

Economic Reinvention Through Diversification in the Midwest

A study by Monmouth College INTG 416 Students and Professor Robin Johnson
In conjunction with the Knox County Partnership for Economic Development
and the City of Galesburg



**Knox County
Area Partnership**



Monmouth
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Introduction

Global forces have recently caused a shift in the economy of many Midwestern cities, including Galesburg, Illinois. Our class has taken a close look at the reinvention process of 66 Midwestern cities that resemble the economic makeup of Galesburg.

City Selection

Working with the Knox County Area Partnership for Economic Development, the cities were selected for this project based on several criteria. First, location: All of the cities, except three in western Pennsylvania, are from the Midwest. Second, size: Cities are between 20,000 and 100,000 in population. Third, proximity to major metropolitan areas: Cities were selected based on distance from major metropolitan areas to allow adequate comparisons to Galesburg. Cities adjacent to major cities and suburbs were not chosen. Forth, University towns: major university towns were omitted. Lastly, the manufacturing threshold: Selected cities must have had at least 25% of their jobs in 1970 be in manufacturing.

Summary

Our goal was to find cities that made a conscious effort to reinvent their economies away from manufacturing to another industry. The data showed very few examples of industry-specific reinvention; instead, successful cities have made changes to more diversified economic bases. By probing the Midwest, we additionally came across smaller scale, innovative ideas, which are also included in this report. The result of this research will provide positive examples of cities for Galesburg to consider emulating that have utilized diversified reinvention of their economies and innovated to adapt and compete in a newly globalized economy.

Diversified Economies

Beloit WI, found on the Illinois-Wisconsin border, is a city in the middle of an ambitious reinvention strategy. Beginning almost 30 years ago, the city has concentrated on diversifying and attracting various industries present in the city. Advanced manufacturing, food processing, healthcare, logistics, plastics, real estate,

and value added agriculture are currently in, or are beginning to expand into, Beloit. Advanced metal work and fabrication, along with technology-driven green industry and assembly are present in Beloit's economy. Considerable effort is being put into the city to attract desirable industries and new businesses, including a development opportunity zone that's been established citywide. These businesses would be able to take advantage of state tax credits if their expansions meet certain criteria. The city is addressing issues in the community through active participation, including community driven initiatives to make them more competitive. The promotion of public health, housing solutions, and assistance towards higher education are being pursued in a dual strategy to attract and retain the targeted industries. Restoration of dilapidated and vacant buildings is used to open up space and attract people into the downtown area. A total of 88 buildings have been restored for use by new businesses, which generated 508 new jobs. A continuation plan of constructing residential homes near the downtown area to promote revival is also in the works. Promotional events to stimulate businesses downtown are in the process of or already being planned. Holidazzle is one citywide event marketing Christmas shopping. The conversion of Beloit's mall into a community and government office is also underway, with the transfer of the Beloit library, health department, and police station into the mall's vacant space. Last, the Greater Beloit Chamber of Commerce has launched a young professional's origination in a bid to retain and attract young workers into the community. This assistance will help newly arrived workers establish roots and increase community participation in the city.

Fond Du Lac, WI is a strong example of a city using diversification to improve themselves economically. The industries that were specifically listed as their targeted businesses are agribusiness, advance manufacturing, biomedical/biotech, energy, printing/publishing and transportation/logistics. Diversifying the city is the primary idea, with the cities relatively new information sector being ranked 20th out of 336 metros in the nation according to the Milken Institute's 2014 Best Performing Cities report. Some jobs included within the information sector are related to software development, research science, database administration, computer programming, data analysis, cybersecurity, and web development. The wages for these occupations range from approximately \$40,000 to approximately \$80,000 per year. City officials have indicated

they are focusing on reinventing other sectors such as information and aerospace technology. The main issue with bringing the industries into the city is finding the jobs that generate as much income as the manufacturing jobs did. Galesburg could model elements of Fond du Lac's diversification plan and target diverse well paying industries into investing and bringing employment into the city.

Based on statistics from 2014, **St. Joseph, MO** was ranked 16th among the top 179 Best Performing Small Cities according to the Milken Institute. Although they have not decided to reinvent themselves to a specific industry, they chose the route of diversification. St. Joseph's economy had been based in manufacturing since the 1970s. Since then, they have worked to grow the various sectors of manufacturing including: animal health and nutrition, skilled manufacturing, food processing, and logistics. Retail development is not included in their diversification plan, but the city has continued to focus on that industry, due to their desire to transform St. Joseph into a place where people want to live and work. In order to achieve this, St. Joseph has gone through a 20-year process of renovating their downtown. With tourism increasing and young people moving in, St. Joseph is beginning to see success from the renovation that began decades ago. St. Joseph's success can be attributed to their ability to promote business growth. The Economic Development Partnership of St. Joseph is continually trying to attract new industries as well as help their existing businesses. Tools that they use include state and local incentive programs with most of the benefit on the local level coming in the form of tax abatement on real and personal property.

Sandusky, OH is another example of an economy that has become more diversified since the early 2000s. Like Galesburg, Sandusky experienced a manufacturing decline at the turn of the century. Economic development teams have begun to pursue a diversified strategy by making policy changes to support the smaller industries in the community. Sandusky's economy is now centered on tourism and healthcare with a budding space technology industry and a smaller remaining manufacturing sector. Sandusky does benefit from some geographic advantages being located on the banks of Lake Erie, making tourism very viable. Cedar Point amusement park, Kalahari waterpark and resort headquarters provide thousands of seasonal and year-round jobs for the area. Sandusky has also focused its strategy to become a

healthcare leader; the city boasts the top healthcare facility in the area. A recent addition to the economy has been the opening of a NASA space testing facility. City officials hope this will develop the space industry further in the future. An innovative idea that Sandusky has implemented is the partnership with a neighboring county in its effort to brand the region as a tourist destination and attract visitors to a jointly owned convention center. After the fallout of manufacturing, Sandusky looked to not one industry to fill the void, but to multiple existing assets it could leverage to create an economy less susceptible to booms and busts.

Columbus, IN is also taking multiple approaches to reinvent itself. The city is looking into reinventing its downtown, and trying to beautify it for tourists. Columbus has put forth effort to establish a unique architectural style amongst neighboring communities in order to help attract tourism. The city also is looking at plans to put in a hotel, or more housing. They seem to defy a lot of the trends in their surrounding area, with a high GDP, decent weekly wages, and a growing population. It is clear that a diversification strategy is working for Columbus, Indiana.

La Porte, IN describes their economic reinvention strategy as community planning and redevelopment. After experiencing a recession in the 1980's with the closure of Allis Chalmers Company, La Porte had to turn their focus towards diversification. In doing this they have focused on their strengths including location, cost of doing business, and a workforce that makes things. This had led them to distribution, logistics, and manufacturing. They have focused on strengthening their manufacturing sector, which has led to new commercial opportunities for the city. Finally, La Porte has focused on entrepreneurship. They have set up programs to assist with planning, financing, and stabilization.

Additional Innovative Strategies

Improving Downtown Infrastructure:

A popular and effective way to grow a city's economy is to create infrastructure for commerce downtown. Many cities in this study have taken steps to improve the attractiveness of their economy by revamping the middle of town. The cities of

Mansfield, OH and **Jackson, MI** view the redevelopment of the downtown area as a way to attract young professionals to come and live in the city. Jackson has two other specific goals: have people invest locally by getting small businesses to move into the downtown to fill empty space and to innovate the city by keeping up to date with technological needs of the city. The **Rock Island, IL**, Economic Growth Corporation is starting the HOME Purchase Renovation program, which is designed to have the houses on the market be improved, so that they meet all the health and safety standards of the future buyers. In addition to housing the city is looking at investing in its Arts and Entertainment district of their downtown, commonly known as The District. This area of town is devoted to dining, art, nightlife, shopping, and services. **Dubuque, IA** started downtown renovations by building hotels and a brewery to attract tourists. Efforts continued when they started to build a new casino and movie theater. These changes have made a very positive impact on the economic environment; in early 2010 they had an unemployment rate of only 3.5% with 1,923 new jobs. **Michigan City, IN** is looking to invest in an art program in a beautification attempt to draw in tourism. The city wants to emphasize history and art to improve the look and feel of downtown and bring in new business.

Tourism:

Tourism has also been a key component to how some of the cities are choosing to diversify. Examples of this are **Monroe MI, Muncie IN, St. Joseph MO,** and **Sandusky, OH**. Each of these cities is looking to tourism to help their communities economically, and they are going about it in different ways to best exploit the resources of their particular area. Monroe, MI has a rich history such as being the home of General Custer and being the location of the Battle of River Raisin in the War of 1812. It is with this rich history that the city is attempting to attract tourism. Muncie, IN is supporting a \$450 million Mounds Lake Reservoir Project; the lake would help create more water resource, which has the opportunity to attract tourists. St. Joseph, MO uses its rich history and multiple museums that draw in tourists every year. Along with the 13 museums, St. Joseph is the home of 12 annual festivals. Sandusky, OH is home to Cedar Point amusement park, which has grown substantially in the past decade thanks

to supportive policies. Combining Cedar Point with Kalahari waterpark and resort and the natural beauty of Lake Erie have made Sandusky a very attractive tourist destination. It is also home to a convention center that is shared with a neighboring county. Sandusky has partnered with this county to combine branding and marketing efforts to attract visitors to the area and make Sandusky known as a tourism destination. Unlike some of the examples Galesburg does not have the benefit of being location next to a body of water, but much like Monroe, Galesburg has history behind it that could be leveraged to increase tourism in Knox County.

Education Reform:

Education reforms and programs were a common theme among a number of the researched cities. Although some of these cities did not fit the overall criteria of reinvention, they implemented innovative ideas that were focused on improving the education and providing new opportunities for their students. In **Zanesville, OH**, for example, the city planners have cooperated with Zane State College to build a state of the art center for science, technology, engineering, math, and medicine to provide local high school students with hands on experience that they can take with them to employment and life after graduation. The building will give high school students an area to innovate, design, and fabricate, while fostering critical thinking, technology, and manufacturing skills. Another city that has shifted its education focus to STEM-based education is **Fond du Lac, WI**. Fond du Lac is promoting STEM courses starting in early grades in order to allow their students to get ahead at a young age. **Neenah, WI** established a Manufacturing & Engineering Academy in 2009. Although it is still too soon to see lasting results, the academy provides a modern curriculum that is designed to help students excel in engineering and technology-related occupations. Neenah is also working in cooperation with public high schools, higher education institutes, and the private sector in order to increase the amount of engineers and improve the quality of engineers. Students at the academy participate in real-world problem solving and hands-on projects. In Neenah, the high school students have had the opportunity to speak with local manufacturing employers. Their goal is to train the students to succeed after graduation and keep the young talent in the area. Another example of a town that

has reformed education is **Muncie, IN**, which began an innovative early childhood education initiative with the goal of benefitting children in hopes that they will become talented and remain in the Muncie area.

Advanced Manufacturing:

Many cities we studied have managed to maintain manufacturing as a key component in their often-diversified economies. Manufacturing today, however, looks different than it did prior to global forces altering the market and taking traditional manufacturing jobs out of the Midwest. Advanced manufacturing in particular is being utilized by many cities in this study. **Beloit, WI**, for example, has sought advanced manufacturing industries such as complex technology-enhanced metal work, fabrication, and sophisticated green-industry assembly and testing. Another example of advanced manufacturing can be found in the city of **Oshkosh, WI**. This modern manufacturing has proven to be quite lucrative, as Oshkosh has been able to procure over \$30,000,000 in government and military contracts. Additionally, having skilled workers allows Oshkosh to actively recruit new business effectively; part of the greater economic plan for the city is to advertise their own workforce as one of many benefits to setting up shop in Oshkosh in order to attract more businesses to their city. **Danville, IL** has also maintained an advanced manufacturing economic base through policies and other tools used to attract or retain businesses such as an enterprise zone, CDBG direct entitlement grant dollars, and local workforce development programs. **Dubuque, IA** has taken a unique approach and is maintaining manufacturing with an environmental emphasis.

Conclusion

Our class examined a study written by the Milken institute, which focused on the best performing cities in the country in relation to job creation and sustainability. Nearly half of the cities that we researched were recorded on the top 179 list for small cities. This study uses newer data than the census data we had originally focused our research on. We believe that this study is a great example for Galesburg to stay positive with economic development and reinvention strategies. This specific study

would be helpful for Galesburg to look at in relation to all cities moving in a positive direction towards job creation and stabilization.

In a constantly evolving, global economic climate, cities are forced to adapt and continue to find new ways to innovate and reinvent. This study hopes to provide the city of Galesburg with an overview of strategies being used by other communities across the Midwest. Diversification is a trend which cannot be ignored. Many cities have utilized diversification to bring stability and growth to their economies. In addition to diversifying, this study revealed trends of innovative ideas, which could also be considered for improvement in Galesburg economy. Galesburg has assets to be leveraged, and many these ideas will provide a starting point to continue to capitalize on them.

Appendix

Education:

Neenah, WI: High school manufacturing and engineering academy

<http://www.postcrescent.com/story/news/local/neenah-menasha/2014/11/19/nhs-students-get-close-look-plexus/19214865/>

Kankakee, IL: Program designed for improving graduation rates

<http://www.kankakeecountyed.org/about-us/coalition-for-hope-and-excellence-in-education-chee>

Muncie, IN: BY5 initiative focused on early childhood education

<http://www.thestarpress.com/story/opinion/contributors/2015/05/02/collaboration-key-greater-prosperity-muncie/26740717/>

Ottumwa, IA: Focus on promotion of engineering and manufacturing to high school students

http://www.ottumwacourier.com/news/local_news/manufacturing-day-helps-students-explore-future-job-options/article_5bb62c2a-6de3-11e5-b3e8-b39c4b83eed.html

Small Factories:

Burlington, IA:

<http://blogs.desmoinesregister.com/dmr/index.php/2012/03/19/reprint-burlington-factory-town-seeks-to-remake-itself>

Downtown Renovation:

Michigan City, IN: Renovation of downtown into an arts and tourist attraction

<http://indianaeconomicdigest.com/main.asp?SectionID=31&subsectionID=352&articleID=81180>

Anderson, IN: Downtown renovation to attract younger people and businesses

<http://revitalizationnews.com/article/anderson-in-reinventing-downtown-to-be-friendlier-to-youth-businesses-pedestrians/>

Mansfield, OH: Downtown revitalization program

<http://www.chooserichland.com/images/StrategicPlan/2014>

Adrian, MI: Revitalize their historic downtown business district

<http://www.lenconnect.com/article/20140425/Business/140429327>

Jackson, MI: Downtown revitalization

<http://placemaking.mml.org/2014/10/09/jacksons-anchor-initiative-aims-to-revitalize-downtown/>

Winona, MN: Trying to bring arts & music to downtown area.

https://www.mcknight.org/system/asset/document/912/original/FFT_JUNE2015.pdf

Bay City, MI: Downtown revitalization

http://www.mlive.com/news/bay-city/index.ssf/2011/03/bay_city_businessman_tom_lapor.html

Housing:

Rock Island, IL: Program for renovating and improving existing homes

<http://www.rocksolidrockisland.com/program-helps-rock-island-homes/>

Altoona, PA: Reinventing housing and moving away from smokestacks

<http://fourtheconomy.com/forget-the-smokestacks-chase-the-housing-a-case-study-in-smaller-city-reinvention/>

Ottumwa, IA: City selling houses to make money

http://www.ottumwacourier.com/news/local_news/renovated-residences-helping-ottumwa/article_772c652e-9aa7-11e4-b194-5b7ca4279f12.html

Innovation:

Erie, PA: Innovation showcase to display the most innovative and creative ideas that their students are coming up with

<http://www.goerie.com/article/20140502/OPINION01/305029982/our-view-erie-can-reinvent-itself-with-more-inventors>

Mansfield, OH: Regional Talent Innovation Network

<http://www.mansfieldnewsjournal.com/story/money/2014/11/15/network-strives-help-shape-workforce/18573153/>

Marketing Campaign:

Muskegon, MI: Launched an image and marketing campaign to inform residents and visitors about what the area has to offer

<http://www.grbj.com/articles/82453-muskegon-launches-image-and-marketing-campaign>

Diversification:

Dubuque, IA: Diversifying their economic base while retaining a focus on manufacturing, focusing on downtown development and using creative planning processes

http://www.kenoshanews.com/news/reinvented_on_the_river_393266570.html
<http://www.bbc.com/news/magazine-15849841>

Danville, IL: Diversification including advanced manufacturing

http://www.commercial-news.com/archives/retailers-keep-fighting-amid-flux/article_7e9379bf-ac47-5a72-84d3-ead1a0a2fb14.html

Kokomo, IN: Reinvention through diversification

http://usatoday30.usatoday.com/money/economy/2011-05-08-uneven-jobs-recovery_n.htm

Redistribution:

Janesville, WI: Reinventing into a redistribution hub for major companies because of its location

https://www.washingtonpost.com/blogs/plum-line/post/federal-spending-is-helping-drive-recovery-of-paul-ryans-hometown/2012/08/12/941c5e2c-e493-11e1-8f62-58260e3940a0_blog.html

<http://www.gazettextra.com/article/20131215/ARTICLES/131219996>

<http://www.theokey.com/2012/09/02/biz-beat-paul-ryans-hometown-recovers-in-part-with-government-aid/>

Green Programs:

Dubuque, IA: Use inner city development and technological advances to create a greener, more sustainable future

http://www2.epa.gov/sites/production/files/2015-05/documents/competitive_advantage_051215_508_final.pdf

Interesting Model:

Wooster, OH: Named one of top 20 places to “settle down.” Has a small liberal arts college, like Galesburg, and might be a model for further research

<http://www.leaffilterreviews.com/top-20-places-to-settle-down/>

Best performing small cities research done by the Milken Institute:

<http://www.best-cities.org/2014/best-performing-cities-report-2014.pdf>