Economic Development Thoughts

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Regional Council of Mayors
Objectives (Draft)

- Develop Long-Term strategy for growth in Gross State Product (specifically emphasize Metro Region)
- Enhance relationships/collaborations within Regional Clusters
- Develop momentum in Science and Technology Regional Economic Segment
- Identify Short-Term and Long-Term investments to achieve strategic goals
- Identify and measure appropriate “dashboard” or “scorecard” benchmarks
Regional Statistics

  - MN ranks 48th in New Company Formation
  - 28th in SBIR grants
  - 23rd in Manufacturing Investment
  - 22nd in VC Investments
  - 19th in PhD scientists and engineers
Regional Statistics

A key success behind the economic development of metro areas is the proximity of businesses and skilled labor. The synergy provided by

- labor,
- extensive business networks,
- cutting edge research at institutes of higher learning, that
- attracts both capital and entrepreneurs to metro areas.

Metro areas are at the center of the development of new technologies, such as nanotechnology or biotechnology, and play a major role in shaping the future economic development.
Competitiveness and Composition of Minnesota Economy
Linkages Across Traded Clusters, 2006

Minneapolis overall rank = 18

Note: Clusters with overlapping borders or identical shading have at least 20% overlap (by number of industries) in both directions.

Source: Lee W. Munnich, Jr. University of MN
Business Development - Michigan

INVESTIGATION

Pre-Seed Funds
SmartZones™

SEED

Venture Michigan Fund

DEVELOPMENT

Angel Tax Incentive

21st Century Commercialization Competition

EARLY

Loan Enhancement Programs
(CAP, Charter One, Choose Michigan Fund)

GROWTH

21st Century Investment Fund

MATURE

EQUITY MARKETS & BANKS

TIME

FRIENDS, FOUNDERS & FAMILY

ANGELS & GRANTS

VENTURE CAPITAL
Oregon Benchmarks http://benchmarks.oregon.gov/

3. NEW EMPLOYERS: Oregon's national rank for new Employer Identification Numbers per 1,000 workers (1st = best)

8. VENTURE CAPITAL INVESTMENTS: Oregon's national rank in venture capital investments per $1,000 of GDP by state (1st = highest rate of investment)

5. PROFESSIONAL SERVICES: Oregon's concentration in professional services relative to the US concentration (US = 100%)

16. EXPORT STABILITY: Percent of total exports traded with non-primary partners

[Charts and graphs showing data over time]
Proposed Current Activities

• Setting up a Meeting of Participating Mayor’s in Bloomington (Gene’s support)
• Applying for funding support from appropriate foundations
• Networking with Workforce Centers, HT-Alliance, MN-Nano, BioBusiness Alliance, Large Corporations, U of MN, MNSCU
• Encouraging meetings between city community development groups (common borders and/or common industries)
• Identifying appropriate “dashboard” or “scorecard” benchmarks
• Support proposed legislation (this Thursday) in the Senate to establish a North Star Rising Commission → EDCorp with emphasis on Science and Technology Initiative
How to enhance Regional Economic Clusters
Industry Clusters (Porter)

- Geographic concentrations of competing, complementary, or interdependent firms
- Common needs for talent, technology, and infrastructure
- Dynamic, changing as the industries themselves or external conditions change
- Centered on firms that sell outside the local, state, national market
- Driving forces in a national, regional, state or metropolitan economy
How to create a portfolio of clusters?

As with “financial portfolio theory” the benefit of a portfolio of clusters are the spread of risk and ability to maintain regional momentum when clusters behave “out-of-phase”.

However, strategic management of a portfolio of economic clusters will also benefit from:

• Inter-cluster economic transactions (sustainable energy as both an exporter and productivity improver)
• An educational culture that does not depend on the content of education
• Technology spillovers
• Intellectual revolutions of ideas and advocates willing to spend their reputations and careers in spreading ideas through actions as well as words.
For Example: A Science and technology initiative should be developed to focus on the three key areas of need in Minnesota including:

- **Human Capital** – training and development
- **Science and Technology Infrastructure** – research labs (public and private)
- **Commercialization Assistance** – capital for start up company growth; from seed grants to support innovation to investment capital formation (Angel Tax Credits, VC funding)
High-Technology Location Factors

EXISTING HIGH-TECH PRESENCE is CRITICAL

Traditional Business Factors
- Tax Structure
- Compensation Costs
- Space Costs
- Capital Costs
- Business Climate

High-Tech Specific Factors
- Proximity to Excellent Research Institutions
- Access to Venture Capital
- Educated Workforce
- Network of Suppliers
- Technology Spillovers
- Climate and Quality of Life

Source: Milken Institute, America’s High-Tech Economy, 1999

Source: Atlanta Forum - Mary Jo Waits
How to enhance a technological cluster?

- Scientific personal interaction (Watering Holes) are required with minimal “empire building”
- Significant data handling technology and informatics will be a cluster backbone
- “Re-tooling” of the informatics system to open-source and open-access will increase content and revise access algorithms
- Opportunity to perform early feasibility evaluations of the intuitively conceived technologies
- First Class scientific characterization facilities and laboratories for prototype design and assessment
- Seamless interaction between industry businesses, especially between large and small businesses