

MetroBusinessNet

Strong Regions. Smart Business. Vital Communities.

PowerPoint Presentation Talking Points

Business Anecdote 1

We all know what happened to the Bay Area's economy in the mid-1990s: it went through the roof. We all heard about the overnight millionaires and the 23-year olds driving Porsches. What we didn't hear a lot about was how the economic boom impacted low-income people throughout the region. As rents accelerated, many low-income residents in communities such as the Mission District in San Francisco and Marin City near Sausalito were displaced. Many hard-working residents saw their disposable income decline as the cost of living skyrocketed.

One major employer in San Francisco that did recognize the growing disparity was Bank of America. Through its Community Development Banking arm, Bank of America in San Francisco has made a tremendous commitment to strengthen communities in distress. The bank has made loans and investments of nearly \$5 billion in San Francisco as part of its 10-year, \$350 billion commitment to help strengthen communities nationwide. Helping low-income residents achieve their dream of home ownership is a crucial component of their strategy. The bank has delivered \$1.4 billion in mortgages to low and moderate income census tracts in California and more than 50% of these loans went to minority borrowers. These loans help stabilize neighborhoods while creating new, long-term customers for the bank.

Business Anecdote 2

Jim Morgan, CEO of Applied Materials – the world's leading manufacturer of semiconductor equipment – is redefining the role of the new corporate citizen. One of Applied's 11 Corporate Goals is: 'a long-term commitment to making a new meaningful social investment in every community in which we operate around the world.'

In 1992, Applied located its largest manufacturing facility in East Austin, TX – a predominantly low-income, Hispanic and African American neighborhood. As part of its corporate mission, the company made a commitment to hire as many East Austin residents as possible. As the economy heated up in the mid-1990s, however, a 'wealth gap' among Applied's employees became evident. Residents of East Austin, employed in lower-skill manufacturing jobs, were not eligible for the stocks and bonuses which were generating tremendous earnings among the facility's professional employees. In 2000, Applied launched a 10-year sustainable neighborhoods initiative to increase economic opportunity for East Austin residents through education, workforce development and community revitalization.

Business Anecdote 3

King Harris, CEO of Sensor Systems – a manufacturer of home security systems – faced the choice of moving his facility to Mexico or staying in the Chicago region. Harris was committed to Chicago and relocated the company to St. Charles, a suburb of Chicago. Shortly after the move, Harris observed that his employees weren't getting to work on time and that productivity was going down. His largely urban workforce was having trouble getting to work in the suburbs – many didn't have cars and there were no efficient public transportation routes to the facility. In addition, few employees could afford housing near the company. Harris detected a 'jobs-housing mismatch' and instituted an employer-assisted housing program in partnership with the Metropolitan Planning Organization. He also initiated the 'Metropolis Principles Commitment' – a commitment from over 100 of the Chicago region's largest employers to locate or expand business operations in facilities where employees can afford to live.

Common Themes

- What do these 3 stories have in common? In each case, business leaders have recognized the link between business competitiveness and a healthy region. They recognize that their bottom line is inextricably linked to the social and economic vitality of the region in which they operate.
- But lots of companies do good things in their communities – e.g., adopt a school programs, mentoring programs, philanthropic giving.
- What's different about the three CEOs we just described is the recognition that they can't solve these problems alone. They realize that their individual efforts aren't enough to transform the systemic regional problems that threaten business performance. These CEOs know that in order to impact the region's development they must work collectively toward a common vision with other business leaders.
- These CEOs are working through their regional business-civic organizations to affect regional change.

MetroBusinessNet

- MetroBusinessNet is an “action learning network” of business-based civic institutions that have taken the lead in organizing business leadership to address regional challenges that undermine optimum business performance. It is demonstrating how business leaders can work collectively through their civic organizations to improve the socio-economic environment in which they operate.
- Through MetroBusinessNet we are documenting the lessons these cutting edge organizations are learning about building regional business-civic capacity. The network meets twice a year to share experience and practice and to learn from national experts. We are developing a database of promising practices from these and other business civic organizations around the country.
- MetroBusinessNet is supported by the Ford Foundation and designed and run by FutureWorks, a private consulting firm.
- MetroBusinessNet is working with four leading business civic organizations from around the country:
 - Bay Area Council
 - Chicago Metropolis 2020
 - St. Louis Regional Chamber and Growth Association
 - Washington Board of Trade

These are all business membership organizations. Some of these organizations are Chambers of Commerce; others are business-driven public policy organizations. Some are CEO-only organizations; others are ‘big tent’ organizations. But they are all at the cutting edge of a new kind of business decision making and civic activism.

Regional Challenges are Business Challenges

In today’s competitive global economy, regional challenges are also business challenges. And increasingly, businesses are making operating decisions and supporting – even crafting – public policies that seek to remedy these challenges. And they aren’t doing it out of the goodness of their hearts. They are doing it out of concern for the bottom line.

Strong Regions = Smart Business

- Across the country, CEOs recognize the 'region' – not the city or town in which they are located – as their operating landscape.
- In fact, more than any other actor, business operates on a regional scale, drawing its resources and competitive advantage from what the region offers. All of these 'regional' factors have a profound impact on businesses' ability to operate efficiently. They are inputs to the production process just like raw materials are.
 - workforce
 - transportation systems and infrastructure
 - housing
 - schools
 - suppliers and business services

Vital Communities = Smart Business

- Smart businesses know that strong, healthy regions with vital communities are places where people want to live and work. Strong regions and vital communities are characterized by:
 - well educated population
 - vibrant central cities and neighborhoods
 - urban street life and nightlife
 - open space and parks
 - good public transit
 - ample housing choices for different income levels
 - good school systems
- Conversely, regions characterized by abandoned central cities, poor schools, sprawl, traffic/gridlock and exorbitant housing costs are less attractive destinations for talented individuals and the companies who need them. These metropolitan and regional problems are also business problems.

Examples of How Regional Problems Become Business Problems

Here are some examples of the ways that regional problems become business problems:

- **Escalating Housing Costs**

The median price for a single family home in the Bay Area is now slightly over \$475,000. According to the Bay Area Council, this situation is eroding the competitive advantage of Bay Area firms as they can no longer attract top talent to the region. More importantly, the Bay Area economy benefits greatly from its highly skilled workforce, which has helped firms in the region outperform companies in other regions.

- **Urban Flight**

St. Louis has been a city 'in decline' for many years. Between 1990 and 2000, the city population declined over 12% or by nearly 50,000 residents. This has had a negative impact on the quality of the existing housing stock in downtown St. Louis – resulting in many vacant lots and dilapidated building. It has also led to increased economic and racial segregation – as more and more middle class people move to the suburbs, lower-income city residents become more and more isolated from economic opportunity. This is not the kind of metropolis young people want to live in. Young people between the ages of 20 to 34 are leaving St. Louis in droves. Their population has declined by 15% in the past decade as they headed for destinations such as Austin, San Francisco, Boston and Seattle – cities with thriving culture and art scenes at their urban core.

- **Traffic Congestion**

The Greater Washington D.C. region has one of the most congested highway systems among major metropolitan areas in the country. According to data from the Texas Transportation Institute, two-thirds of residents say that traffic congestion has an impact on the quality of their life. Forty-three percent of residents are leaving for work earlier in the morning; 34% are spending less time with their families; 26% are taking more public transportation; and 28% are considering moving out of the region. This makes for stressed out and less productive employees.

Business Leaders are Problem Solvers

Solutions to these kinds of large, systemic problems require the collective energy and problem solving ability of the business community. Working through business civic organizations, business leaders can solve these regional and business challenges.

Business-Civic Organizations for the 21st Century

We are not talking about the closed-door, cigar-smoking, business-civic organizations of your father's generation. These are progressive, forward-looking institutions. All of these organizations work collaboratively – in partnership with community advocates, government and environmental groups.

The new wave of business-civic organizations are characterized by:

- multi-sector collaboration and partnership
- regional perspective
- research and analysis
- activist stance

Examples of Exciting/Innovative Initiatives from Business Civic-Organizations

Let us provide you with some exciting examples of how business leaders are tackling these challenges in their regions through participation in their business-civic organizations. And let us remind you, these strategies aren't philanthropy: they are 'win-win' strategies that strengthen the region *and* the bottom line.

- **Bay Area Council**

The Bay Area Council is a regional public policy organization representing the views of 250 CEOs from across the Northern California Bay Area. It is working in partnership with environmental, social equity and government groups to promote sustainable economic development in the nine-county region. A key strategy for promoting 'Smart Growth' strategies is the Community Capital Investment Initiative (CCII):

- Over \$100 million raised in private investment capital for a 'Smart Growth' Fund to make keystone investments in inner-city neighborhoods in the Bay Area
- Double bottom line investments – insure market rate of return on investment and social return to community in terms of jobs, housing and transit
- \$45 million raised for business equity fund – emerging market firms locate in target neighborhood and adhere to smart growth principals and employ community residents

Keystone projects of the 'Smart Growth' fund include:

- Ascend Housing (\$2.7 million investment) – this investment will facilitate the acquisition and rehabilitation of approximately 100 single-family homes in Alameda and Contra Costa counties which will be targeted to mostly low and moderate income residences
- King and Story Road (\$8 million investment) – located in San Jose in a Hispanic neighborhood, this is an intersection that will be developed as an approximately 285,000 square foot community shopping center. It will provide a wide variety of retail, restaurants and services to the local community. It will also provide permanent shop space to existing local merchants, which will allow them to expand their businesses and create new jobs for local residents.

- **Chicago Metropolis 2020**

Chicago Metropolis 2020 is a business-led public policy organization spun out of the Commercial Club of Chicago. It is documenting the cost to the business community of the 'jobs-housing mismatch.' The Boston Consulting Group estimates the cost to the region is \$200 to \$300 million in direct costs.

Employment opportunities in the Chicago region are moving to the urban periphery. This trend impacts groups differently. Middle class professionals can follow the jobs to the suburbs but low-income inner city residents can not. Exodus of employers from the city is isolating inner-city residents from job opportunities and further exacerbating racial segregation. Creating 'sprawl' pattern of development and destabilizing for region from a social perspective.

Chicago Metropolis 2020 has undertaken a systematic analysis of the 'jobs-housing mismatch' across the region to impress upon business leaders the importance of locating and/or expanding facilities in neighborhoods where employees can afford to live and/or in neighborhoods that are easily accessible by public transportation.

Chicago Metropolis 2020 is pursuing 1) a legislative housing strategy that would require each municipality to have a housing plan and address the issue of 'workforce housing'; and 2) a tax abatement program to promote housing near work.

- **St. Louis Regional Chamber and Growth Association**

Urban St. Louis is characterized by abandoned industrial space and vacant lots. St. Louis RCGA is a 'big-tent' regional chamber of commerce and is leading efforts to revitalize the region's urban core which has lost thousands of residents in the past 20 years. At the heart of the revitalization strategy is a biotechnology and life sciences 'Technopolis.'

The business community has raised \$30 million to assemble land and develop lab space; it has made the conscious choice not to locate the Technopolis in a Greenfield location; it believes this strategy will attract young people and talent back to city center; among other developments, a new transit stop is planned and along with a new career academy in bio/life sciences for students in adjacent low-income neighborhoods.

Conclusion to Presentation

- These are just a few examples of the way business leaders are working through their business-civic organizations to improve quality of life in their regions while simultaneously improving conditions for business operations.
- You have a role to play in shaping the future of your region as well. Working together with other business leaders through your business civic organization, you can improve the regional climate for conducting business and insure your competitive your advantage.
- How can you find out if the business-civic organizations in your region are at the forefront of this new business-civic activism?
 - ◇ Does it take a regional perspective?
 - ◇ Does it work in partnership with community advocates, government and environmental groups?
 - ◇ Is it addressing the interrelated issues of land use, transportation, affordable housing, workforce development and social inclusion?
 - ◇ Is it working to improve conditions in the inner city of the region?
 - ◇ Is it producing or partnering to produce sophisticated research and analysis on issues that affect business performance in the region?
 - ◇ Does it produce a regional index which benchmarks the region's performance across key indicators of performance?

To find out more about Best Practices for Building Regional Business Civic Capacity, visit our website at www.metrobusinessnet.net or contact us at FutureWorks.