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Inside This Issue…

News & Views, published quarterly, is the newsletter of the Economic Development Division of the American Planning Association. We welcome articles, letters, suggestions and information regarding workshops and other educational opportunities for economic development professionals. Please forward your submissions by email to our Editor, Terry Holzheimer (address below).

Food Fights: Supermarkets Get Innovative in a Competitive Marketplace

by Jennie Gordon, Retail Development Manager, Arlington Economic Development

The food retailing industry has changed dramatically over the past several decades. Demographic changes, including an aging population, smaller households, and a more diverse and affluent population, are affecting buying patterns. As a result, new brands and formats are challenging the traditional supermarket's stronghold on the market, with recent articles in trade publications suggesting that sales by these once-impenetrable retailers, which accounted for 52 percent of the market in 2004, will comprise only 40 percent by 2013.

Competition is coming from all different directions. Supercenters and wholesalers have moved aggressively into food retailing, using

(*continued on page 3*)

Urban Safeway in Seattle, WA

Thoughts From The Chair

Ahh…autumn. Time to reap the harvest from all the hard work of the year. The richness and fullness of autumn are cyclical, reflecting the culmination of what we've accomplished. For us as economic development planners, it's a good time to reflect on what we've accomplished with solid evaluation. It wasn't that long ago evaluation wasn't a part of the e.d. lexicon — now it's crucial. To invoke the old adage, "we have to know where we're going in order to get there," we have to evaluate. Otherwise we find ourselves in "response" mode constantly, unable to step back long enough to figure out what works and why. Just a reflection of the season, and encouragement to use evaluation to understand the implications of your e.d. harvest!

Good news on the conference planning front — we are clear to offer ECONOMIC DEVELOPMENT 101, a special day long workshop to give an introduction to economic development planning. We'll let you know asap the time that this special course will be offered during the APA Annual Conference next spring in Las Vegas — a great opportunity to introduce new employees, colleagues in related departments and others to the dimensions of e.d. planning.

Finally, be sure to read our great articles in this edition. A nice assortment of trends in e.d., from banks to urban grocery stores to farmshoring. All newer and exciting options in economic development.

Best wishes for a great holiday season.

— Rhonda Phillips, AICP
rhonda.phillips@asu.edu

SUBMIT!

Deadline for the Winter Issue of

NEWS&views

January 15, 2008

In This Issue of *News & Views*

This issue of *News & Views* provides insight into two current retail issues faced by planners in many towns and cities. Both groceries and banks represent fundamental goods and services, but fitting them into urban retail districts may require some new planning tools. In addition, a new prospective response to the off-shoring of the economic base of rural communities provides food for thought.

The proliferation of bank branches on Main Streets throughout the Northeast and Midwest, at the expense of local merchants and residents, came to my attention through a press request from APA. My quick look at the problem through a search of recent news articles, and a new look at my own community, indicates that the place of banks in our business districts truly has changed. Communities in Massachusetts, New York and Illinois have used their zoning powers to address the negative effects of too many banks in too small an area.

Jennie Gordon's analysis of trends associated with grocery stores, especially in urban districts, was first presented at the APA Annual Conference in Philadelphia. Conventional suburban stores and superstores don't fit in many urban retail districts, leaving city and town planners to meet consumer needs with inflexible designs. Fortunately the demographics of "new" urban dwellers provide an incentive for retailers to solve the problem with some innovation and creativity.

Students and faculty at Virginia Tech have provided a fresh inquiry into responding to global outsourcing by suggesting instead the outsourcing to rural communities within the state. Their analysis of the economies of both sending and receiving areas brings an element of reality to the problem. The concept won a planning award from the Virginia Chapter of APA.

Finally, I received a request from a reader for an article on the linkage between economic development and new forms of alternative energy such as wind farms. Does any reader with expertise in this area of planning care to contribute an article?

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Food Fight, cont. from p. 1

their ability to operate with higher volumes to undercut competitors and appeal to price-conscious consumers. At the other end of the spectrum, specialty retailers have carved out niche markets in areas such as perishables, gourmet products, and hard-to-find ethnic foods. While supercenters and wholesalers market to the masses with huge inventories and discount prices, specialty stores use customer service and product expertise to lure in higher-end customers. Large format ethnic stores are growing in number and increasingly capturing market share in urban areas and communities with significant immigrant and minority populations. See Figure 1.

Traditional supermarkets are modernizing stores and reexamining their inventories in an effort to reposition themselves in the industry. See Figure 2.

Safeway is perhaps the most well-known example of this trend with the ongoing conversion of its existing stores into its "Lifestyle" format, which emphasizes quality and freshness and features a remodeled interior designed to foster a warm shopping environment. Recent sales figures suggest the strategy is working: in October 2007, the company announced its third quarter profits had increased by 12 percent, with a nod to the strong performance of its remodeled stores.

In addition to remodeling, supermarkets are also getting bigger, with the average store size increasing from 35,000

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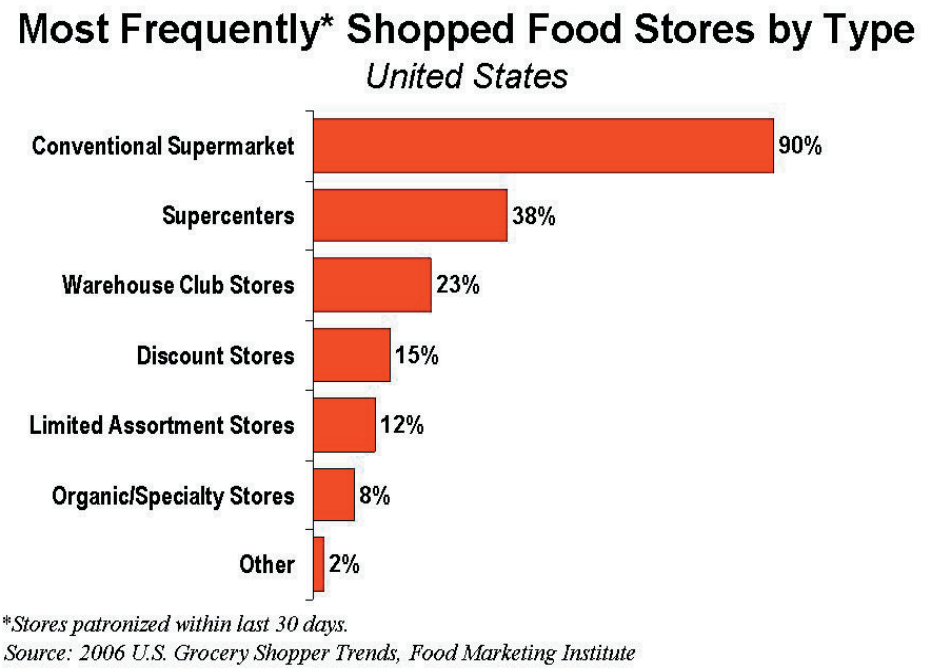

Figure 1: While traditional supermarkets still dominate the industry with 90 percent of shoppers having visited one within the past 30 days, other formats are gaining ground.

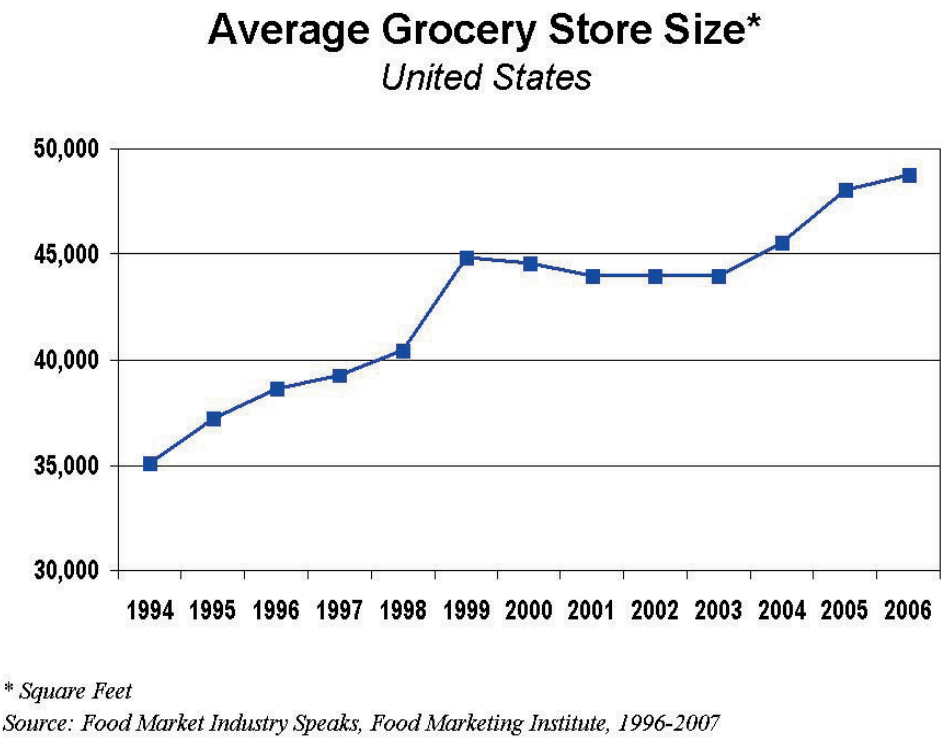

Figure 2

Food Fight, cont. from p. 3

square feet in 1994 to nearly 50,000 square feet today (with many new stores even larger). Hoping to stem a loss of sales to specialty stores, traditional retailers are embracing new product lines, including increased numbers of organic offerings and a broader selection of international foods. Supermarkets are also bolstering their prepared foods sections to counter the rise of people spending their food dollars at convenient and inexpensive take-out restaurants. They have added new services and amenities, including health clinics, childcare, in-store cafés, cooking demonstrations, dry cleaning – anything and everything to make things more convenient for customers and to keep them lingering longer (and spending more).

Although major food retailers have traditionally located in suburban areas, they are now being forced to respond to urban markets growing in both population and affluence. Urban areas are coming alive again as high-earning singles, young professionals, and empty nesters weary of suburban traffic and eager for convenient amenities return to major cities. Grocery stores hoping to capitalize on the return of these higher-income households are moving back along with them, but are finding they must adapt their traditional suburban models to be successful in the urban marketplace.

Developing a grocery store in an urban area has its challenges. While obtaining land in the suburbs is relatively predictable and affordable, urban infill stores can require costly and time-consuming land assemblage. In some situations a retailer might be able to take over an abandoned store or warehouse space, but then must face costs related to rehabilitation and possible environmental remediation. Parking is an issue — suburban stores generally rely on inexpensive surface lots, whereas urban locations typically do not have that luxury and must be creative when it comes to financing underground garages or rooftop spaces. Deliveries and refuse collection are also difficult to accommodate with limited space and potential neighborhood restrictions on hours of operation.

Not all the challenges of developing an urban supermarket are planning-and design-related. Obtaining favorable financing may be difficult, particularly if an area is still gentrifying and undesirable pockets remain. Whether or not the urban grocery store is in actuality more vulnerable to crime, there also may be a perception as such and a retailer may have to implement extra security measures to counter that image. According to a study published by the Brookings Institution, even the inventory of a suburban store cannot be shoehorned in urban markets, although in some cases for the better. For example, given that families with children are less likely

to live in urban areas, urban groceries can remove less profitable paper-goods items (e.g. diapers) and instead stock the shelves with more high margin specialty items that cater to busy professionals (e.g. take-out food).

To address these challenges and make urban stores economical, some major supermarkets are using creative design in partnering with commercial and residential developers to plan mixed-use projects with ground-floor grocery stores and offices or apartments/condos above. For example, a Safeway in Seattle, WA, added a truck delivery zone under the store to accommodate deliveries without disrupting street traffic. Built underneath a 51-unit condominium complex, the developer took extra care in routing ventilation and providing adequate sound barriers to prevent disturbances to residents. (See photo p. 1.)

While major supermarkets make design adjustments and get creative with inventory, smaller format stores and specialty markets are rapidly making inroads and carving out niches to serve the growing population

To make an 18,000 square-foot store work in Charlotte, NC, Harris Teeter reduced the size of its aisles and provided carts one-third smaller than the typical size. Rather than stocking large quantities of food necessitating more square-footage, the store receives more deliveries. Whole Foods' Portland, OR, location uses the ground floor and mezzanine level of a historic building for its store while office tenants occupy the above three floors. The store includes an underground parking garage with a passenger elevator and a vertical conveyer system for groceries.

Large format stores are not the only answer to food retailing in urban markets. Recognizing both the limited amount of available land for 50,000 square foot stores and consumers' growing desire for quality and convenience, a number of smaller-format grocery stores are carving out a niche for themselves. Rather that squeezing in Starbucks and the neighborhood dry cleaner, these retailers recognize that shoppers are willing to forego the maze of products and services at traditional large supermarkets for a quicker and more satisfying shopping experience. Trader Joe's, with an average store size of 10,000-12,000 square feet, is the notable example in

(*continued on page 7*)

Food Fight, cont. from p. 5

this category with nearly 300 stores in 23 states. These days, industry observers also closely watching Tesco, the UK's largest food retailer, as it opens the first 30 of 122 planned locations of its Fresh & Easy format by the end of 2007 in Southern California, Phoenix, and Las Vegas. At 10,000 square feet, the Fresh & Easy stores are five times the size of a typical convenience store and a fifth of the size of a traditional supermarket. They are intentionally designed to provide high-quality products, including a significant prepared foods section, in a quick and navigable layout. It is estimated that Tesco could have up to 250 locations by the end of 2008, generating annual sales of $4 billion within five years and capturing market share from existing retailer in markets where they operate.

Competition is fierce in the food retailing industry, and the new appetite for urban living has generated both new store formats and new operators to serve the largely young and affluent market. While major supermarkets make design adjustments and get creative with inventory, smaller format stores and specialty markets are rapidly making inroads and carving out niches to serve the growing population. With good planning and a little innovation, we shall never go hungry again.

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Calendar of Upcoming Events

January 9-10, 2008
Rescheduled US Shopping Center Law Conference
International Council of Shopping Centers
San Diego, CA
http://www.icsc.org/apps/meeting_display.php?meeting=2008LC1

February 14-15, 2008
Reinventing Retail: Community, Mixed-use, and Environment
Urban Land Institute
Wilshire Grand Hotel
Los Angeles California
http://www.uli.org/AM/Template.cfm?Section=Conferences&CONTENTID=110137&TEMPLATE=/CM/ContentDisplay.cfm

February 3-5, 2008
Leadership Summit
International Economic Development Council
Orlando, FL
http://www.iedconline.org/LeadershipSummit/index.html

April 13-15, 2008
Federal Economic Development Forum
International Economic Development Council
Alexandria, VA
http://www.iedconline.org/FederalForum/index.html

April 27-May 1, 2008
APA's 2008 National Planning Conference
American Planning Association
Las Vegas, NV
http://www.planning.org/2008conference/

From Icon to Kudzu — Banks Are Not So Welcome On Main Street Anymore

by Terry Holzheimer, Ph.D., AICP

Not so long ago, banks were icons, often the most prominent structures on Main Street, frequently resembling Greek or Roman temples. Many towns and neighborhoods had one or two of these structures; they represented stability, prosperity and permanence. Some of the nation's most prominent architects were called on to design banks: Louis Sullivan designed the National Farmer's Bank in Owatonna, MN; Howe & Lacaze brought modernism to Philadelphia with their PSFS building on Market Street; SOM is famous for the Manufacturers Trust Co. in Manhattan as is Perkins + Will for the First National Bank of Chicago; and more recently Frank Gehry brought new style to the World Savings and Loan Association in North Hollywood, CA.[1] However, the last decade has brought many changes to the banking industry; the buildings that once anchored America's Main Streets have proliferated and no longer occupy the same standing in American business districts that they have had for a century or more. What brought about these changes, and how have they affected retail districts within communities?

Industry Trends

Beginning in 1995, the Reigle-Neal Interstate Banking and Efficiency Act eliminated restrictions on interstate banking,[2] setting off a wave of mergers and acquisitions that sharply reduced the numbers of large banks with a national reach. There were some 1,700 bank mergers in 1998 and 1999 alone. Gone were names such as NationsBank, First Union, and Mellon Bank. Local and regional banks disappeared as well. In Washington, D.C., Riggs Bank was the dominant landmark in Georgetown from 1840 until 2005. American Security Bank had advertised itself as "right on the money," which it was, sited across Pennsylvania Avenue from the U.S. Treasury. There was no longer any brand continuity in banking; consolidation became the name of the game.

This bank has been the iconic center of Georgetown for decades.

One of the purported reasons for this consolidation was cost savings resulting from economies of scale. Duplicative branches could be closed and employees and payrolls shed. In addition, banks pushed customers to use less expensive forms of transactions such as direct deposit, online banking and automated tellers, often charging fees for face-to-face transactions. Online banking grew to 33 percent of all transactions by 2006. Bank names and their personnel changed so frequently that banking customers often lost their personal connections to the banks.

Banks Not So Welcome, cont. from p. 8

Early in the new century things began to change again, as intense competition for customers among fewer banks escalated. Nationwide, banks opened 2,765 branches in 2003 and 2004. Old Illinois laws that restricted branches were relaxed and the Chicago metro area alone saw 488 branches open in the same 2003-2004 period. Banks recognized the marketing value of a physical presence in a community, and branches grew by 50 percent in Chicago, 41 percent in Manhattan, and 20 percent in Washington, D.C.

As the growth of new bank branches surged, communities have begun to feel overwhelmed by their proliferation. In Rye, New York, 8 banks are clustered within two short blocks of one another. Naperville, Illinois has 56 banking sites in a city of 128,000 people. In Washington, D.C., there are 22 banks on a 10-block stretch of K Street, and 13 more along the six blocks of Connecticut Avenue between K Street and Dupont Circle. In Lincoln Park, Illinois, a Chicago neighborhood, there are 10 banks within a half mile along Clark Street and in 2004, three new banks opened on a single block. Retail areas were becoming saturated, with branches of the same bank sprouting up in sight of each other.

Negative Impacts

This overpopulation of banks is the source of negative impacts in many business districts. Banks take up prime retail space and displace businesses more desired by consumers, such as restaurants and shops. The lack of pedestrian traffic, fewer customers than traditional retailers, coupled with limited hours on nights and weekends, hurts adjacent shops. Additionally, banks don't pay sales taxes; when they supplant a retail business they cost the local and state governments revenue. And yet, banks often compete for the most prominent and visible location on the street, especially the corners.

The very design of banks can be antithetical to retailing. "In New York, you have these huge branches that are a block long, and you walk by and won't see more than three customers," said Kevin Fitzsimmons, a banking analyst.[3] Bank buildings can create long stretches of street with no entry and no window visibility, dead zones in the pedestrian environment. "You don't window shop a bank" as one critic put it.

The shuttered façade of this bank kills two full street faces in a vibrant business district.

Stand alone banks are especially problematic. They have design aspects — especially drive-throughs — that limit their convertibility to other uses. Further, the stand alone bank in an urban retail district often gets in the way of redevelopment. Banks are frequent hold-outs in land consolidation for redevelopment because the new construction would cause them to lose their drive-through, in itself a suburban manifestation. And if a former bank building is converted, it often has limited use for other retail purposes. "With the exception of a jewelry store, there's not a lot of demand from retailers for a space where a good chunk of it is taken up by a cast-iron and concrete vault."[4]

Bank design itself has also lost its iconic grandeur, becoming banal and generic. Branches have become "McBanks," with many of the same characteristics as fast

(*continued next page*)

Banks Not So Welcome, cont. from p. 9

food emporiums. Drive-through tellers and ATMs can be hard to differentiate from hamburger and chicken wing drive-throughs. "Now banks want to look like Starbucks, not the Parthenon," commented one architecture critic.[1]

Regulatory Responses

Populist efforts to stop additional bank branches have emerged in communities from Massachusetts to New York and Chicago. For example, in Concord, Massachusetts citizen and merchant protests prevented a large national bank from getting a special permit from their Board of Zoning Appeals.[5] Concord has since proposed new regulations that would require a special use permit for any financial or business office proposed for the ground floor. The proposed use permit provides that specific criteria including traffic, impact on the neighborhood, and the financial effect on town services be considered.

Other communities have specifically responded to the recent proliferation of banks using their zoning authority. Bronxville, New York passed a zoning restriction that prohibits branch banks on the ground floor of buildings in the retail district. Scarsdale, New York restricts banks from the village center entirely. Buffalo Grove, Illinois has enacted a 6-month moratorium on new banks. Westwood, New Jersey eliminated drive-throughs as a permitted use. Lake Forest, Illinois regulates design so that banks can be turned into stores if a bank closes through a special use permit that covers both design and materials. A new Chicago law requires a special use permit if a bank is located within 600 feet of an existing bank in an area designated as a "pedestrian retail street."

Banks are not yet in the same planning and zoning categories as strip clubs and adult bookstores, but as communities begin to grapple with the negative externalities that do result from too many branches too close together and in locations that do harm to other merchants, additional regulatory efforts may result. Banks are transitioning from being viewed as icons to kudzu in many business districts.

Endnotes

[1] The idea for the title and the architectural history content was taken from an article by Blair Kamin, Chicago Tribune architecture critic, C*hicago Tribune*, February 23, 2005, p.1.

[2] See Jens Hagendorff, Michael Collins and Kevin Keasey, "Bank deregulation and acquisition activity: the cases of the US, Italy, and Germany." *Journal of Financial Compliance and Regulation*, Vol.15, No. 2., 2007.

[3] See Paul Swartzman, "Residents Fear Bank Boom is Leaving D.C. None the Richer," *Washington Post*, October 15, 2007, p. A01.

[4] See Sheila Muto, *Wall Street Journal* (Eastern edition) "A Retailer's Lament: Influx of Bank Branches," February 23, 2005, p. B1.

[5] See two articles from the *Boston Globe* on this and the items following: Megan Woodhouse, "Bank branches taking root, to the concern of many; critics say their proliferation due to market demands," September 6, 2007 p. 1 and Jennifer Fenn Lefferts, "Citibank drops its plans for downtown storefront," October 14, 2007.

Welcome to Our New Members…

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Noah A. Bernstein	New York, NY
Denise E. Cromp-Malone AICP	Boynton Beach, FL
Mark A. Cunningham AICP	Mulberry, FL
Kirby Date AICP	Cleveland, OH
Edward Dietrich	Ft. Mitchel, KY
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Hadley M. Fisher	New York, NY
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Matthew Lamantia	Columbus, OH
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Jonathan Stern	San Francisco, CA
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Adam Sworden	Naperville, IL
Marcell R. Todd	Detroit, MI
Nishith Trivedi	Virginia Beach, VA
Pamela Veshia	Dallas, TX
Sharon E. Williams	San Luis, AZ

Farmshoring in Virginia

by Heike Mayer, Ph.D and John Provo, Ph.D.

Offshoring — the relocation of jobs overseas — deeply affects our communities. For some time firms have relocated manufacturing activities and services to far-flung places like India or China. Jobs in established industries are lost and affected regions, often rural in character, struggle to restructure their economies. Other regions, frequently more urban, see concentrations of jobs develop that far outstrip their available labor supply.

However, lately firms are not just looking overseas, but to low-cost communities in rural areas in the United States. Opportunities in *domestic outsourcing* or *farmshoring* are driven by needs like lower costs, data security, skilled and stable labor forces, and geographic constraints. Firms are building the business case for "going to the farm," moving work to rural areas. The Commonwealth of Virginia has recognized the opportunities and incorporated these concepts into its statewide economic development program.

Virginia Tech has also played an integral role in deepening the understanding about farmshoring and its potential to link urban and rural economies. *Farmshoring in Virginia* summarizes research conducted by Virginia Tech faculty and students from the Office of Economic Development and Urban Affairs and Planning program about opportunities and challenges in domestic outsourcing.

The study was conducted in partnership with a number of clients. Among these were the Virginia Economic Development Partnership and economic development agencies in the cities of Alexandria, Galax, Harrisonburg, Martinsville, and the counties of Arlington, Carroll, Grayson, Henry and Smyth.

What is Farmshoring?

Outsourcing may not mean shifting work overseas. Firms take a variety of approaches in response to competitive pressures from the global economy. The internationalization of work through outsourcing is simply one of many strategies. Domestic outsourcing or farmshoring can provide advantages when business activities may suffer in a distant location. There are various ways to take advantage of outsourcing in the domestic context. For example, firms can outsource to home-based employees. This is referred to as "home-shoring." The discount airline JetBlue devised an innovative reservation system and employs home-based employees in Salt Lake City, Utah. In doing so, the company avoids costs associated with real estate and office maintenance thereby lowering costs and benefiting from the same cultural context, language and manageable time zones. Other terms such as off-sourcing and in-sourcing describe work that is provided at the job site or at another company's site. These sites are typically in the same geographic region. (See Table 1).

Farmshoring represents a new type of domestic outsourcing and refers to the shift of business activities from an urban to a rural location. It benefits from the absence of cultural and language barriers, foreign laws and regulations, political uncertainties, or multiple time zones. Rural areas are typically lower cost. They also have a stable and loyal workforce, less congestion and traffic, and a different quality of life. That quality of life may also appeal to rural expatriates who can be found in the workforce in many metropolitan areas. Increasingly customers and contractors are concerned with issues associated with privacy and security. Privacy, for example, is an important concern when business services related to medical information are outsourced. Countries like India or China may have only lax or poorly enforced laws for the protection of personal data and privacy, important considerations when firms contract out activities such as medical transcription, radiology. Data security is another major concern. In addition, government security clearances are required for most defense-related contracting, which is a key activity in Northern Virginia.

The Virginia Tech Study

In August 2006, students and faculty in the Economic Development Studio at Virginia Tech started to examine issues related to farmshoring and linking urban and rural economies in the Commonwealth of Virginia. The project followed on the heels of a new economic development initiative in the state. The *Distributed Services Initiative* (DSI) is a program undertaken by the Virginia Economic Development Partnership (VEDP) to market Lynchburg, Harrisonburg, Blacksburg and Danville as locations for domestic outsourcing to companies located in Northern Virginia.

Drawing on existing research into outsourcing, student teams developed a set of underlying criteria for do-

Farmshoring in Virginia, cont. from p. 11

Table 1. Typology of Outsourcing

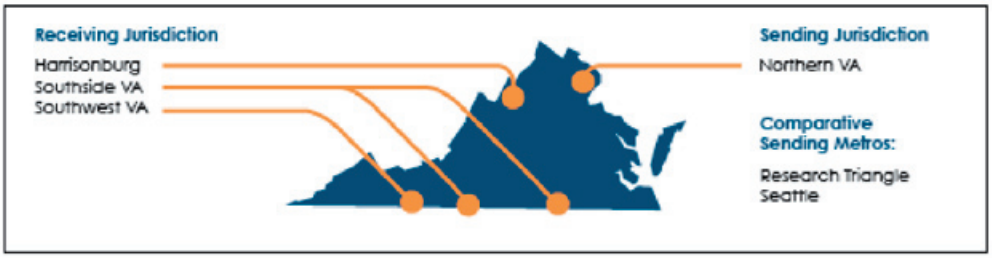
Geographic Scope	Type	Definition
Domestic	Home-Shoring	The provider company contracts or employs workers who are based in their own homes, as part of a virtual call center. *Example: JetBlue outsourced reservation system to home-based employees in Salt Lake City, UT*
	In-Sourcing	Work that is provided on a work site by a company contracted to provide services or business functions previously done by the contracting company or government agency. *Example: Contractors working within federal government agencies*
	Off-Sourcing	Offsite relocation of work to another location of the same company. It can also mean offsite outsourcing of work to a contracted company that is located in the same geographical region. *Example: Federal government agencies contracting with the private sector*
	Farmshoring	Work is outsourced to a rural area in the same country. *Example: CGI-AMS and Northrop Grumman in Lebanon, VA*
International	Near-Shoring	Work is outsourced to another country geographically close to the location of the company. *Example: AOL opening a customer contact center in Canada*
	Off-Shoring	Work is outsourced to another region of the world. *Example: Fabless semiconductor firms in Silicon Valley outsource manufacturing to so-called foundries in Taiwan*

Source: Adapted from Gurstein (2005)

mestic outsourcing. Their further analysis of occupational characteristics and industry demand was conducted through research into three case study regions (sending jurisdictions). These included the metropolitan statistical areas of Washington D.C., Seattle and Research Triangle Park. Seattle was selected because the region is home to industries such as aerospace, software, and biotechnology that might benefit from outsourcing to Virginia. In contrast, we selected Research Triangle Park (RTP) because of its proximity to Virginia jurisdictions in the Southwest and Southside, which might be suitable to industries considering outsourcing. The receiving jurisdictions in the Shenandoah Valley, Southwest, and Southside Virginia were examined much as VEDP's DSI communities, with an eye towards the strengths, weaknesses, opportunities and threats they offer industry interested in farmshoring. See Figure 1.

(*continued next page*)

Figure 1



Farmshoring in Virginia, cont. from p. 12

Our Findings

Examining the potential for farmshoring in diverse urban and rural areas in the Commonwealth of Virginia, we concluded that rural communities will benefit from job creation and new investment. At the same time, jurisdictions currently hosting businesses interested in outsourcing can find a silver lining in farmshoring as efficiencies gained through farmshoring within the same state strengthen firm ties to both locations. One example is the recent decision by two firms with other operations in the state to locate 750 high-paying information and communications technology jobs in Lebanon, a town deep in rural Southwest Virginia.

We conducted a market analysis detailing industry and occupational dynamics, as well as the strengths and weakness of urban and rural regions in the Commonwealth of Virginia. Specifically we were looking for their potential to send and receive economic development and business activities that are subject to outsourcing pressures.

We concluded that for a number of industries this domestic outsourcing, or farmshoring, can play an important role in connecting urban and rural economies to the benefit of both. Industries benefiting from farmshoring can be classified into industries that are export-oriented or have endogenous development potential in rural areas. We scrutinized the following industries with potential for farmshoring:

Export-oriented industries:

- Aerospace;
- Information Technology;
- Electronics Manufacturing;
- Health Care Information; and
- Biopharmaceuticals.

Industries with endogenous development potential:

- Specialty agriculture and organic food production
- Wind Power

In analyzing and selecting the industries we considered industry growth, industry concentration as well as the industry's share of high-skilled and low-skilled professions, their scale of employment (large and small firms), and the nature of the industry (either new economy or traditional industries).

We analyzed the share of occupations at risk within industries that are highly concentrated and growing in the Washington, D.C. region. Industries with the highest percentage of occupation at risk were primarily in the information technology sector. Almost one third of the occupations that make up the computer systems design and related services sector (NAICS 5415) are at risk of outsourcing. Other sectors with high shares are data processing services, legal services, and management, scientific and consulting services.

In a second step, we conducted a SWOT analysis for the selected receiving jurisdictions. Detailed case studies of low-cost areas in Virginia illustrate that each rural jurisdictions has a different set of opportunities and barriers. The Shenandoah Valley for example benefits from its proximity to the Washington D.C. region and the presence of a major university (James Madison University). The area has received attention from information technology firms interested in setting up back office functions outside the so-called "blast zone" that surrounds Washington D.C. Southside Virginia, in contrast, faces workforce challenges. To mitigate these challenges, the region, however, can leverage its location assets. Southwest Virginia faces a different set of issues, but the region has been innovative regarding the use of culture, heritage and information technology infrastructure.

Our study concluded that:

- Farmshoring is not just about seeking out low-cost locations in rural areas and redistributing economic activities.
- Farmshoring can increase business efficiencies in urban areas.
- Rural areas must offer firms a value proposition that goes beyond lower costs.
- Virginia's rural communities offer unique assets that go beyond simply a cheap location.

We further made recommendations including the following:

- Virginia needs to create links and interfaces between urban and rural communities. The state's economic developers and policymakers need to continue to play the role of matchmaker and intermediary between communities. They also need to help build leadership capacity in communities to address these opportunities.
- Jurisdictions in urban areas like Northern Virginia need to understand their industry sectors and the opportunities that exist to increase firm efficiencies through farmshoring.
- Rural communities need to realize that farmshoring will not be the silver bullet for their revitalization efforts. They need to engage in and support "place-making" to address quality of life issues.

Farmshoring in Virginia, cont. from p. 13

Community-Based Learning & Economic Development Research

This project represents an innovative exercise in thought leadership by the university in economic development policy. We initiated this project with a unique consortium of clients who otherwise lacked a venue for connecting on this issue. Their geographic and institutional diversity allowed us to conduct our study under natural experimental conditions that give us great confidence in the results.

We also integrated this project with a university graduate studio course in urban planning, strengthening our internal planning curriculum through community-based learning and partnerships. The course was taught in a highly innovative format, engaging students and faculty and two campus locations in different parts of the state. Regularly utilizing web conferencing technology for class and client meetings allowed the students to engage in a project at a statewide scale, atypical for that field of study. In fact, it was recognized as Student Project of the Year by the Virginia Chapter of the American Planning Association.

The project has raised awareness of the potential for farmshoring around the state of Virginia. The clients are participating in designing a conference which will develop further detailed areas for implementation steps in areas such as human capital and entrepreneurship with a broader circle of economic development stakeholders. Requests for presentations on the project have come in from groups as diverse as the Future of Rural Virginia Conference, Northern Virginia Technology Council and the State Science and Technology Institute. One of the clients, a new regional authority, is using the study as the work plan for their first staff position. Others have asked The Economic Development Studio @ Virginia Tech, to look at innovative approaches to labor market research suggested by Farmshoring in Virginia. Economic development practitioners from around the state are convening this fall to discuss these and other opportunities.

If you are interested in the summary report and the technical documentations, you can download them on Virginia Tech's Office of Economic Development website: http://www.econdev.vt.edu/clients_projects/farmshoring.html.

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