



**Seward Chamber of Commerce
Conference and Visitors Bureau**

Date: August 24, 2009

To: Seward City Council

From: Seward Chamber of Commerce, Conference and Visitor's Bureau

Subject: 2009 Economic Development Proposal

Background

2007 - Chamber Executive Director attended the first Alaska Basic Economic Development Course; a one-week professional training offered by the University of Alaska Center for Economic Development geared towards providing Economic Development professionals in Alaska with the knowledge and tools they need to begin or enhance Economic Development efforts in their communities and regionally.

2008 - City of Seward Efficiency Study addressed City Council Long Term Considerations for Marketing and Economic Development:

City of Seward contracts with the Seward Chamber of Commerce to provide tourism and economic development marketing on an annual basis. Historically, the City has contracted for services equivalent to 50% of the City's bed tax revenues from two years prior. Current funding maintains current program levels and doesn't support an aggressive program focused on expanding current and attracting new business.

PACAB and the City are both viewed as having a role in economic development. However, there does not appear to be a clear delineation of responsibilities and tasks, with goals and objectives.

Attendance at conventions and conferences with follow-up meetings geared to entice new businesses to Seward is essential.

Potential annual revenue: unknown

Estimated potential additional cost: \$100,000 first year.

RECOMMENDATION: City should decide which organization will lead in economic development, then provide the resources necessary for an aggressive marketing and economic campaign. The efforts would increase Seward's visibility across the business world, but may reap delayed or no results.

2008 - At the City Council Budget worksession, it was proposed that in addition to the annual marketing contract with the Chamber, that the City invest an additional \$35,000 to study how Seward can best pursue Economic Development (leadership, staff, strategy). The Chamber was asked to bring a recommendation to Council for the use of these funds.

Economic Development In A Nutshell

Business wants increased income and growth; City wants jobs, increased tax base, growth. Economic Development is the process by which a community creates, retains, and reinvests wealth.

- Create new and better jobs
- Enhance earning opportunities of residents
- Encourage local buying of goods and services
- Diversify & expand the local economy
- Keep existing business prosperous through management, marketing, and financial assistance
- Attract desirable new employers consistent with Seward's quality of life
- Promote investment of capital (local philanthropy)

Economic Development differs from Basic Marketing Programs:

- Long-term effort; requires continuity among leadership and a consistent overarching community goal
- Success is achieved through small accomplishments over time
- Strategic
- Marketing directly attracts customers; in contrast, an Economic Development program does not create jobs or increase payroll. Economic Development efforts merely establish a climate for business opportunity and economic growth.
- Large monetary investment that may not always reap rewards

Economic Development is driven by BUSINESS DECISIONS. How a community supports the business, employees, and the community shapes the impact of the business decision.

- Not what do we have to offer; what are our detractors
- Dis-qualifiers (tax structure, workforce availability, local politics, cost of living, demographics, wage data)
- Preliminary research conducted online - 60% weeded out with cursory look.

Critical assessment points for Economic Development:

1. Workers: how many are unemployed/underemployed
2. Students: how many graduate and leave; drop out; continue studies with college or vocational training; what post-secondary fields do they study; what percentage return
3. Businesses: Which are growing and what skills to they require; which are suffering and what will it take to get them back on track
4. Who are the Community collaborators:
 - a. Workforce development: Seward High School, KPC, AVTEC, UAF
 - b. Tourism: Chamber
 - c. Community Development: City Council/Administration, various Community Action Groups
 - d. Business Climate: Chamber
 - e. Quality of Life: City Council/Administration
 - f. Business Development Coalition Building: Small Business Development Center
 - g. Infrastructure Support Development: City Public Utilities
 - h. Property Development Recruiting: City Community Development/Harbor Department
 - i. Access to Capital Technical Assistance: Revolving and Micro-Loan Funds
 - j. Funding Business Climate: Government (Fed, State, & Tribal)

How Do We Move Forward?

Determine how to carry out Economic Development activities (the primary locus of management).

2/3 of rural communities use their local Chamber: funded by business contributions; Board of Directors elected by membership; not restricted by political boundaries; allows confidentiality when identifying and initially courting prospects; speaks effectively on business sectors interests

NEGATIVES: lack of control of investment incentives and infrastructure improvements

1/3 use Govt. agency: funded by taxes and grants; Mayor and Council elected by community; effective in providing infrastructure; direct access to incentives (property tax abatement and support grants); policy makers can consider public input; all activities conducted within public process; speaks effectively on public sector issues.

NEGATIVES: lack of continuity w/elected leadership, special interest group can derail efforts through public process; lack of committed volunteers

Government agencies in general are less likely than an Economic Development entity to be involved in business attraction and less likely to be involved in promoting entrepreneurship.

Generally, 1 ED professional for this sized community.

What Happens After the Study is Complete?

Establish Economic Development Team (hire staff, ID volunteers, organizational changes)

Consider ongoing funding separate from Marketing Contract. Economic Development incurs both operational funds and project costs. The following is a funding model for a non-government Economic Development organization (which still requires government investment).

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| - Local Government general funds (reinvesting business-related tax revenues) | 48% |
| - Private sector contributions and dues | 26% |
| - State and Fed grants | 10% |
| - Special taxes for Econ Development | 8% |
| - Activities of the organization | 8% |

How much are we talking?

Independent = \$100K, 2/3 spend at least \$250K

Linked to Chamber = \$100K to 1 million

Government-based = 15% spend less than \$150K

Proposed Contract

Goals for Phase 1 (2009):

- Audit
 - o Incentives
 - o Information Availability
 - o Customer Service
 - o Port Facilities and Practices
- Validate inventory of assets and dis-qualifiers
- Recommendation for the Primary Locus of Economic Development Mangement (Government, Private Sector, Blend)

Partners

- University of Alaska Center for Economic Development
- City of Seward Community Development Department
- Small Business Development Center
- International Economic Development Council resources
- U.S. Chamber of Commerce resources

Activities

1. Harbor Users Survey \$ 1,340

Fulfilled by: Chamber Staff, PACAB

All slip holders, transient users, and waitlist customers were invited by letter to participate in an anonymous 22-question survey. Chamber members were invited to participate via the electronic newsletter, and private boaters were notified via the Seward Silver Salmon Derby® event guide. An advertisement in Seward City News invites residents to participate.

The survey focuses on Seward's practices and services related to our Port and our harbor customers. The goal of the survey is to identify specific procedural areas and City codes which unnecessarily restrict business activities or inconvenience our customers. The survey also prompts for satisfaction levels with currently offered harbor services and identifies additional customer needs.

2. Independent Economic Development Audit \$29,130

Fulfilled by: Contracted Economic Development Professionals through CED

Contractors will use a variety of tools (interviews, surveys, independent research) to assess Seward's capacity for Economic Development. Chamber leadership and staff, City Council and Administration, Seward based-businesses, and residents are likely to be included as the contractors gather information. The investigative efforts will include assessing the area workforce, land and property availability, information availability to prospective businesses opportunities, incentives and services provided to prospective & current businesses, controls and flexibility related to assisting prospective & current businesses, public and private funding opportunities, and assets and dis-qualifiers that impact Seward's desirability.

Contractors will also assess the City's administrative structure and the Chamber structure, comparing them to other Economic Development models for the purpose of recommending an organizational strategy for Economic Development efforts in Seward (i.e. who should do it, funding model, and necessary policies or ordinances to effect the recommended strategy).

3. How To Do Business in Seward \$ 3,770

Fulfilled by: Chamber Staff

A printed and online users guide that assists businesses in finding the services they need. Includes State and Borough resources. Identifies governmental departments, checklists for routine activities, where to find information, Chamber services, and community Boards (such as PACAB and P&Z) that play an important role in the economic development process.

4. SewardforBusiness website \$ 760

Fulfilled by: Chamber Staff

An online entry point for businesses to access Development information which acts as a portal to applicable information on City, Chamber, Borough, and State web sites.

Economic Development Study Total Cost (As Proposed)	\$35,000
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