



GASTON COUNTY ECONOMIC DEVELOPMENT COMPETITIVE POSITIONING & ORGANIZATIONAL DELIVERY ASSESSMENT

Consultant Report & Recommendations

Project Oversight Committee

Commissioner Jack B. Brown

Commissioner Allen R. Fraley

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ECONOMIC
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Executive Summary

In September 2019, Gaston County contracted with Economic Leadership, LLC, of Raleigh to conduct an Economic Development Competitive Positioning & Organizational Delivery Assessment.

Economic Leadership reviewed the County's recent performance, examined county-specific and comparative data, and conducted intensive stakeholder outreach.

Our findings confirm earlier public statements that the County is experiencing a period of growth and opportunity and that many stakeholders are ready to collaborate toward a community strategy. We also believe there are important steps that the County and its partners can take toward building a more robust and aligned economic development approach.

Our work has resulted in a set of recommendations for Gaston County, which have been reviewed and refined by the Project Oversight Committee. We have compiled the Recommendation Timeline below based on our findings. The research and experience that led us to these recommendations are spelled out in the longer report.

Recommendation Timeline

January-March 2020

- ✓ Create a Community Dashboard of Indicators to be prominent on County and other websites.
- ✓ Strengthen countywide economic development efforts by applying the "checklist for high-performance organizations" included in this report.
- ✓ Continue discussions about organizational and strategic alignment through County Manager outreach
 - To City/Town Managers via regular quarterly meetings
 - To the Chairs and Directors of the EDC, the Chambers and GGDC to discuss the perceived confusion created by the existence of multiple organizations and the potential for collaboration and improvement
 - To individuals named as potential leaders by stakeholders to begin discussion of long-term 20-year community strategy
- ✓ Establish core issues for a 2-year Economic Development Action Agenda– utilize knowledge from industry cluster mapping, etc. to build on strengths and understand the potential to target other industry clusters that may not be strong now
 - Maintain excellence in core recruiting efforts (manufacturing, etc)
 - Fill vacant staff seats to complement existing skill sets
 - Plan and conduct EDC Staff retreat followed by Board retreat

- ✓ Improve and systemize communication efforts issuing a regular update from the County Manager's Office or EDC to stakeholders and the community, and begin with communication about the outcomes of this assessment
- ✓ Develop Cost Benefit Analysis Templates for office, flex and industrial buildings with various sector companies and wage levels

April-June 2020

- ✓ Complete the short term Economic Development Action Agenda with appropriate metrics
- ✓ Complete an On-line Reputation Audit (an audit that will help the County understand how its brand and image are represented online and in social media)
- ✓ Initiate comprehensive economic development training for public and private stakeholders
- ✓ Determine leadership structure for 20-year community strategic planning effort
- ✓ Work with various organizations to develop a best-in-class Young Professionals' group

July-December 2020

- ✓ Implement the 2-Year ED Action Agenda
- ✓ Kick off 20-year community strategic planning effort, aiming for completion 12 – 18 months after kickoff

We caution against expecting a single aligned vision and lock-stepped leadership. From our stakeholder contact we heard clearly that different stakeholders have very different visions for what Gaston County, the individual cities, the private sector and all other stakeholders should be doing.

These challenges aside, we believe that a professional planning process that results in an action agenda for multiple stakeholders is very important to the county's future success. We also believe that the engaged stakeholders can get agreement on many issues and that there can be a positive outcome.



Gaston County Competitive Positioning & Organizational Delivery Assessment

In September 2019, Gaston County contracted with Economic Leadership of Raleigh to conduct an Economic Development Competitive Positioning & Organizational Delivery Assessment. Over the course of eight weeks Economic Leadership staff has

- completed three meetings with the Project Oversight Committee,
- conducted an economic review of the County's recent performance,
- developed a targeted industry cluster analysis to identify current and future sector strengths,
- conducted phone interviews with three dozen stakeholders identified by the Oversight Committee,
- held five well-attended focus groups with additional stakeholders (45 attendees),
- and developed and conducted an electronic survey that was completed by 80 stakeholders.

Background

Earlier this year there were exchanges between the Gaston County Board of Commissioners and the leadership of the Greater Gaston Development Corporation (GGDC). The Gaston Economic Development Strategic Committee (GEDSC) was formed and chaired by Tracy Philbeck, Chairman of the Gaston County Board of Commissioners, and Greg Botner, Chairman of the GGDC.

The committee met seven times over a four-month period and on August 13, 2019 the GEDSC presented a report to the Gaston County Board of Commissioners. Their work resulted in a broad definition of economic development as “the creation of places where people want to invest, work, live and thrive.”

The committee felt that Gaston County was at a major “inflection point” and “future economic opportunities will be much greater than in the recent past”. The committee also concluded that the “emerging economic momentum and opportunity was at risk” and that lack of a unifying, county-wide economic development strategy contributed to that risk.

The committee report recommended specific strategic objectives that included: pay for performance, a focus on metrics, broadened recruitment, unifying and aligning activities, enhanced marketing, and conducting an organizational review. The report also recommended contracting with an outside consultant to take the next steps.

A project Oversight Committee was established to ensure that this report addresses:

- Identification and definition of the **target market(s)** with the best potential for successful economic development for the County;
- Recommendations for a set of basic **metrics** for measuring progress toward economic development goals, and/or for a route to establishing such metrics;
- Recommendations for **effective utilization of the County's shared economic development resources**, including:
 - The **roles and responsibilities** of the various organizations and agencies promoting economic development;
 - The **staff and governance** structure of these organizations and agencies;
 - A **collaborative model** capitalizing on the strengths of each organization/agency in unified and aligned activities to achieve successful outcomes for the County;
 - A **funding and leadership model** that adequately supports the structure.

Consultant Preliminary Findings and Recommendations

It is commonly understood that Gaston County has faced many economic challenges in recent years due to globalization and a rapidly changing national economy. At the same time, North Carolina is consistently rated as one of the most business competitive states in the country and the Charlotte MSA has witnessed explosive growth and national acclaim. This has resulted in opportunity and optimism for Gaston County's future, but also a growing sense that the County could and should be doing better. One of the clear messages, consistent with almost all stakeholders, is that now is the time to take specific actions to seed a more prosperous future.

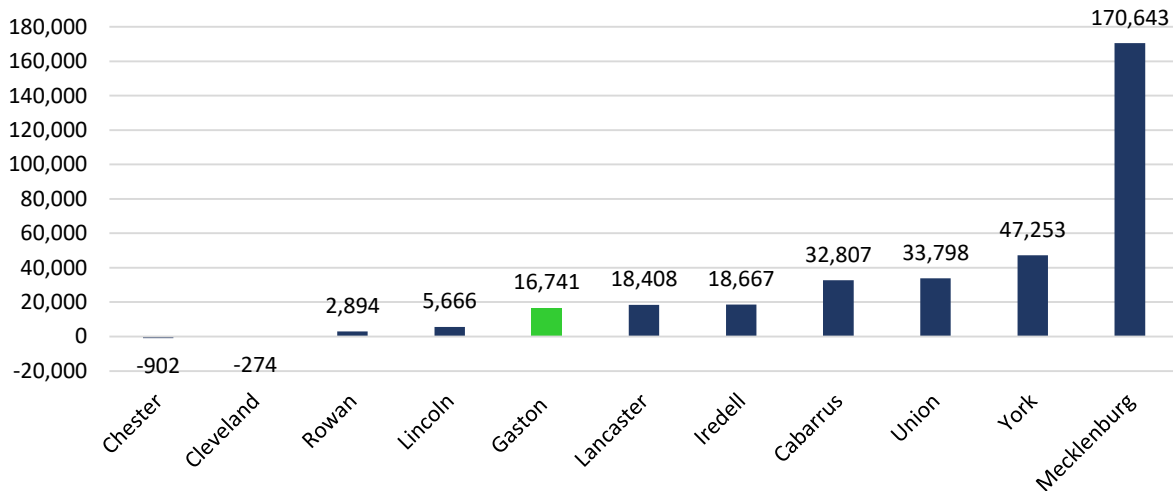


Strategy is evaluating and making choices. Strategic planning involves a detailed understanding of the community's current situation, determination of future aspirations, and defining clear realistic

Current Economic Overview

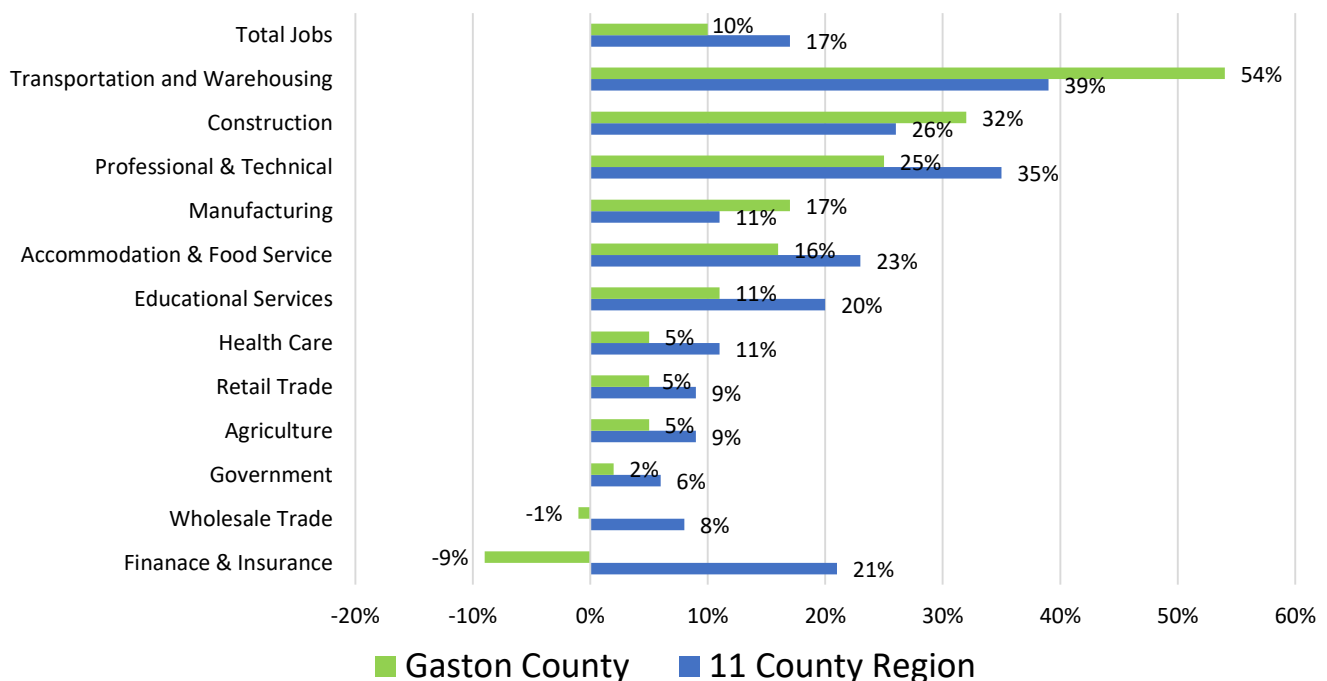
While Gaston's population growth has remained steady, among the top third of North Carolina counties in terms of percentage growth, in real numbers Gaston has added fewer new people than York, Cabarrus or Union and more than Cleveland and Lincoln since 2018.

Population Change 2010-2018



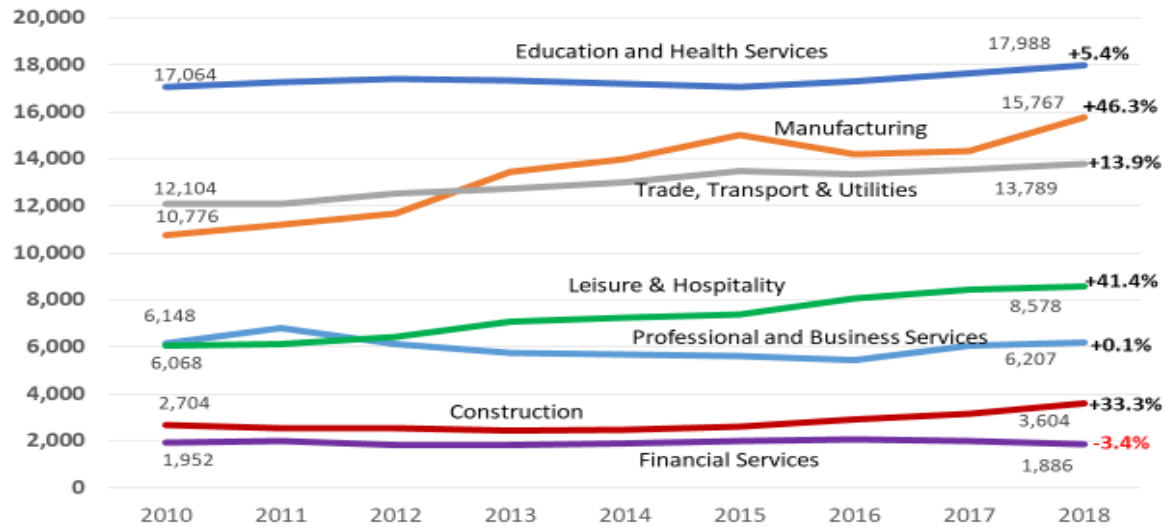
Over the past 5 years the Charlotte region, defined as an 11-county NC/SC area, has grown jobs by 17 percent compared to 10 percent in Gaston County. The County has outperformed the region in specific sectors including manufacturing (17% compared to 11%), construction (32% compared to 26%) and transportation and warehousing (54% compared to 39%). It has trailed the regional percentage growth in all other sectors, including the white-collar sectors of professional and technical services, health, education, financial, and government.

Percentage Job Change by Sector 2013-2018



The 2010-2018 data shows significant success, post-recession, in growing some segments of the economy.

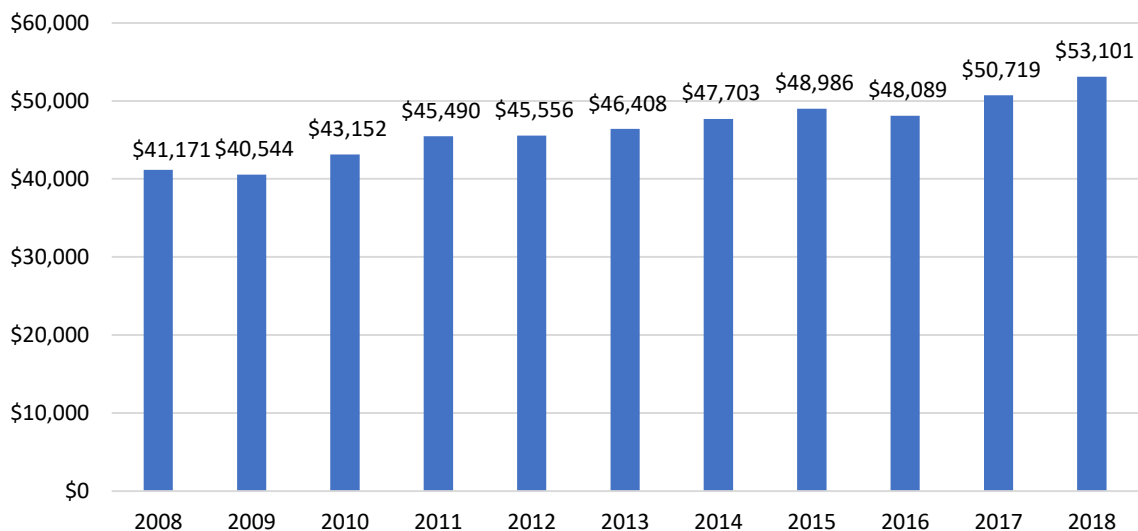
Gaston Employment Trends 2010-2018



Source: NC Department of Commerce - QCEW

Average wages paid by employers in the County lag the average in some of the other counties, likely tied to the mix of jobs and also the demography of county residents. When adjusted for inflation, average wages dropped over five percent, from a peak of \$42,376 in 2002 to \$40,110 in 2013. Since 2013, average wages have experienced strong real growth, and in 2018 stand at \$42,345, just under the 2002 peak.

Average Annual Pay Gaston Manufacturing Jobs

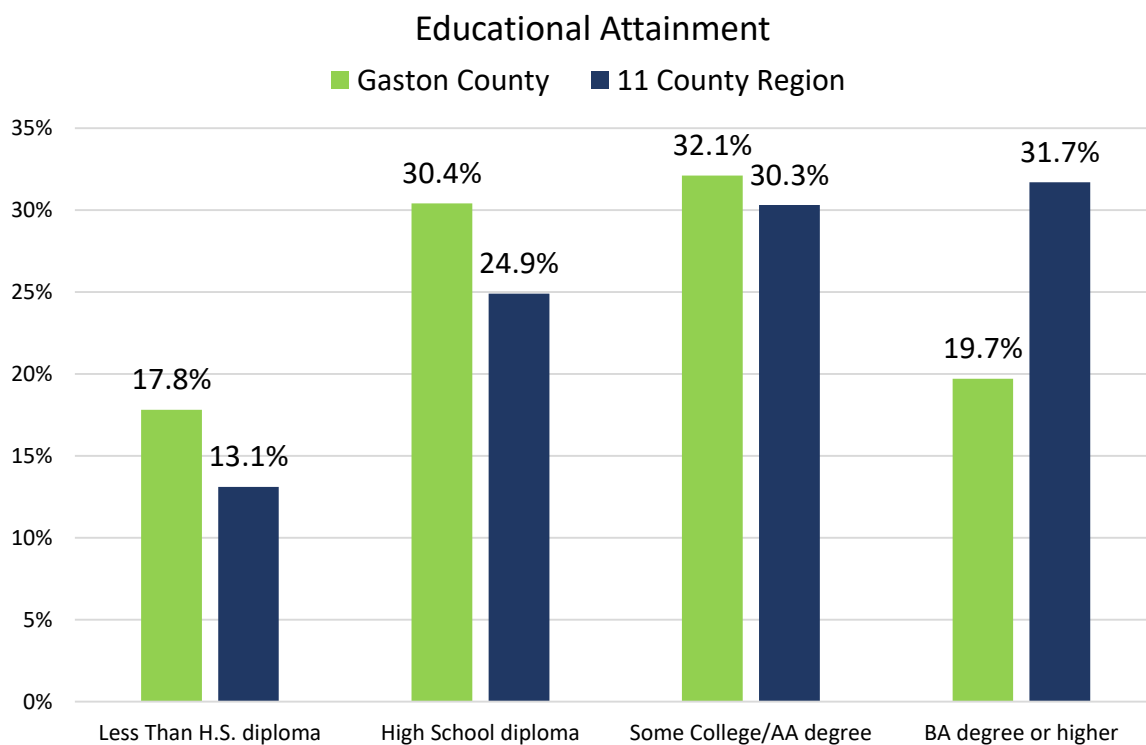


When adjusted for inflation manufacturing average wages from 2008 to 2018 have increased 10.6 percent.

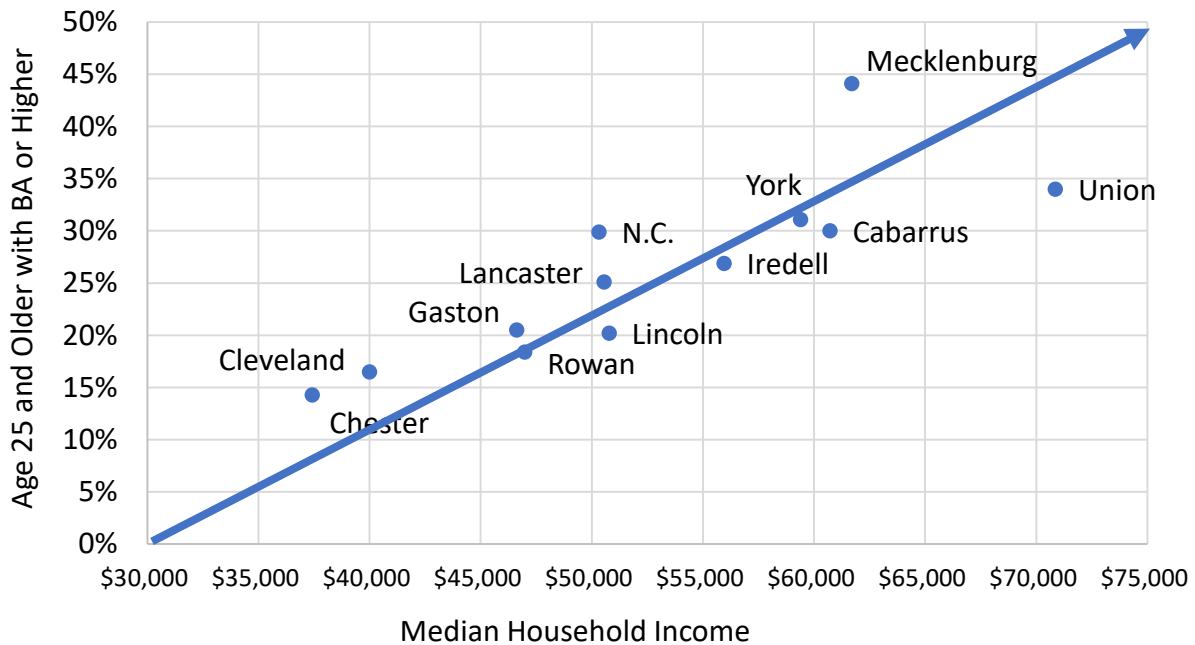
In very general terms, Gaston County's economic data reflects a community with steady job growth, low unemployment and rising wages, but low median household income, low tax base per capita, and low overall educational attainment.

The County also has higher poverty rates than many surrounding counties, lower home ownership prices, high cost-burden for renters, and higher violent and property crime rates. Many of these factors are interrelated.

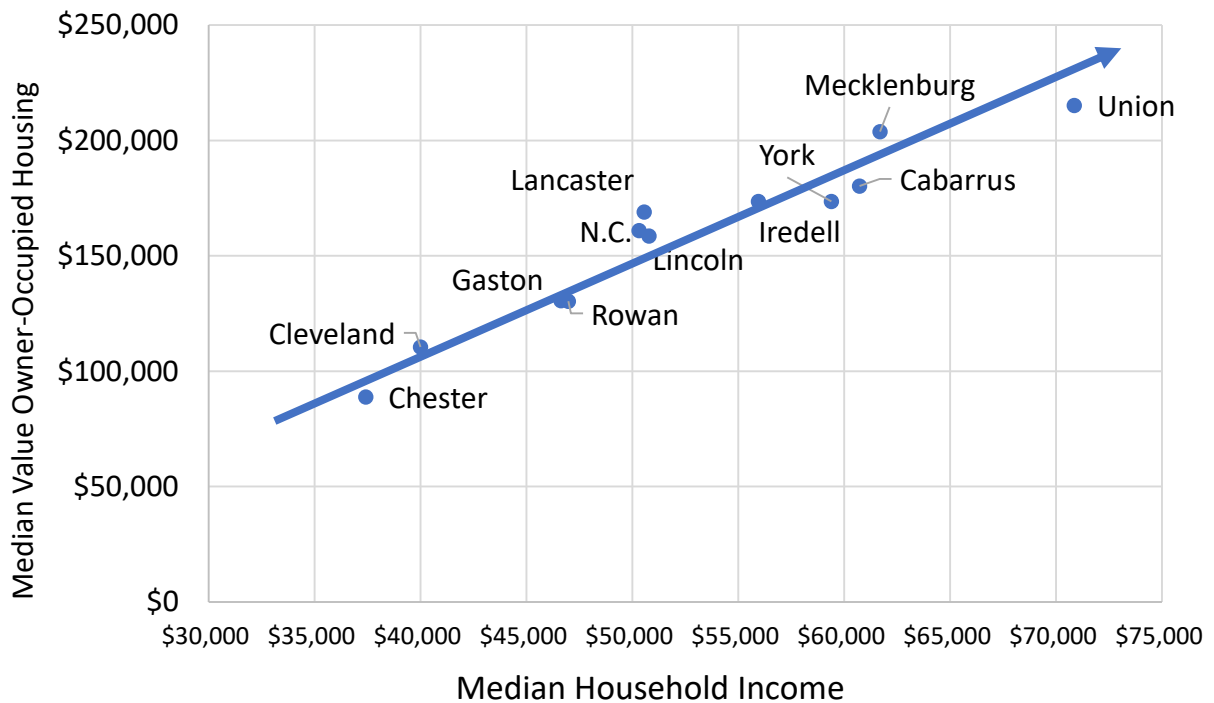
For instance, as the chart below shows Gaston County lags the region in educational attainment with a significantly lower percentage of the population achieving a bachelor's degree. More than double the percentage of adults in Mecklenburg County have a bachelor's degree or higher than have that attainment level in Gaston County.



The percentage of the population with a bachelor's degree is highly correlated to average incomes. Lower educational attainment is also correlated to lower incomes and to higher poverty rates.



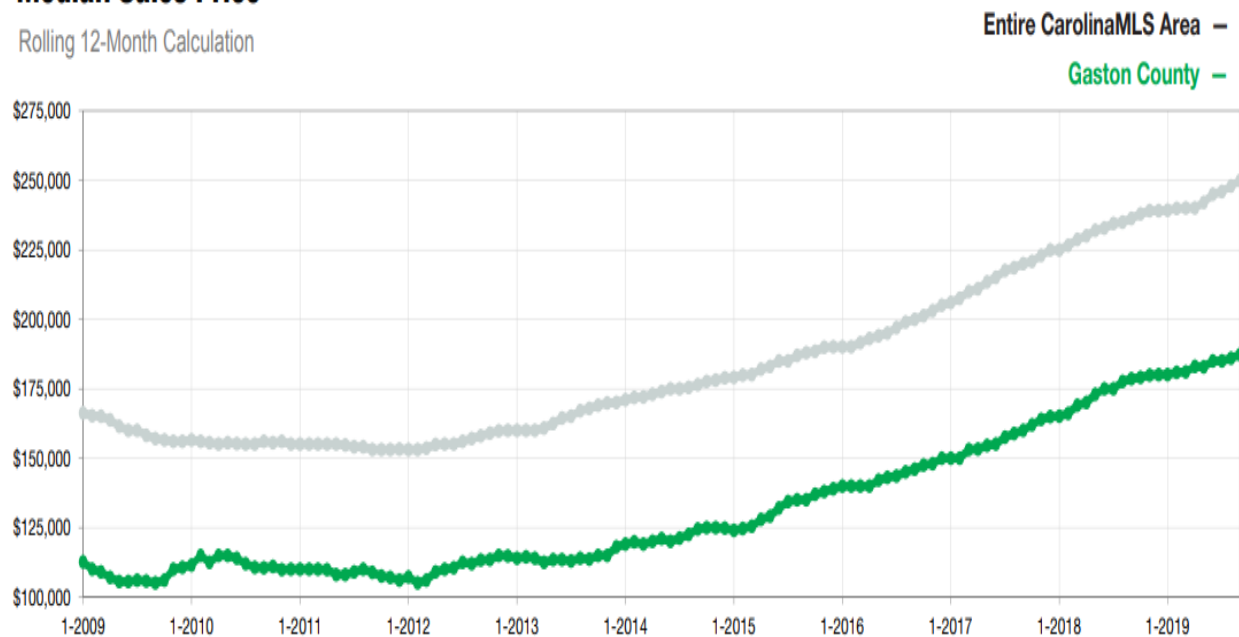
As might seem common sense, median household income is also highly correlated to the median value of owner-occupied homes.



Although according to the Charlotte Regional Realtors Association the Median Sales Price of Gaston County homes has been rising recently, it is still lower than many of the surrounding counties. It is positive that housing is more affordable, but lower value has a direct, and detrimental, impact on the tax base.

Median Sales Price

Rolling 12-Month Calculation



Target Markets for Gaston County

To examine the targeted recruitment with the best opportunities for success, economic developers and site selection consultants use a technique called a Cluster Analysis. **Cluster Analysis** is a tool used to identify those areas of the local economy in which comparative advantage or advantages currently exist. An industry cluster is considered to have a comparative advantage if the output, productivity and growth of a specific designation of businesses, are high relative to other businesses in the specific geographic area. A cluster analysis shows that Gaston County's current strengths are mostly in the manufacturing and logistics clusters with business services showing good potential. One of the previous charts confirmed that Gaston's competitive advantages have resulted in growth in these sectors that exceed the growth in the region.



Including health care in cluster analysis is a debate among economists. Traditionally, it has been assumed that health care was a cluster that served a local market and did not export or bring in additional money. But many local economic developers think of health care as a traded cluster, something that might bring in people from more rural surrounding counties, pay high wages, and it is a sector with strong national growth levels. Caromont Regional Medical Center is a regional anchor institution for the local economy.

The local healthcare cluster employs 10,876 workers in Gaston County. This concentration of employment is twenty percent higher than the national average, or a LQ of 1.20. Since 2014, jobs have increased by four percent. Earnings are high for jobs in the healthcare cluster, with average annual earnings around \$61,140 in 2019, about \$8,000 less than the national average. With its high concentration and employment increase the healthcare cluster is an obvious target to support for growth.

Current advantages suggest that both business services and specific technology jobs are likely to grow to compliment the manufacturing, logistics and construction jobs that have experienced the fastest growth in recent years.

Despite the statistical analysis, economic development targeting can be more than matching your current competitive advantages to industries that most highly value those advantages. Over the past several decades Gaston County has worked hard and invested significantly in building a county product that is attractive to advanced manufacturing. The county already had a workforce with manufacturing experience and skills, many displaced by globalization, automation, and corporate consolidation. The availability of a skilled workforce is consistently the top factor for companies to determine where they will locate and expand. But developing the needed buildings and sites, specific workforce training programs, and a network of suppliers has given the County a competitive differentiation and allowed the County to successfully attract significant manufacturing investment. A low cost of doing business and access to Interstate 85 has supported the growth in the construction and logistics industry.

Broadening the economic development marketing targets would need to be approached in a similar way. **Begin by developing a competitive product.** Gaston County already enjoys good highways accessibility, the nation's 3rd best rated corporate income tax, and a low union profile. To successfully target new business and professional services; financial services; legal; computer and mathematics science; or arts, design, entertainment, sports and media the county would first need to build its product of appropriately skilled labor and available buildings.

That might require attracting new workers or retraining existing workers. It also might require incenting new building development. Then the County would need to ensure that its incentive policy was competitive and that its quality of life components (safety, housing, public school quality, health facilities) would be competitive when compared to other regional counties, and attractive for new residents with the targeted skills.

Once the county "product" was ready to take to market, then Charlotte and North Carolina are likely to generate sufficient interest from companies to provide an opportunity for success.

**Top Factors for Investment Decisions
2019 Area Development Annual Survey**

- 1) Availability of skilled labor
- 2) Labor costs
- 3) Highway accessibility
- 4) Corporate tax rate
- 5) Tax exemptions
- 6) Quality of life
- 7) State & local incentives
- 8) Energy availability and costs
- 9) Available buildings
- 10) Occupancy costs
- 11) Shovel-ready land
- 12) Low union profile

Input from Local Stakeholders

Focus Groups and Telephone Interviews were conducted in October

- Most people think that the economy is good, but they want more and believe better is possible
- Many attribute the inability to accomplish more to the presence of multiple groups (public and private) that are unaligned and have no blueprint for the future
- Many differing opinions about the work of the Gaston Economic Development Commission were shared. The EDC has been extremely successful in some areas. The lack of a defined strategic agenda, the sector narrowness of the presumed recruitment efforts, and the level of communication between the EDC and other stakeholders seem to be the key issues for those that have issues.
- Almost everyone wants a strategic plan for economic development, and also a broader community vision
- Wide variety of opinions about what type of economic development priorities or changes are needed:
 - Almost everyone mentions airport & I-85 as strengths
 - Many people mention housing options as a weakness
 - Lots of talk about the need for a bridge to the airport and light-rail to connect eastern Gaston County to Charlotte
 - The lack of workforce for business growth was brought up by almost everyone
 - Go Gaston was a source of pride
 - Young professionals like the ability to have an impact in the community



Electronic Survey

The summary of the 80 people who completed the electronic survey:

- 96 percent were optimistic or guardingly optimistic about quality of future economic development in the county.
- The most significant challenges to future economic development are the lack of appropriately skilled labor (60%) and to a lesser degree the ability of the County to attract high quality development (46%). Other concerns raised included the need for better transportation and the current lack of a vision.
- The County's biggest advantages are proximity to Charlotte (68%) and affordability (16%).
- While the respondents felt the County was currently competitive for manufacturing (73%), looking into the future they want more technology companies (73%) and other white-collar jobs (53%).
- They suggested a group of public, private and not for profit leaders as influential to developing a new vision. Most wanted to participate, and most would consider contributing funding to the effort.

Metrics of Success

Many stakeholders expressed a need for metrics so that local efforts could be easily evaluated. While some suggested economic development dashboard regulars such as job growth, the wages of new jobs, and additions to the tax base, many other metrics were mentioned. Reductions in poverty, raising the prices of new homes, improve health, downtown vitality, and improved educational outcomes were discussed.

The International Economic Development Council has published a book on the best approaches to economic development metrics. At the heart of the document is a comprehensive, easy-to-use "menu" of nearly 300 economic development metrics that Economic Development Organizations (EDOs) can choose from based on their specific mission.

Some stakeholders suggested creation of a tool similar to the *Quality of Life Explorer* used in Charlotte/Mecklenburg. There, 80 variables were developed to reflect the broad desire of the community to improve across many areas.

TDWI, (Transforming Data with Intelligence), one of the go-to sources for new metrics development, points out that metrics must be strategic, actionable, owned, correlated and relevant.

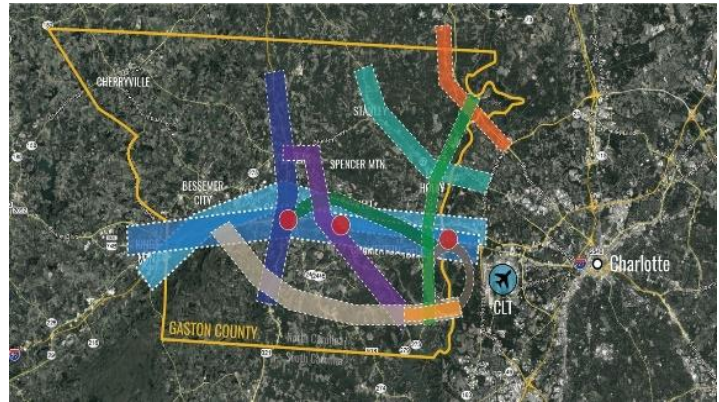
New metrics should be an integral part of the development of the short-term economic development action agenda and the long-term strategic plan for Gaston County, and the alignment of many efforts and organizations is needed to achieve the goals desired by stakeholders.

Organizational Assessment - Effective Utilization of Resources

Throughout our stakeholder engagement a key point of contention/discussion was the lack of a clear and shared vision for the Economic Development Commission and the presence of multiple groups that some viewed as less than optimal. This included multiple public sector groups and many municipalities as well as multiple business groups. People expressed a general concern of inefficiency and lack of direction. In recent years there has been a mounting momentum to evaluate the structure of both public and private groups.

Business association not-for-profit mergers have become more common. With over 7,000 Chambers of Commerce and a national business focus on increasing efficiency, mergers among Chambers are likely to continue. A few years ago, the Association of Chamber of Commerce Executive's (ACCE) *Chamber Executive Magazine* penned an article entitled *The Urge to Merge*. Its subtitled conclusion was that "merging a chamber with another organization is a delicate and difficult process that often yields outstanding benefits to communities." Often merger opportunities are with economic development organizations and other specialty business associations.

There are numerous recent examples of mergers of Chambers of Commerce, economic development organizations, workforce development organizations, CEO leadership groups, and other private business organizations. Some have been very successful, while others have not solved the preexisting root problems. Each case is different, and most leaders involved in mergers emphasize that each community process will be unique.



The rise of CEO groups, outside of the traditional Chamber of Commerce is also a trend. As these civic leadership groups have begun to proliferate, their role in the community is often in question. They tend to fall into one or more of the following categories.

- Think tank - new idea factory
- Piggy Bank - the funder of good things and ideas
- Influencer - including political action
- Scorekeeper (community metrics) or watchdog
- Promoter/Cheerleader/Brander
- Doer (with a portfolio of programs)
- Facilitator - providing the collaborative capacity for groups to align

The emergence of the Greater Gaston Development Corporation (GGDC) has filled a void in the private sector approach to economic development. The Gaston County CLT Airport Strategy is an example of stronger private engagement in the strategic approach to the county's future.

But the existence of multiple stakeholders like the GDCC, Gastonia Economic Development Department, the Gaston Regional Chamber, and others can be confusing – not only locally but also possibly to prospective investors.

Gaston County is not alone. Recently Charlotte reorganized to form the **Charlotte Regional Business Alliance** with a vision, “With united vision and bold action, we will create the most vibrant, innovative and healthy economy in the nation.” And a mission to collaborate to promote and advance the Charlotte region, creating opportunity, economic growth and prosperity for all. Their scope includes:

- BUSINESS recruitment, expansion, innovation and intelligence
- BRAND strategy, promotion, communications and engagement
- TALENT attraction, development, involvement and retention
- Economic and public policy ADVOCACY and influence

In October 2019, Winston-Salem announced a merger between its Chamber of Commerce and Economic Development Commission. There are other examples where local elected officials have decided to bring economic development back into local government. Even when there is a strong public-private initiative, there is also often a public sector economic development effort with a specific scope of services.

In our experience there is no best way to organize an economic development effort. There are many examples of successful public organization and successful public-private organizations. There are also examples of both that have failed spectacularly. Economic Leadership has developed a checklist for high-performance organizations.

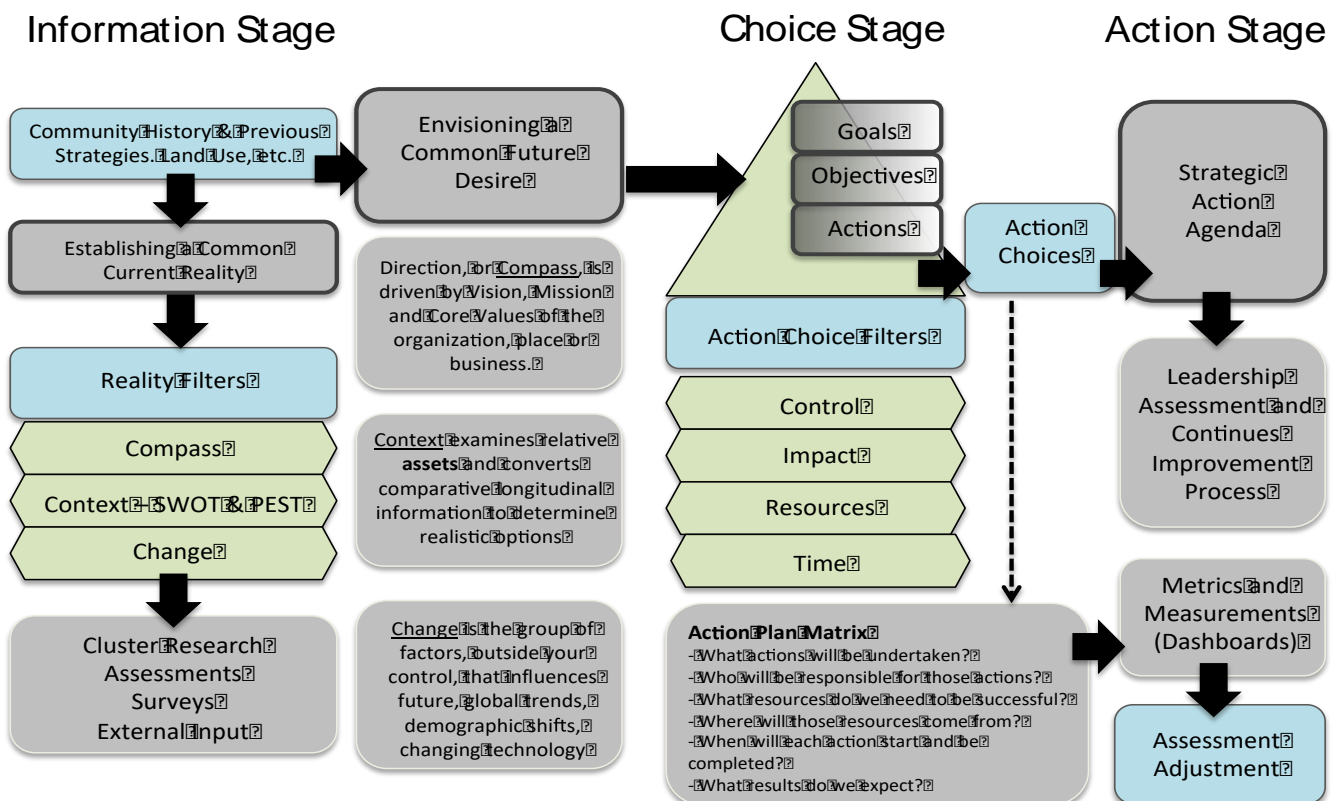
1. Operates with a strong **strategic plan**
2. Has a strong **strategically engaged board**
3. Rigorously **measures** results and adjusts based on information
4. Are **creative risk-takers**
5. Board members build **strong alliances** and networks to improve the organization
6. Are **efficient** with funding and resources to meet expectations
7. **Matches resources and expected results**
8. Has high-performance staff leadership
9. **Invests sufficiently** in staff development
10. **Operates effectively** within the broader ecosystem (plays nice and wins)
11. Is **respected** within their community
12. Both board and staff are **continuously learning**

Recommendations

- ❖ **We recommend that the County Manager lead the formation of a public-private coalition to fund and lead a professional community visioning exercise that establishes goals, resources, actions, and responsibilities for a 20-year horizon.** There is almost unanimous support to develop a county-wide, multi-partner strategy to move the County & its municipalities into a higher quality competitive position over time. Many of the desired goals are related to health, poverty, housing, safety, and education and are not best served as just an economic development effort. The creation of such a plan will take up to two years.
- ❖ **We recommend a county-wide (and municipal) dashboard of indicators be developed** to benchmark current and future progress and to be the base data for the visioning goals moving forward. The dashboard should be prominent on the County and other web sites and **an annual event should be developed to celebrate progress and raise funds for maintaining the dashboard and for supplemental research.**

- ❖ To further address stakeholder concerns about the multiplicity of organizations in the County, **we recommend that the County Manager convene the Chairs and Executive Directors of the EDC, the GGDC and the various Chambers of Commerce** to discuss the perceptions and risks of confusion, inefficiency, and lack of direction. There are opportunities for improvement and for doing the work of economic development differently.
- ❖ The County should not wait for the longer-term plan in order to think more strategically. **We recommend the development of a clear, public, 2- year Economic Development Action Agenda, the development of improved public metrics of success tied to the plan and an aggressive public communication strategy** to address some of the current stakeholder concerns and improve organizational efforts.
- ❖ **Once an Action Agenda is developed, we recommend that the overall capacity of the EDC organization and potential partner organizations to carry out the plan be conducted to ensure that the plan is a success. The development of the strategic plan should include the acknowledgement of a common current reality, aspirations for the coming years and specific actions that are expected to achieve those goals.** An organizational review would need to be done against a set of defined expectations, which is better done once a new Action Agenda has been developed. An example of a process is below.

Economic Leadership Economic Development Strategic Plan Development Model



- ❖ As part of a newly developed economic development action agenda **we recommend that the EDC and partners conduct a cost-benefit analysis for various types of new investment**, taking into account skill requirements, potential wages, tax base impact and any other priorities, and present these findings to their board and the County Commissioners prior to adding new targets. Over the past eight years the County has experienced rapid growth in some sectors and limited growth in others. Some recent success would suggest that growth in other sectors is possible.
- ❖ Since communication is a key issue, **we also recommend that the EDC take the lead to develop economic development training for public and private stakeholders**. In our interviews we found a general lack of understanding about the economic development recruitment and client handling process as well as a lack of understanding about client priorities and motivation.
- ❖ **We recommend engaging a firm to conduct an on-line reputation audit**. Branding and image were a concern for many stakeholders. Components of this audit would include:
 - Website Audit
 - Search Sentiment Index
 - Search Engine Boost Analysis
 - Image Analysis
 - Social Media Audit

Finally, we caution against expecting a single aligned vision and lock-stepped leadership. From our stakeholder contact we heard clearly that different stakeholders have very different visions for what Gaston County, the individual cities, the private sector and all other stakeholders should be doing.

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Recommendation (Aggressive) Timeline

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