Fundraising for Economic Development

It ain’t easy getting the green . . .

. . . but it can be done!

Howard Benson, CEO
5 Post recession funding trends

1. More scrutiny, demand for relevance, better outcomes
2. Private sector wants public partners to step up -- but not control; public sector looking for private $$
3. Funding decisions taking longer
4. Corporate investors referring to their foundations & “upstream”
5. One year commitments with option based on performance
Sources of Funds

**Old Model**
Top investors were *almost always* Banks and Utilities

**New Model**
Banks and Utilities are still key stakeholders, but *top investors are frequently*:  
- Hospitals  
- Local Foundations  
- Universities  
- HMOs  
- Law Firms  
- Cable / Media  
- Grocery Chains

- Large Employers (manufacturers, processors, etc.)  
- Construction & Real Estate Developers  
- Architects & Engineers  
- Associations (Retail, Realtors, Homebuilders, etc)  
- Casinos, Racetracks  
- Credit Unions, Financial Services  
- Transportation Companies
## Powerful financial commitments

<table>
<thead>
<tr>
<th>Healthcare</th>
<th>Utilities</th>
<th>Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,500,000</td>
<td>$600,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Sioux Falls, SD</td>
<td>Mobile, AL</td>
<td>Sioux Falls, SD</td>
</tr>
<tr>
<td>$650,000</td>
<td>$500,000</td>
<td>$750,000</td>
</tr>
<tr>
<td>Tacoma, WA</td>
<td>Joplin, MO</td>
<td>Tulsa, OK</td>
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<td>$600,000</td>
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<td>$500,000</td>
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<tr>
<td>Missoula, MT</td>
<td>Jackson, TN</td>
<td>Raleigh, NC</td>
</tr>
<tr>
<td>$400,000</td>
<td>$250,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Columbia, TN</td>
<td>Pikeville, KY</td>
<td>Macon, GA</td>
</tr>
</tbody>
</table>
## Powerful financial commitments

<table>
<thead>
<tr>
<th>HQs / Large Employers</th>
<th>Foundations / Individuals</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>$1,100,000</td>
<td>$500,000 Communications</td>
</tr>
<tr>
<td>Dalton, GA</td>
<td>Mobile, AL</td>
<td></td>
</tr>
<tr>
<td>$600,000</td>
<td>$500,000</td>
<td>$500,000 Short Line RR</td>
</tr>
<tr>
<td>Richmond, VA</td>
<td>Davenport, IA</td>
<td></td>
</tr>
<tr>
<td>$500,000</td>
<td>$400,000</td>
<td>$250,000 Law Firm</td>
</tr>
<tr>
<td>Boise, ID</td>
<td>Brookings, SD</td>
<td></td>
</tr>
<tr>
<td>$400,000</td>
<td>$300,000</td>
<td>$100,000 Car Dealer</td>
</tr>
<tr>
<td>Bloomington, IL</td>
<td>Northeast TN</td>
<td></td>
</tr>
</tbody>
</table>
And how about . . .

Madison Dairy Queen Investing $50,000 in the Forward Madison initiative! (6,000 pop.)

“More of us now understand the importance of a strong economic development program. Madison has been successful, but we need to be even more proactive now.”

DeLon Mork
Dairy Queen
The Multi-Year Strategic Initiative

Sampling of Strategies Funded

- Marketing / Recruitment
- Retention / Expansion
- Workforce / Education
- Incubators & entrepreneurial support
- Advocacy / Govt. affairs
- Spec buildings & land
- Tech transfer programs
- Talent attraction
- Research & Planning
- International Offices
- Regional Partnerships
- “Opportunity Funds”
- ... “whatever is needed”
In short, strategic funds can be used to . . .

Underwrite the cost of “whatever it takes” to get results . . .

Not activity, RESULTS!

- Hire new staff (or pay existing staff more competitively)
- Pay for research (new targeting studies, etc.)
- Retain consultants for special projects
- Sales and marketing travel
- Contract with other agencies
- Retail promotion, retiree recruitment, web site enhancement, staff development, etc.

This is the “extra fuel additive” in the tank!
INVESTORS (in a strategic initiative) WANT . . .

- A specific set of results on major issues
- A realistic cost to achieve them
- A specific timeline to get results
- A “contract” for performance (accountability)
- A reasonable financial commitment
- A measurable return on their investment
The strategic initiative concept has changed the public / private funding ratio.

* Based on Data from 98 NCDS client organizations (Local & Regional EDOs) that receive funding from municipal govts. and local business community.
Mobile Marches On

Mobile's 25-year Funding Cycle

TOTAL: $40 Million

Year: 1991 - $3.0
Year: 1994 - $4.5
Year: 1999 - $5.3
Year: 2003 - $7.0
Year: 2008 - $10.0
Year: 2012 - $10.2

Billions

$12.00
$10.00
$8.00
$6.00
$4.00
$2.00
$0.00

$ Raised
Sioux Falls Sails Forward

Sioux Falls 24-year Funding Cycle

Millions

$16.00
$14.00
$12.00
$10.00
$8.00
$6.00
$4.00
$2.00
$0.00

$1.80 $2.20 $4.20 $6.40 $10.50 $12.00 $15.50


TOTAL: $47.9 Million

$0.00

Funding Cycle

Raised

Sioux Falls

National Community Development Services
Two Questions:

1. What would you do with an additional $500,000 per year?
2. Does your organization have “asking rights?”
Six elements that comprise “asking rights”

1. Validated needs and opportunities
2. Plan to address the needs or opportunities
3. Organization’s credibility / track record / perceived competence to implement
4. Leaders / champions
5. Financial capacity of constituency
6. Sense of urgency
“Competitive EDGE”
Accelerating Regional Prosperity
A “game changing” initiative for the Midville region

Capitalizing “Competitive EDGE”: A transformational opportunity
(It’s about more than money)
5-Year
“Competitive Edge”
Stakeholder Council

• Strategy I
• Strategy II
• Strategy III
• Strategy IV

Measurable results on specific goals
The **Competitive Edge Initiative**  
A five-year plan to accelerate regional prosperity

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Description</th>
<th>Cost</th>
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<tbody>
<tr>
<td><strong>Strategy I:</strong></td>
<td>Advocate for additional transportation improvements, expanded air service and other infrastructure improvements</td>
<td>$500,000</td>
</tr>
<tr>
<td><strong>Strategy II:</strong></td>
<td>Enhance sites &amp; facilities inventory; Streamline location assistance</td>
<td>$1,000,000</td>
</tr>
<tr>
<td><strong>Strategy III:</strong></td>
<td>Stimulate formation of 50 small, minority and women owned businesses</td>
<td>$300,000</td>
</tr>
<tr>
<td><strong>Strategy IV:</strong></td>
<td>Accelerate workforce readiness and availability; through relationships with K-12 and technical college</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

**TOTAL:** $2,200,000  
$450,000 per year
“Must Dos” in Raising Big Money

A Checklist

✓ Focus on results, not maintenance
✓ Priorities only
✓ Quantifiable costs
✓ Engagement
✓ Benchmarks/timeline
✓ Oversight/accountability
✓ Investor relations

Raleigh, North Carolina – 5 campaigns
6. Biggest Mistakes in Economic Development Fundraising

1. Failure to “document the distress”
2. Insiders only
3. Business as usual
4. Hail Mary
5. Low aim
6. Failure to ask
Process Overview

- Issue Identification
- Program Design w/budget
- Goals & Measurable Outcomes
- Feasibility Analysis (Go / No-Go)
- Campaign (8 – 10+ months)
- Program Implementation (4-5 years)
- Ongoing Performance Assessment
- Investor Relations

- Back to the drawing board for another 5-year plan
“I don’t know if this is the best of times or the worst of times. But, I do know that this is the only time we’ve got.”

Art Buchwald
# Investment Levels Needed to Guarantee A Campaign Goal of $2.5 Million

<table>
<thead>
<tr>
<th>Pledge Amount</th>
<th>No. of Pledges at this Level</th>
<th>$ Amount at this Level</th>
<th>No. of Pledges at this Level</th>
<th>&lt;--------Cumulative--------&gt;</th>
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<td>Under $5,000</td>
<td>40</td>
<td>$80,000</td>
<td>105</td>
<td>$2,510,000</td>
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## Investment Levels Needed to Guarantee A Campaign Goal of $10 Million

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<tr>
<th>Pledge Amount</th>
<th>No. of Pledges at this Level</th>
<th>$ Amount this Level</th>
<th>&lt;--------Cumulative--------&gt;</th>
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<td>169</td>
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</table>
The NCDS Involvement Curve

- Awareness
- Interest
- Engagement
- Commitment
- Ownership
- Taking personal responsibility

IN卷VOLUENT HIGH
Changes some have made; others should!

*Must rethink “the way we’ve always done it.”*

<table>
<thead>
<tr>
<th>Common Mistakes</th>
<th>Recommended Alternatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Maintenance funding”</td>
<td>New strategic plans = new budgets = new funding requests</td>
</tr>
<tr>
<td>Poor / non-existent investor relations</td>
<td>Engagement and participation! Keep score and report it!</td>
</tr>
<tr>
<td>Parochialism, mistrust, and competition</td>
<td>Regional focus: Your competition is the world, not the neighboring county</td>
</tr>
<tr>
<td>“Quid pro quo” expectations of investors</td>
<td>If the pie grows, everybody gets a bigger piece!</td>
</tr>
<tr>
<td>Annual funding cycle</td>
<td>Bolder initiatives, challenging budgets, and multi-year financial commitments</td>
</tr>
<tr>
<td>Members</td>
<td>Investors</td>
</tr>
</tbody>
</table>