

Recruitment

Recruitment along with entrepreneurial development are two of the most critical components of a program for the LPDD in general. Without them, it is highly unlikely that a number of opportunities will be seized. It cannot be assumed that because opportunities exist that people will naturally seek those opportunities. They can only seek opportunities of which they are aware.

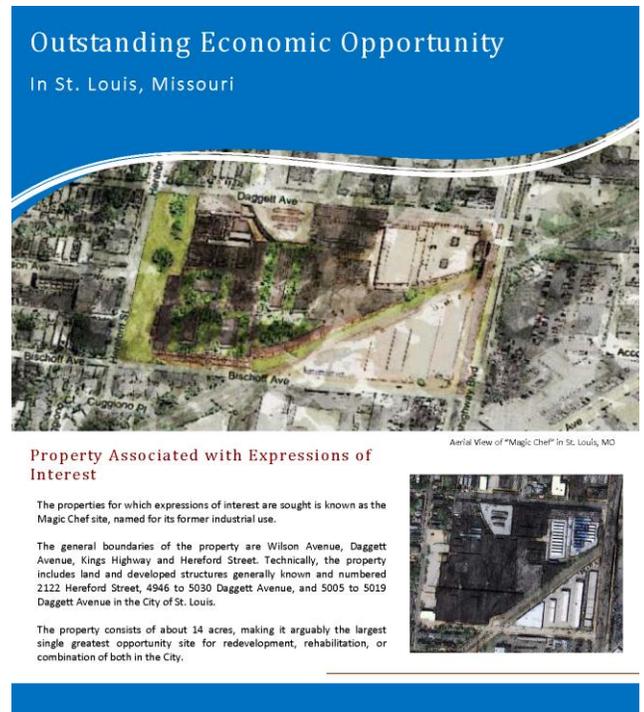
It is important to established sections of the LPDD, including “Lexington Park” and sections of Hollywood, that there be a proactive partnership between the public and private sector. It is unlikely that the public sector can depend solely upon private entities; and, given certain site restraints, it is unlikely that the private sector can accomplish reinvestment and redevelopment without non-monetary public sector actions and potential enhancement in off-site amenities.

The following recruitment related actions should be taken for the LPDD to take a proactive role. It is important to note that no quasi-public or public sector entities need to own an individual property or collection of properties to promote their reuse or their development. Also, traditional means of marketing, such as “multiple listing”, does not reach targeted audiences well or stimulate interests from those outside of the area that prove to often make initial investments. The LPDD is not necessarily looking for someone who is “looking,” but for the right parties that may not even know of the area or the opportunities that exist at this time or in the foreseeable future

There are four types of recruitment efforts that should be pursued. One is **developer/investor recruitment**. In many cases, this will be more cost effective and less time consuming than individual tenant recruitment. Redevelopment of some parcels and development of other parcels may require partnerships between the current owners and others, may require someone to buy the property, and may require other investors to bring it to fruition.

There are some fundamental considerations associated with a developer recruitment process. These include fiscal and human resource availability. The following are preliminary steps to establish a successful recruitment effort that should be considered for developers as well as others.

- ✓ Decide who will administer and provide staff support for the recruitment effort in general. The assumption is that such activity will be done in cooperation with the appropriate County entities, but could also involve others, such as the CDC. Furthermore and within this context, a separate committee structure should be set up to oversee the recruitment effort. This would involve:
 - (I) Creating a coordinating team consisting of representatives as noted above and “consultants” (only if necessary to supplement the professional staff);
 - (II) Establishing interest and cooperation with property owners.



Outstanding Economic Opportunity
In St. Louis, Missouri

Property Associated with Expressions of Interest

The properties for which expressions of interest are sought is known as the Magic Chef site, named for its former industrial use.

The general boundaries of the property are Wilson Avenue, Daggett Avenue, Kings Highway and Hereford Street. Technically, the property includes land and developed structures generally known and numbered 2122 Hereford Street, 4946 to 5030 Daggett Avenue, and 5005 to 5019 Daggett Avenue in the City of St. Louis.

The property consists of about 14 acres, making it arguably the largest single greatest opportunity site for redevelopment, rehabilitation, or combination of both in the City.

Aerial View of "Magic Chef" in St. Louis, MO

- (II) Identifying “qualified” developers based on specific projects or areas and like experience and fiscal capacity;
- (III) Develop marketing materials (including direct mail materials, ads, public relations releases, and materials distributed electronically);
- (IV) Reviewing and evaluating submittals that may be received; and
- (V) Assuring those interested that the coordination and selection process is non-biased.

- ✓ Assure the ability to reproduce the materials on demand via internal computer capabilities and internal printing capacity.
- ✓ Develop a set schedule for phasing of the recruitment process.
- ✓ Establish an “Ambassador Program,” composed of business interests to meet with recruited interests as needed.

The initial developer recruitment effort should take about six months from inception. The associated marketing activity would include:

- ✓ Preparation of Request for Qualifications or Proposals for areas and sites.
- ✓ Distribution of developed materials via direct mail; established international contacts and networks; posting information on web sites; advertising in select trade journals, if affordable; and internet contact.
- ✓ Follow-up contact via telephone and internet to answer questions, gauge interest, etc.
- ✓ Review, evaluate the responses, and coordinate relationships (such as between the development interest and the private property owner).
- ✓ Continue follow-up, acting as an “ombudsman” for the process.

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Cloverleaf Mall Sale Paves the Way for Mid-Atlantic’s Largest Kroger

CHESTERFIELD, Va. – Stonebridge Realty Holdings purchased 28.4 acres of the former Cloverleaf Mall site from the Chesterfield County Economic Development Authority for \$5.7 million. This transaction will allow the demolition of the Cloverleaf Mall and construction of a flagship Kroger with fuel pumps and additional retail shops. Work on the site is scheduled to begin the week of October 17th.

Limited expertise, experience, staff and fiscal resources may be available for recruitment activity. Therefore:

- ✓ Contracting of services to facilitate a timely and competent process should be considered if necessary.

Initial costs of doing such a developer recruitment are estimated at about \$17,000, including printing. Should electronic dissemination of materials be the only means utilized, the out-of-pocket costs would likely be about \$12,000 if services are contracted. However, each subsequent effort will likely cut this cost in half. Staff assistance can lower this out-of-pocket cost substantially.

The need for and level of “pre-screening” potential contacts for any recruitment is a fundamental issue in the process. Consideration must be given to:

- ✓ Available data bases.
- ✓ The cost effectiveness of the “pre-screening”.
- ✓ The likelihood of success with obtaining accurate information for a “pre-screening” process.

The following is noted with respect to developer recruitment:

- ✓ Generation of the initial list of developers essentially involves pre-qualification as developers sought should have experience doing similar projects as well as fiscal capacity. Thus, the research involves identifying developers through their projects. The most appropriate ways of doing this is through:
 - Contact with professional organizations that track creative development like the Council for Economic Development, the National Trust for Historic & Architectural Preservation, etc.
 - Tapping libraries associated with professional organizations that deal with unique situations like the American Planning Association.
 - Review of focused development publications.
 - Internet research based on “articles” about desired types of efforts from around the country.

The second type of recruitment indicated is that of **individual businesses**. The LPDD will continue to have limited staff and fiscal resources available for this as well. Therefore:

- ✓ Only limited activity can be expected, whether monthly or quarterly. The LPDD should establish priorities and allocate the limited resources accordingly.
- ✓ One group involved could focus on one component of recruitment at a time (specific retailers or restaurants as examples). Current property owners or management companies should assist in the process as well, focusing on others to be recruited or distributing the work load or development of the written materials. The amount of activity will largely be depend upon the allocation of staff and volunteer resources as well as the time of private property owners or management companies.

The third type of recruitment will be for **professional and service organizations** to serve the growing needs of residents of the area. The following is noted with respect to professional recruitment lists:

- ✓ The primary information can be generated from three primary sources. These are:
 - Professional associations.
 - Chambers of Commerce’s membership lists.
 - State regulatory agencies.
- ✓ It is not cost effective to dissect, pre-qualify or pre-select the professionals. Mass “mailings,” even if over time, will inevitably have greater cost effectiveness than any pre-qualification effort.

The fourth recruitment effort is associated with **establishing the niches for R & D activity**. There are three possible methods for pursuing research and development. The first method is to directly recruit individual companies through a coordinated, continual process identical to the process just described. The second method is to form a partnership or consortium. The third involves the second, but also involves bringing in outside expertise with a track record in the industry. A combination of the latter two is the preferred method.

Fundamental to R & D recruitment activity would be to establish a “blue ribbon” committee, composed of national or international business interests; State extension services; farm interests; the community college; Constellation Energy/Exelon Corporation; and other interests involved with related or other areas of research at the present time. .

This methodology and partnership, much like that which exists for Pax River, is suggested because:

- ✓ It can help with forming and solidification of a partnership between new departments of the Federal and State levels of government.

- ✓ It may help to expand local higher education opportunities and potentially give the LPDD greater visibility.
- ✓ It potentially brings in larger interests and dollars.
- ✓ It has staying power. (Often research, if and when it turns into product “development,” takes fifteen or more years.)
- ✓ It is likely to yield high levels of employment for highly skilled individuals in the future, increasing the potential to expand a “permanent younger resident” base and utilize the skills of an educated work force that exists.
- ✓ It will also open the door for additional service business activities to employ a range of residents of the LPDD.
- ✓ The approach has proven to be successful elsewhere and in similar circumstances, including locally.

Centreville, Mich. —

Trine University representatives will speak about their proposed partnership with St. Joseph County at 7 p.m. Thursday at the St. Joseph County Intermediate School District on Shimmel Road.

Community members may attend, along with the target audience of business leaders. It will mark the fourth time Trine leaders have visited St. Joseph County in recent weeks to promote a financial partnership. Trine is a private university in Angola, Ind. Thursday’s discussion is expected to explore the benefits to St. Joseph County economically and to local manufacturers and businesses.

While the committee/commission would define the scope of the effort, implementation would be greatly enhanced by the establishment of a relationship with an entity with a proven track record in taking the concept and bringing the R & D activity to fruition and commercialization. Research indicates that The Incubation Factory has a proven track record at doing precisely this. (Contact information - Bill Rowe, The Incubation Factory, bill.rowe@ incubationfactory.com, 314.450.5914.)

The Incubation Factory leverages a proven “Commercialization Platform” that utilizes industry experts, experienced executive management and network business professionals to identify, acquire, accelerate and launch new companies, accomplishing its mission to reduce risk, maximize opportunity, and shorten the time to maturity of new technologies by leveraging core strategies developed through nearly two decades of experience. The Incubation Factory serves as the “Commercialization Agent” worldwide. They remove many of the pitfalls with start-up operations by utilizing structured, proven processes that result in faster time to market, lower commercialization risk and high returns to technology partners. They:

- ✓ License high-potential technologies.
- ✓ Form companies around technologies.
- ✓ Build management teams with executives that possess requisite experience,
- ✓ Provide all requisite funding.
- ✓ Accelerate growth in the marketplace.
- ✓ Govern for market acceleration using specialized tools, people and infrastructure.
- ✓ Manage companies to maturity or successful exit.
- ✓ Fuel local economic development.

“Growing Our Own” Suggestions

No matter how successful recruitment activity is, the LPDD should go beyond that in an effort to assure that the District and particularly the Lexington Park section of the District has a unique character that is derived from the business establishments not simply physical enhancements. Much of that character will be a result of new activity being non-national chain businesses. Furthermore, both local employment and economic opportunity for current residents would be fostered. Even many chain operations today grow largely through franchising and not through “company owned”

locations. Creating new ownership for existing and new businesses and franchises through entrepreneurship is both an adjunct and an alternative to recruiting new activity.

An entrepreneurship program, with a possible apprenticeship, component serves several purposes for increasing business opportunities. It can be effectuated through community colleges; other area universities; local arts council connections with other areas; local, regional and national chapters of AARP; accountants and financial advisors in the County; and technical oriented higher education schools in the tri-county area. Relationships with the institutions could be established on a one-to-one basis or collectively through one catalytic institution.

Through the organizations or institutions:

- ✓ “Students” or participants can be identified with potential entrepreneurship profiles and interests. A “training” process could be developed that would include:
 - Certain business curricula courses.
 - An internship with introduction and at least part-time work while attending the program.
 - An apprenticeship of 1 to 3 years working and learning in the businesses if dealing with existing operations.
 - Purchase, with previous ownership staying on in some capacity for 1 to 3 years, where applicable and possible.
 - Creating new businesses at the culmination.
- ✓ Business scholarships to attend business management courses, acquire specific industry skills, or acquire entrepreneurship skills could be arranged through cooperative partnerships. These partners could sponsor student apprenticeships, assist with financial planning, assist with housing, sharing of needed equipment through incubator activity (if appropriate), and procure resources for the purchase and financing of businesses if dealing with existing operations and change of ownership or for start-up. Business scholarships would be provided to those who make a commitment to establish a new entity or purchase an existing entity and remain for a minimum number of years (such as 5 years).

Financing for existing operations may be through current owners “taking paper” as well as other consortium sources. It is noted that current owners of operations could also identify current employees with potential.

- ✓ There is a second way to spur entrepreneurship. This is through property owners and related investors/developers **foregoing short-term returns** for greater longer-term rewards. There are communities where interests arrange deals with entrepreneurs, offering dramatically reduced to virtually no rent for the first year; but with agreement to open the books of the business so that when certain revenue levels are reached, rents are paid based on normal percentages. When this is fostered and emerges in one geographic area, investment and new start-up businesses develop. In the short-term, income from the property is sometimes lower (unless currently vacant). However, the impact of the activity substantially modifies that formula quickly so that over a longer term rents rise above levels not likely to be achieved if only short-term return is achieved.

Additional Incentives and Tools

Incentives are for better or worse often a tool employed to stimulate economic development. Many quality tools that can be applied that are available and controlled at the local level are often key tools. These include:

- ✓ Control, use and pricing of utilities and utility hook-ups.
- ✓ Zoning regulations and expedited processing for desired projects.
- ✓ A “one stop” ombudsman process.
- ✓ Seeking long-term return on investment versus short-term return.
- ✓ Sharing of payment of off-site and on-site improvements.
- ✓ Provision or assistance with parking.
- ✓ The means of paying or contributing to infrastructure costs, such as special benefit or taxing districts and reallocation of resources to an area.
- ✓ Expediting capital budgeted projects.
- ✓ Utility rates and agreements.
- ✓ Cooperative training of a labor force for individual operations.
- ✓ Property tax incentives, including abatement and phasing of the investment in improvements.

Each impacts the “bottom line” of development or business operations. There is a tendency to forget the accumulated impact that the above can have in favor of simply the availability of state and federal financial injections into a project or projects which often have requirements that can hinder investment.

While many times the “financial injections” come from outside sources in many communities around the country, that does not have to be the case. There is an option which could have a positive impact on the LPDD. This would be to pursue an “Economic Development Capital Fund” in concept that is similar if not identical to the options which follow. It is noted that:

- ✓ Available private sector resources, if marshaled, will always be greater than public sector grant resources.
- ✓ The proposal is not based on a contribution or “angel” fund, nor is anyone asking to “donate money.” It is an investment mechanism like many others. The difference is that a portion or all funds would be invested in LPDD, thereby providing a direct return to the investor and an indirect or spin-off return to themselves and their community, whether they reside in, frequent, own property, and/or operate a business in the LPDD.

An Economic Development Capital Fund would be identical to any traditional “mutual fund,” with a few critical exceptions. The fund would be established by and part of any traditional brokerage or mutual fund manager, such as T. Rowe Price, Vanguard, a local investment firm, etc. Money is invested, not “given” to the fund. It can be removed by the individual investors after a set time frame or at any time and replaced by other investor funds. However, unlike other funds, either (a) a proportion of the earned income is “given” to a designated 501(c)(3) organization that would invest the money in economic development activity in the area; or (b) all funds would be used directly for such purposes. If partial dollars go to a tax exempt organization, the investors would get annual tax deductions for the contribution as well as the return on the remainder not given to the tax exempt entity.

If a portion of the funds would go to the tax exempt organization, the direct funds reinvested would be lower than in a traditional fund, but the total “return” is only marginally different because of the accrued tax benefit.

The illustration that follows assumes the tax exempt methodology with only a portion for the return or funds used locally for economic development purposes. In the illustration, a “capitalization” of \$1 million is used only for example purposes. These funds could come from individual investors, corporate interests, pension funds, private pension

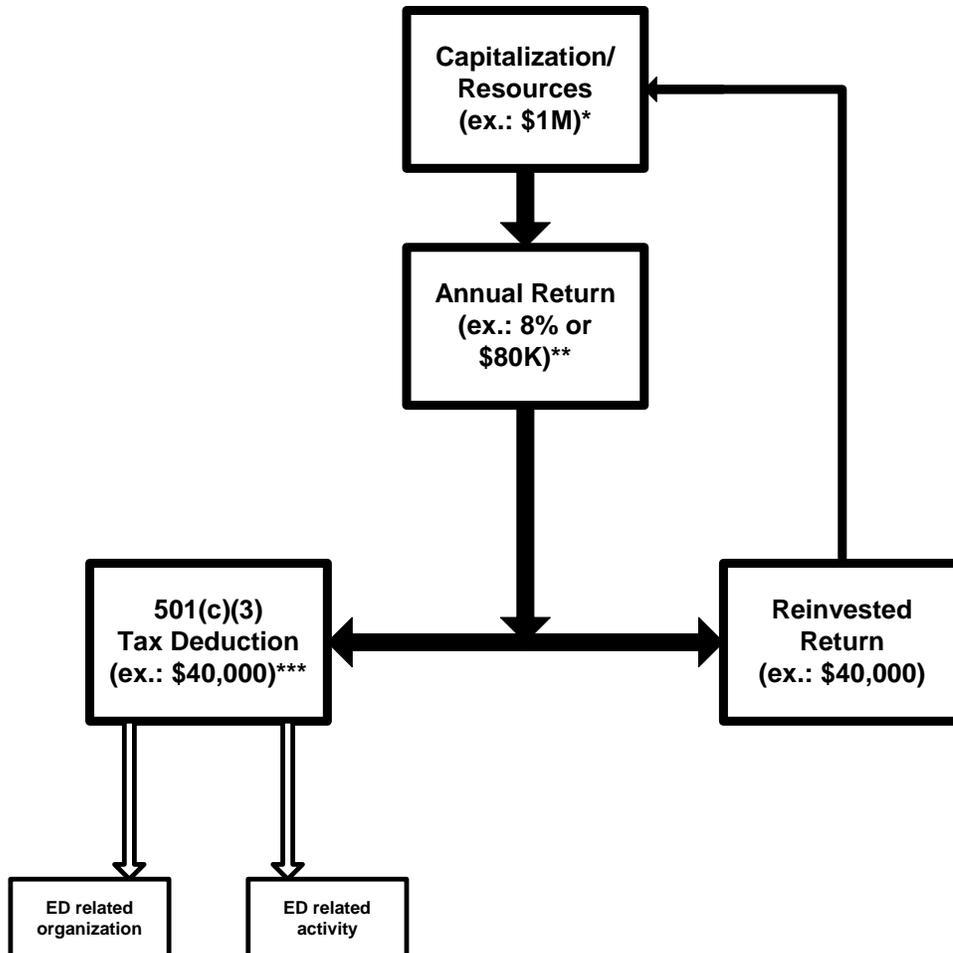
resources, etc. The fund could have a very low investment threshold, such as \$500, making it available to almost all segments of the population. The illustration assumes an annual return of 8%.

As stated above, this figure is conservative, well below returns recorded in the past fifteen years by managed funds. Assuming only an 8% return and a 50% split (could be any percentage or flexible or fixed proportion), \$40,000 would be earmarked for the non-profit, with the tax benefit of the contribution accruing; and the other one-half would be reinvested or returned to the investor. Capital could continue to accumulate, but the “gift” amount would hold constant in this scenario. Thus, the proportion of the return, but not the actual dollar amount “granted” to the non-profit of the total resources and earned income could diminish annually. The cap of dollars could be “set” from the onset, so that returns greater than 8%, if achieved, would resort in greater capital accumulation, not added “grants.”

The new resources could be used for a variety of purposes, including but not limited to any of the program elements, such as capitalization of small, entrepreneurial businesses, purchase of property; assistance with creating redevelopment; assistance with rehabilitation; assistance with financing the described apprenticeship program; etc.

The advantages are numerous and include being able to: seek long-term returns versus short-term returns on the investment; financing entrepreneurship that otherwise could no be financed; etc.

Economic Development Capital Fund



*Considered minimal initial capitalization amount. Amount capitalized grows annually based on reinvestment.