are

“anchored,” who provide local necessary services: electricians, doctors, plumbers, chefs and barbers, all provide local service that can't be duplicated because of proximity to the markets. Their salaries and wages will be impacted by local supply, demand and wage rates. These jobs tend to be more service oriented and grow primarily on the strength of the local economy. The fourth category relates to the absolute importance of being and becoming adaptable. Even if “anchored,” being (an) “adaptable” is important in this flattening world.

As a community, Guilford County is addressing the adaptability issue for those workers – many who were in manufacturing – who have lost their jobs and must be retrained. It may be too early to tell if the local workforce has sufficient adaptability to meet the immediate skill requirements of the next job (and each succeeding job) due to a lack of basic educational skills. A cornerstone of any economic development strategic plan must be to start earlier in the education process – with children in elementary school – to make “learning how to learn” (and the accompanying adaptability) an essential part of the education process.

It is obvious that educating Guilford County's young people is, both short and long-term, a critical component of Guilford County's prosperity. A high-school dropout or high school-only level of education will not be enough education for those individuals to achieve beyond a subsistent level of lifetime earnings. Homeownership and higher education for their children are likely to be out of reach. Even now, 30% of all those who attend GTCC for retraining to land new jobs must go through remedial education simply to acquire the minimum reading, writing and arithmetic skills to enter the retraining program. An alternate restatement of the situation was presented by the Herman Group in the recent Workforce Preparedness Study they performed on behalf of the City of High Point. Their conclusion was that 54% of the adult population of High Point is functionally illiterate. This situation does not lead to a more prosperous Guilford County.

One of the dilemmas in the job creation area of economic development is job quality and average wage. Educational attainment is a critical factor in wage determination. 27% of Guilford County's high school student population fails to graduate. (And Guilford County is ahead of nearly all of North Carolina in graduation rate. The state non-completion rate for entering 9<sup>th</sup> graders is 42%.) Statewide, 58% of high school students graduate from high school. 38% continue to college; 28% continue their education into their sophomore year; 18% graduate with a four year degree. Likewise, 18% of Guilford County's high school students finish with a four year college degree within six years of graduation.

Of note: Guilford County has more of its students enter college, yet has the highest college dropout rate of any metropolitan area in North Carolina. Due to pressures of the job market, many who did not finish high school go back and get their GED; 15% of Guilford County's adult population has neither a diploma nor a GED.

In a broad sense there are two strata of young people for whom economic development tries to provide job availability benefit. One is for those who are college degreed or technically trained and can operate in a high-tech environment. These jobs typically provide excellent wages and provide more connection to entrepreneurial activity. The

other strata is the unskilled or semi-skilled labor strata, characterized by little or no education after high school, little or no specialized training and a low wage rate that provides subsistence or hand-to-mouth earning power. A goal of Guilford County is to provide opportunities for those who can utilize their education to advance and create wealth. Another goal is to provide jobs for those who cannot get a higher wage job based on educational achievement so that even at low wages, they are not forced to ask for public assistance to simply subsist. The companies that are expanding rarely have a substantial mix of the two strata in their employment structure. So to summarize the dilemma, to which of the two do you dedicate Guilford County's resources?

The dilemma hits home when discussing a corporate expansion for a company to provide 80 jobs when only three of them will pay over \$24,000/year (real example). At the same time the County provided a measure of emergency assistance to families through the Department of Social Services to those households where the income threshold for being included was an earnings ceiling of \$30,000/year. Creating jobs – and worse, subsidizing job creation – for jobs that fall within the range where public assistance is allowed seems counterproductive.

The second dilemma is also related to allocation of resources. Guilford County has a two-pronged agenda of: 1) educating its young people to have the basic skills and create the ability to learn in the future, and 2) providing the educational patchwork necessary to bring the skills up to a competitive level for those who did not get a high enough level of education in the first place. Both are extremely important. Can both be funded at the necessary levels?

The education dilemma discussed above is an extremely important issue for Guilford County to address. The Guilford County School system and the support from the community are strengths. Educating local citizens, both young and old, represents both an opportunity and conversely a huge challenge. Guilford County's collective drop-out-of-school/"get a job at the mill" culture is still alive and represents a threat to the County's future prosperity.

**So why is the public education system in Guilford County listed as a weakness/threat? It has nothing to do with the delivery of services by the Guilford County Schools. It is all about funding education. Every jurisdiction in America is struggling with this. Guilford County is no different.**

## School Funding Dilemma

- An educated population and an outstanding Guilford County School system may be Guilford County's greatest economic development asset.
- School funding represents the largest part of the Guilford County budget.
- School operating costs are rising rapidly – largely due to a rising enrollment base, but also due to teacher and administration pay and benefits.
- The combination of lack of school construction and capital maintenance for years plus a five-year housing boom has created a severe classroom shortage and deferred maintenance situation.
- Two school bonds totaling \$500 million are just addressing past classroom shortfalls and infrastructure/technology upgrades.

- At student enrollment growth numbers of 1,000-1,700/year (and rising) there is an additional \$30-50 million/year in capital funding needs and requests of \$10-20 million/year in increased operating budget.
- Current projections are a \$871 million school construction shortfall.
- Though much of the Guilford County Schools budget comes from the State of North Carolina, virtually all of the capital expenses and increased operating expenses fall on Guilford County.
- Guilford County's principal current sources of non-governmental revenue are property taxes and sales taxes.
- Both are fairly steady sources. Post 9/11 periods and state withholding aside, property tax growth has been 4% per year and sales tax growth has been 4% per year as well.
- Business property tax revenues have not grown over the last five years, as computers have replaced looms and expensive manufacturing equipment as the principal tool for business.
- As stated earlier, manufacturing and large plant development are on the wane in the United States and Guilford County.
- Residential property taxes have grown, but not nearly enough to even cover the increased operating expense - much less the capital costs of building new schools.
- The importance of funding schools as the primary education method of increasing Guilford County's number of educated workers (and improving its economic development prospects) has not diminished.
- Property tax increases to cover the capital and operational cost increases will put an astounding burden on local property owners, perhaps creating a 50-80% increase in the property tax rate over the next 7-10 years if most projects are built like today's projects and the traditional property tax is assessed.

**One of two things must happen: As Guilford County continues to focus on providing quality education, either it must find an alternative way of transmitting the educational message to its schoolchildren that does not include expensive new structures, or it must adopt a dramatically new way of sourcing the revenue to provide education in the way it always has: through site-built schools.**

**Put differently, the Guilford County property tax revenues are not going to rise high enough to provide the money to build the type of schools the County is accustomed to. Either the County changes from expensive, traditional school buildings, considers alternative classroom arrangements (like multi-track schools) or it must markedly change its tax structure, perhaps adopting a completely new type of funding mechanism to build schools. Sales taxes, impact fees, real estate transfer fees, user fees, taxation of services, specialty taxes or some combination of taxes and fees might warrant consideration. The alternative is business as usual which will likely lead to a 50-80% increase in the Guilford County property tax rate over the next 7-10 years.**

## TRENDS AND ISSUES

## **Macroeconomic Effects on the Local Economy**

Despite all the local efforts to promote prosperity among Guilford County citizens, there are national, international and macroeconomic factors that can have an overriding impact on its success. As prosperity for the citizens of Guilford County is the ultimate goal of the implementation of this plan, the effect of macroeconomic issues needs to be considered. None of them may be completely mitigated, but failure to acknowledge their existence and impact can circumvent the process and undermine the progress made otherwise.

Several are highlighted below.

### **National Trends Affecting Local Prosperity**

#### **Higher Fuel Costs**

Higher gasoline and diesel fuels costs – clearly out of the control of local government – can have a hugely adverse impact on Guilford County’s local economy. Among the areas most affected:

- Increased costs for employees to get to work – becomes a compensation/company cost issue.
- Could adversely affect the growing Transportation/Distribution/Logistics cluster.
- Higher fuel costs can significantly raise the cost of County government. Guilford County Schools, Law Enforcement and Emergency Services are heavy users of fuel.

#### **Homeownership Woes**

Homeownership has traditionally been the most secure and reliable method of building assets for American families – especially middle class America, who is less likely to have built their financial base on the equities markets.

There are several related factors that are contributing to a potentially dangerous situation regarding homeownership.

- 1) Lack of home value appreciation

Guilford County has one of the lowest home appreciation rates in the U.S. That fact is supported by a variety of studies, including one released by the Greater Greensboro Builders Association. Among the statistics:

- The 2000 U.S. Census stated that there were 6,000 unoccupied single-family residences in Guilford County. The rate of homebuilding has far exceeded the increase in population over the last five years based on

permits/population growth. This possible overbuilding has perhaps led to an oversupply of homes, pushing down home prices/values.

- “Are You Missing the Real Estate Boom?” states that Greensboro is fourth from the bottom in the U.S. in home appreciation, with a negative appreciation rate.
- Another report puts Greensboro 11th from the bottom out of 134 markets in home value appreciation.
- The Greater Greensboro Realtors Association stated that there was no real estate bubble in Greensboro and cited easy affordability of homes in this market – partially because of a 2% annual appreciation in home values.
- The U.S. Census confirmed the 2% appreciation.

## 2) Home lending practices

Sub-prime and predatory lending practices have become too prevalent.

- No interest loans and similar lending practices are allowing previously unqualified buyers to achieve homeownership.
- However, the loans typically have a growing (or balloon) payment as the loan period progresses. Mortgage interest rates have risen 2% (40% increase) in the last two years.

In 2006, about \$300 billion in hybrid ARMs will readjust for the first time. That number will jump to about \$1 trillion in 2007, according to the Mortgage Bankers Association. Monthly payments will leap too, many beyond what homeowners can afford.

- If homes are not appreciating, there may be an increased default rate as interest rates and payments rise but home values have not.

“There is a direct correlation between foreclosure sales and market activity,” said Dr. James Gaines, a research economist at The Real Estate Center at Texas A&M University. “If the rate of appreciation is not there, then there is an increase in foreclosure sales.”

- Default rate on homes in the Guilford County market has doubled in the last year.

## 3) Equity cash-ins/spending practices

If equity has been built through homeownership, too many other borrowing practices (including home equity loans) are endangering not only the equity build-up, but home ownership as well.

- In 2005, it is estimated that American consumers withdrew \$887 billion from residential real estate. Over the last six years, Americans have accumulated nearly \$400 billion of home equity debt and spent or invested it in consumer goods, stock market or real estate investment and speculation.

- This has been done in addition to the \$782 billion in credit card or revolving debt.
- The American rate of savings has now gone into negative territory at (-).4% annually.
- U.S. consumers spent approximately \$39 billion more than they earned in 2005. The last time spending exceeded earnings was in 1933 – during the Great Depression.
- There is no reason to believe that Guilford County residents have acted any differently than the national trend.
- If there is a sustained downward trend in the economy, leading to only modest unemployment, there are little household financial reserves to preserve homeownership due to heavy borrowing and spending. The ripple effect can have devastating repercussions to the local economy.

## **Business Models**

### **Entrepreneurship**

Many experts agree that the bulk of new jobs created in the next 20 years will come from entrepreneurial activity. Entrepreneurial companies are distinguished from small businesses alone because entrepreneurs have a technological or other differentiating advantage that can give them a competitive leg up over potential competition, possibly leading to significant job creation and investment. Many attempts to improve Guilford County's entrepreneurial standing are represented by the aforementioned "inducement" of entrepreneurship. A more meaningful approach is incorporated in the work of the Piedmont Triad Entrepreneurial Network (PTEN). Rather than push the potentially willing to drink at the proverbial trough of entrepreneurship, PTEN makes available resources, business plan competitions and a support mechanism to foster entrepreneurship. Put differently, PTEN helps create an atmosphere in which entrepreneurship can thrive. Arguably, that's all that any of us can effectively do.

### **Virtual Companies/Telecommuting**

More and more businesses are operating almost exclusively on an electronic basis – creating a situation where the company headquarters may be little more than a studio apartment linked to other company personnel and subcontractors by computers. As companies in the information technology, design and communications industries more frequently operate in such a manner, it is important to recognize the economic contributions these companies can make to the local economy. Many times these "virtual" companies provide very lucrative livelihoods and can be an integral part of Guilford County's "creative class." They can represent the best of entrepreneurship.

With that said, Guilford County's Economic Development Policy should provide for the possibility of support for this type of business model.

## Demographic Changes

There are two distinct shifts in demographics in Guilford County, both of which are common throughout the U.S.: the recent growth in the Hispanic population and the aging of the population.

The Hispanic immigration has made its biggest impact on the unskilled and semi-skilled labor markets in construction, restaurant and motel labor, and day labor positions. Though there are financial implications of the growth in this population, the immediate development potential is unknown. However, the retiree market has easily identifiable characteristics that lend themselves to strategic planning.

## Retiree Market

Guilford County has the climate, health care access, cultural amenities and senior support services that make it an ideal location for retirees. Relocating retirees many times bring both skill sets and financial assets that enhance their new community. Because of the support they so often provide, along with low costs to the County (ex.: no education costs), efforts to enhance local ability to attract retirees to Guilford County should be recognized within the context of potential human and financial capital accumulation.

Guilford County currently rates as the best place for seniors in the southeastern U.S. according to bestplaces.net (New Orleans, understandably, no longer considered). Housing and accessibility features that cater to this population should be encouraged.

## **Workplace/Workforce Issues in the Cost and Quality of Life**

### Transportation

Transportation to and from the workplace has huge implications for the employer, for the worker and for Guilford County. Controlling salary and wage costs is an important part of any successful business. Employees making modest wages may not be able to buy or maintain reliable automotive transportation, leading to breakdowns and missed work. It is in the County's best interest for the workforce to be able to go to work at the workplace that provides the best pay. That location may be at a distant location that requires a long commute. So, long work trips on a daily basis in single passenger vehicles provides high expense to the worker, crowds the roads and contributes to poor air quality.

**At up to \$.45/mile, the cost of getting to work in a single passenger vehicle can range from \$1,000 to \$3,000 per year per person. That is a huge percentage (up to 20%) of the take-home pay of a \$9-12/hour worker in Guilford County.**

## Child Care

The provision of child care services to the children of Guilford County's workforce is a huge economic development issue. The funding comes from three principal sources: the parents, the U.S. Government and the State of North Carolina. When shortfalls in public funding occur, many parents are unable to work due to child care unavailability. Likewise, quality child care has been cited as the biggest equalization factor among those with lesser socio-economic means. It is in Guilford County's best interest to have as many children as possible in quality child care, improving their educational readiness for kindergarten and allowing their parent(s) to work rather than be the child care provider. Currently, there are over 2,000 children whose families cannot afford child care, preventing the parent from working or going to school. From an economic point of productivity, employees without child care worries obviously have fewer problems due to weather related unreliable child care issues.

**Child care costs run upwards to \$200/week. Most programs with quality settings are in the \$100-150/week range. There are currently 2,000 people in line to get into one of the programs subsidized by the state or federal government. There are thousands more who would get in line for child care assistance and go back to work but the individual must have a job just to get in line. At discount rates, lowly-rated child care operations could still take up to 1/3 of a worker's wages just to pay child care.**

## Health Care

Health care costs are a huge issue for American business. Controlling these costs can make a difference between a company being profitable and unprofitable. By the same token, Guilford County has a vested interest in the health and well-being of its citizens. The inability of the workforce to receive quality health care benefits from their employers many times means that the worker and his or her family receive primary health care from the Guilford County Health Department. That raises the cost of operating the County.

Many companies have lowered or dropped health care coverage from their benefits package. Having no health insurance (or very little with high deductibles) on top of high transportation and possible child care costs very likely means that the worker is extremely vulnerable to a personal economic crisis by getting sick.

Despite the high costs of providing health care, a healthier workplace is a more productive workplace. Small afflictions many times don't become serious illnesses. Time lost to sick child care is minimized. And providing health care is the right thing to do. Future incentive grants should include minimum health care provisions.

## **Other Economic Development Issues**

## **Rural Economic Development**

Economic development in rural areas of Guilford County is constrained by two major shortages: lack of water/sewer and lack of broadband access. Areas that are within tiered service areas or are annexable can, in time, get water and sewer as outward growth from city cores reaches more remote areas. But in many cases ten years or more has passed by without connections to water/sewer service in rural areas due to capacity issues and changing policies. High speed internet is added only as population density rises; that makes economic development planning based on broadband a speculative situation.

Guilford County's recent contributions to rural economic development have been to support two programs related to farming communities. Guilford County Community and Economic Development piloted the first local agritourism web site in North Carolina to help local farmers and growers find other revenue sources for their operations. That web site will be updated in the fall of 2006. In order to get alternative fuels such as biodiesel and ethanol distributed and sold in Guilford County, Community and Economic Development is working to create more demand for crops that are used as fuels. That creates more demand for those farm products and can help insure better farm financial returns.

## **Land Use Planning**

Traditional land use planning benefits economic development through mapping the location of critical infrastructure and identifying future plans for expansion. However, the process of identifying the future use of a parcel of land is difficult. Factors that lead to a sound land use prediction today are subject to changing conditions in the future. Increasing the County's tax value and revenue are often the reasons for approving any development project, many times without full understanding of the eventual impact of the decision - both from a land use perspective and from an economic development point of view. Prime areas for job development are those served by public water and sewer and with adequate access to interstates and thoroughfares. While land use planning provides a beneficial role, it has proven to have little influence over significant economic development projects.

Greensboro Economic Development Alliance has long been concerned about the lack of ready-to-develop sites. There is simply not an inventory of large, construction-ready parcels that are adequately served with infrastructure and zoned for office and industrial use. Once a company decides to relocate to Guilford County, it wants to move quickly and not be burdened with challenges related to acquiring land and extending infrastructure. The Heart of the Triad project is a prime example where Guilford County may be getting ahead in the process of being able to offer ready-to-develop sites. However, there remains reluctance among private industrial developers to create business parks that will provide these sites. One solution is for Guilford County to partner with other jurisdictions to acquire land and extend infrastructure to jump start the development of a business park.

## Water/Sewer

Unlike many counties in North Carolina, Guilford County does not have a water or sewer system that it operates. Many cities and towns in the County and several of Guilford County's neighbors have water and/or sewer systems that they operate within the County. In fact, by 2010, at various points in the County, sewer will be available from Greensboro, High Point, Jamestown, Archdale, Burlington, Gibsonville, and Kernersville. In addition to water availability from those towns, water will be available from Oak Ridge, Summerfield, Stokesdale, Rockingham County, Madison, and perhaps several more.

Guilford County's primary relationship to water/sewer extensions is through the Greensboro/Guilford County Water/Sewer Trust Fund. Established in 1968, Guilford County has invested \$31 million in bond and general fund proceeds to help build and enhance the system and has plowed back \$21 million as a 100% contribution from its 25% of the double rate from outside users. The annual proceeds currently add approximately \$2 million/year to the available funds and currently \$3-5 million per year is withdrawn in order to pay for oversizing lines and building pump stations to open new areas of service – all outside the city limits of Greensboro and hooked into its system.

Recently, there have been overtures to disband the fund and use the trust fund for immediate projects. This ill-advised move would eliminate a very successful program that provided a ready source of funding for health-recommended projects (septic failure and contaminated sites), school water/sewer access, and economic development projects.

## **GUILFORD COUNTY'S ROLE**

Though the County can date its involvement in economic development back to the days of providing the infrastructure for County development, including bond passage to macadamize roads and help support the water/sewer system development of area towns, its first real step into the realm of today's economic development was in 1994 with the development of its first economic development policy and incentive grant.

Over the decade from 1994 to 2003, Guilford County's principal activity in economic development was to consider and offer incentive grants for corporate relocations and expansion. From an operational perspective, the County provided for staff time to write and administer the contracts. But that was virtually the extent of formal economic development efforts. The County was not participating with organizations active in the economic development industry and had no rapport with the North Carolina Department of Commerce or other economic development organizations. The 2000-01 Guilford County annual report did not even mention economic development.

Recognizing the inseparable linkage between a strong community and economic development, Guilford County has assigned Guilford County Community and Economic Development the roles of:

- Infrastructure Development (Water/Sewer, Solid Waste, Housing)
- Quality of Life (Parks, Trails, Greenways, Natural Areas/Open Space, Cultural Development)
- Economic Development (Business Resource Development, representing the County in recruitment/expansion efforts, production of innovative business attraction and retention plans and policies.)

Regarding economic development activity, Guilford County Community and Economic Development staff is now an integral part of the business expansion and attraction efforts in the County. Greensboro Economic Development Alliance and the High Point Economic Development Corporation provide many of the initial industry expansion and recruitment contacts and will continue to do so.

In addition to business recruitment and attraction, Guilford County Community and Economic Development works to provide resource availability to small businesses and to provide a better education-workforce-economy linkage. These two efforts produced the Business Resource Wizard, an online business assistance database of all the identifiable resources available without the web clutter, and the Hospitality/Tourism Early College Academy at High Point Central High School, developed in cooperation with the Guilford County Schools and the International Home Furnishings Market to provide world-class customer service instruction to those interested in a hospitality/tourism career.

Besides connecting local industry to benefits and resources to help them grow, Guilford County is researching other actions to improve its economic climate. Among them:

- Develop a business park in conjunction with another jurisdiction.
- Attract “green” businesses to the County. Recyclers and distributors of ethanol and biodiesel fit this model.
- Improve the transportation and child care situations through County financial assistance.
- Attract more technology-based companies, from the life sciences, to information technology, to design.

## Incentives

Incentive grants for business expansion and recruitment is one of the most hotly contested concepts in the entire spectrum of governmental operations. The arguments span the range from “corporate welfare” to “providing jobs for our citizens.” Some believe that Guilford County’s outstanding quality of life and excellent public school system should provide the impetus for corporate relocation to the area and that public monies should be invested in those areas and not in incentives. What nearly everyone agrees on is that no one would choose to give incentive grants. However, many acknowledge that incentives are simply a reality in today’s business recruitment world.

In a 2006 three-part series, the News & Record highlighted the use of incentive grants in Guilford County since their local inception in 1994 through 2004. The focus of the articles was on the use of incentives to encourage local business expansion. The series did not include business and industrial recruitment for evaluation because every use of incentives in that 11 year time frame had been used to incentivize local expansion. In Greensboro, there had not been a successful industrial recruitment project in that time frame where incentives were involved. What appears to be the case is that those companies who are already in Guilford County fully understand and appreciate the benefits of being located in Guilford County. The lower cost of living, ease of mobility, outstanding parks and recreation amenities, and an outstanding work force with a wealth of educational opportunities make Guilford County an excellent location from which to conduct business. What is missing is the leap of faith of non-Guilford County decision-makers to choose to move an operation to the County. Without a full appreciation of what Guilford County has to offer, they have been unable to confidently pull the cord on a move or expansion.

Since many incentive grants are provided to larger companies who make a large tax base-enhancing investment and provide more jobs, there is a steady call to even the playing field by offering assistance to “small business” in the area. Beyond the general scope of the recently developed Business Resource Wizard that provides an excellent resource database and individual assistance on a case-by-case basis, the ability to provide meaningful assistance, particularly financial assistance like the large incentivized projects, is very low.

Other issues arise as well. There is a predisposition to provide jobs for those who are already located in the County rather than attract companies who will relocate staff to Guilford County. However, bringing in companies with their staff from outside the area complements local expansions in many ways. They generally are well-paid, providing greater economic impact from their salaries than sustaining wages. Relocated employees buy houses off the current market. The jobs tend to be permanent, providing position replacement opportunities for native workers.

Many incentive packages from the State of North Carolina require a local match to complete the package. Providing incentive availability means that the NC Department of Commerce will keep Guilford County in the mix of sites for industrial recruitment.

The net cost of incentives is generally zero. Incentive grant amounts are designed to approach a breakeven level. In the case of a grant being considered under the current Addendum feature of the policy, there is likely to be a relatively small net cost to the County due to the fact that the grant is based on job creation, not tax base creation.

Lastly, corporate relocations are rarely about the money. If everything else is nearly even, an incentive package can make the difference in a decision. But it is very unusual for an expansion into a new location or a relocation to occur solely because of a financial incentive. What incentives boil down to in many cases is simply a confirmation on the company's part that the community wants them to move there. From the local government position, incentives are the way they can express their desire to have the company relocate to their area. How does each party give and receive the love? In the

U.S., we do it with money. And the use of public money for this purpose creates the difference of opinion and the philosophical friction.

To remain competitive in the attraction, recruitment and expansion of business, Guilford County must continue to provide an equally competitive incentive package. The County's current policy stands ahead of nearly every other local jurisdiction in America in its use of incentives to reward the creation of high-paying jobs. What is needed is a continuation of progressive thought in incentive policy formulation to adapt to the changing economic world and stay at the forefront of business expansion practices.

## ACTION STEPS

- 1) Guilford County has suffered from a lack of development-ready sites. The Dell project is an easy reminder of that fact. Despite the fact that factory numbers are falling and manufacturing is a less dominant economic activity in the U.S., it will be years before site/large building availability is not a critical component of economic development activity. The conundrum is that the private sector has not provided a sufficient supply of ready sites, isn't being pressured to do so through private sector planning (Greensboro Alliance Strategic Plan), and yet openly instructs the public sector not to develop sites. This issue needs to be addressed, whether the County assists in development or initiates its own corporate/ industrial park plan.
- 2) From an economic development perspective, losing thousands of able contributors from participating in the job market and consequently having thousands who cannot work unable to support a family needs addressing. A critical problem is the lack of funding to provide quality child care for over 2,000 children whose parents are currently out of work and cannot go to school or enter the job market because of those child care issues.

In addition, quality (4 star and 5 star) child care has been proven to raise the level of preparedness of children entering kindergarten by a huge amount. Few things improve the level of education of children as effectively as quality pre-school child care. One option is for the County to create a pilot program, perhaps partially supported by grant funding, which provides the quality child care necessary to both put the parent back to work permanently while raising the school preparedness of the affected children.

- 3) The draft Guilford County Economic Development Policy itemizes efforts to address child care and transportation for working families. Transportation is the most approachable of the three and is the most affordable. Federal tax law allows the business deduction of providing mass transit/vanpool transportation for employees at up to \$100/month. Very few, if any, companies in Guilford County are participants in the program.

One option might be to provide up to 10% of the cost to business for the first year to jump start the program. The program could be capped at the first 1000 participants (x) \$100 (x) 12 (mos.) (x) 10% = \$120,000.

- 4) The Transportation/Distribution/Logistics area of emphasis (cluster) has some excellent opportunities for advancement. Among the possibilities:

- Develop world trade center
- Develop more airline traffic options
- Continue to work on air quality issues

The Greensboro Partnership Strategic Plan included a recommendation to have a singular position to develop opportunities in this cluster. This is one area of the plan that has great merit. Where the County and Community and Economic Development can work together to enhance this cluster, they should do so. The County is currently working on the air quality issue.

- 5) Alternative fuel availability and more eco-businesses/recyclers in Guilford County help improve the air quality and environment. Each plays a role in the cost of business operation and environmental health of the community. Guilford County can have an active role in recruiting both industries to the area. The traditional economic development policy, modified to accommodate the specific needs of these industries, could bring an influx of these industrial providers to Guilford County.
- 6) The major Central Business Districts of Guilford County, in Greensboro and High Point, are economic development engines in their own right. Development and redevelopment in downtown locations bring different benefits and have different needs than traditional economic development programs. Guilford County currently has no specific policy to address central business district needs. Providing for such would be a welcome addition to the County's overall economic development policy.
- 7) Efforts to dismantle the Greensboro/Guilford County Water/Sewer Trust fund need to be rebuffed. This short-sighted attempt to grab a few dollars today will end perhaps the longest-running successful operational arrangement Greensboro and Guilford County have. The net result will be reminiscent of what has happened to the funding of the northeastern leg of the Greensboro Urban Loop. Because the Highway Trust Fund had excessive "borrowing" from the account, NCDOT ran out of money to finish the job, pushing the project out another five years. Ending the Water/Sewer Trust Fund will have the same net affect, essentially killing the golden goose that has been providing funding for water/sewer projects outside the city limits of Greensboro on Greensboro's system for 38 years.
- 8) Providing a superior public school education is perhaps the greatest goal and challenge for Guilford County. At even modest levels of population growth, the capital costs for the County will run into the hundreds of millions of dollars. Guilford County property tax revenues are not going to rise high enough to provide the money to build the type of schools the County is accustomed to. Operating costs will escalate accordingly. Guilford County cannot continue to fund school construction projects with only property tax increases or from bonds paid through property taxes. Another - or better yet, several - new funding

mechanisms are necessary to provide adequate funding without exponential increases in property tax rates. Changes in school operations may be necessary as well, incorporating multi-track and more alternative venue systems in the education process.

**Immediate steps:**

- Study the Guilford County Schools' capital funding needs for the next 20 years and determine the dollars needed. Consider a package of funding methods available including: sales taxes, impact fees, real estate transfer fees, adequate public facilities ordinances, tax on services, user fees, specialty taxes or some combination of taxes and fees. (The appointed Wake County Committee on Growth just recommended a 1% sales tax to be split to fund transportation and school construction and a 1% real estate transfer tax to fund school construction.) Special legislation will likely be needed to approve many of these measures. Working with our NC House and Senate delegation to enact any changes will need to be done. Successful studies have almost universally relied on serious input from an appointed citizens' committee. In order to bring an openness to the process and improve the credibility of any potential bond issue, the Board of Commissioners and Board of Education should consider such a move.
  - Work with the Guilford County Schools to study alternative school siting and multi-track school operations. Implementing both methods could save the County tens to hundreds of millions in school construction costs. (In Wake County, multi-tracking alone is estimated to save upwards to \$1 billion in school construction costs over the next 15 years.)
- 9) High tech companies bring with them an educated workforce and wage rates that typically are well above local averages. Those characteristics are consistent with the overall goal of raising the level of prosperity in Guilford County. The many different facets of technology, coupled with the variety of ways that technology companies' operations manifest themselves into operating, provide a litany of high-tech development opportunities. Many times these companies are small or are fledgling operations. Guilford County should not look at these characteristics as shortcomings, should not be concerned that a company they want to support isn't bringing in 500 jobs and a huge capital investment, and find ways to support these businesses. These, and other entrepreneurial companies like them, represent the future of job creation.
  - 10) The world of Economic Development changes constantly. Evaluations and revisions to this plan should occur no less frequently than on a semi-annual basis.
  - 11) Adopt the revised Guilford County Economic Development Policy. It puts this plan into action.

## SUMMARY

Several key points are worthy of repeating:

- The economic world has changed and continues to change. The importance of manufacturing as an economic development driver is waning. Counting on an increasing tax revenue stream based on property taxes from commercial/ industrial development is likely to disappoint. Record residential development is associated with record spending on public school construction. The tax revenues from residential building have clearly not kept pace with the capital (much less the operational) expense of building schools. The annual \$50 million dollar shortfall is likely to get even worse.
- The value of a higher level of education is no longer a matter of value-added; it is a matter of survival. Greater educational emphasis must be put in place – both in the traditional public schools and in the world of retraining. Quality pre-K child care needs to be a universal situation to enhance school preparedness and close the achievement gap.
- Take advantage of Guilford County's advantages – its differentiating assets – in Transportation/Distribution/Logistics, Healthcare/Health Related Services, Higher Education/College and University Business Development, and Conventions/Hosting and Hospitality. Keep an eye on opportunities in the other areas of relative strength found in Guilford County.
- Business development and assistance to small businesses outside of the realm of incentives needs to become more pronounced. As stated earlier, supporting the private sector through efforts to gain synergies through business relationships would help (school/industry relationships; SBIR/STTR promotion). Removing obstacles to growth through more streamlined permitting – especially as it relates to infrastructure development with providers from County cities – would be beneficial. Address big picture items that have state and federal connections like air and water quality, grant availability, and tax issues on behalf of local business. These actions are designed to raise the level of competitiveness for all local business without incentive implications.
- Macroeconomic issues that impact Guilford County citizens' prosperity need to be examined to determine the local impact, and those impacts must be mitigated as effectively as possible.
- The draft Guilford County Economic Development Policy provides a comprehensive design for business recruitment and expansion, including a clear representation of the County's incentive policy; progressive methods of helping small businesses and working families in Guilford County through assistance in transportation and child care; minimum standards for health care for those receiving incentive grants, and new assistance programs for emerging, entrepreneurial, and environmentally friendly businesses. Adoption of this policy places Guilford County among the nation's leaders in economic development programming.

