



Economic Development in St. Albans: Prospects & Recommendations

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An Economic Development Study of St. Albans

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Executive Summary

Introduction and Motivation

The St. Albans Renaissance Group began a long term evaluation of the city's economic development options in the Autumn of 1999. The Group conducted several organization and planning meetings and took several important steps towards economic revitalization of the city. These steps included securing funding for survey and operating expenses, selecting an executive board and entering the national *Main Street Program*. Early in the process, the executive board concluded that a preliminary economic development study was necessary. In January, the board asked *Marshall University's Center for Business and Economic Research* (CBER) to conduct the study, with results to be presented to the community in early August, 2000.

The Method and Scope

The economic development study conducted by the CBER differs from traditional economic development studies because it evaluates the underlying structure of the region's economy — the basic building blocks to economic growth. Most economic development programs resemble business plans for a community, focusing on short term remedies, not long term policies that may improve the region's economy. This study asks several important questions:

- / What causes economic growth and how does St. Albans measure in these areas?
- / What industries are likely to grow in the region?
- / What can we do in the near term to spawn economic development in our community?
- / What steps can we take to insure long run growth in St. Albans?

Economic Growth

Regional economies grow because an area enjoys the right mix of public, private and human capital to attract businesses. The condition of these attributes determines how fast a region grows, what industries will blossom and what types of jobs will be created. Despite a great deal of effort and funding on economic development programs, extensive research suggests

Preface

This study has been authored by faculty, staff and students of *Marshall University's Lewis College of Business*. All of the authors are either senior economics majors in our capstone economics class (EC 467), student interns at the *Center for Business and Economics Research* or faculty and staff of the *Department of Economics* and *Center for Business and Economics Research*.

Each student elected to participate in this research voluntarily. This work was much more challenging both in scope than the other alternatives open to study. The faculty and staff have served only to focus, refine and direct the research. The final product is written primarily by undergraduate economic majors at Marshall University.

A study of this nature would typically cost between \$30,000 and \$50,000 and would require six to nine months to complete. This study was performed for less than \$300 in publication costs and completed in roughly five months. The quality and timeliness of this study reflects the hard work, diligence, skill and knowledge of the student authors. Unfortunately, this study is not perfect. We have elected to omit some areas of emphasis that could be useful and we have tailored the industry selection, human and physical capital evaluation, appropriate amenities and policy recommendations from larger cities and counties to St. Albans, a city of 12,000. By including the economics of growth as the basis of this report, we feel that this document will have some lasting benefit to the people of St. Albans. The basic economic approach will remain constant and a careful reading of the document will provide the thoughtful reader with ample additional policy recommendations to implement, either now, or in 2020.

This process required the enormous research performed by the student authors to be edited. This editing was performed primarily to reduce the size of the document and was the duty of the senior author. Fault for omissions and errors lies with him.

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that few government economic development efforts overcome weaknesses in public, private and human capital. This means that the suite of economic development tools, from relocation and worker training assistance, tax abatements, industrial park construction and additional infrastructure, have little or no net impact on economic growth. These findings consistently occur in serious economic studies of regional development, and suggest that the local, state and federal government role in economic development should primarily focus on the basics of public, private and human capital.

The State of Public, Private and Human Capital in the Region

St. Albans is blessed with great strengths, and burdened by some weaknesses in its basic economic structure. The regions' public capital boasts among the nations' best ground and water transportation infrastructure. The system of roads, intermodal transport and rail systems acts as a strong regional comparative advantage. The area's water and sewer system are more than adequate, and the State, as a whole, enjoys some of the world's lowest electricity and natural gas rates. The telecommunications grid in West Virginia is the most advanced in the nation with an extensive and modern fiber optic network. The only regional weakness, in terms of public capital, is the absence of convenient, inexpensive commercial air service.

West Virginia enjoys a robust and modern banking and finance system. There are no significant barriers to capital access. However, the State's tax system heavily penalizes investment in private capital and dissuades the holding of inventories. The State's tax system acts as a strong disincentive to businesses. This means that West Virginia is probably the only State in the union which has experienced disinvestment in the 1990's — purchases of new productive capital have been outpaced by real depreciation.

It may come as a surprise to some that the area's greatest weakness is the condition of its human capital. The skill level and educational achievement of the regions labor force is comparatively poor. While Kanawha County enjoys a school system that is above the State average in most measures of success, in many critical areas St. Albans test scores are below the State and County average. This is significant, since West Virginia, as a whole, ranks in the bottom five percent nationally in most measures of educational achievement.

The area's poor educational achievement is reflected in its per capita income, which is roughly thirty percent below the national average. Economists have long known that a region's average wages are strongly determined by the human capital of its labor force. As a result, until human capital is improved there is little likelihood that the income gap between the State and the rest of the nation will close. This also strongly suggests that until St. Albans' educational achievement gap closes, its income gap will also remain.

The study identified poor performance in K-12 education as the major constraint to the region's economic development. The schools' performance acts as a disincentive to new residential location, and does little to recommend the region to potential employers. For example, St. Albans high school ACT scores rank beneath the Kanawha County and State averages, and much below the national average. This is true though a relatively small proportion of students take the exam. In 1999, the High Schools' mean score of 19.5 was barely above the minimum admissions standards for both WVU and Marshall University. This means that without subsequent testing, sixty percent or more of St. Albans students have not met even the minimum requirements for college admissions.

Worker skill levels in the region are also comparatively weak. This study revealed that In Kanawha County as a whole, roughly forty two percent of adults over age twenty five cannot perform simple tasks such as calculating a ten percent tip (with or without a calculator), understanding and using a bus schedule, or writing a business letter. While the proportion of St. Albans citizens suffering from this skill deficit is probably not as high, the county rate acts as a real disincentive to business relocation and expansion in the area.

The study found that there are few problems with post-secondary education. In fact, the strong presence of colleges and universities in the area offset, to some degree, the relative weakness in K-12 education. The study emphasized that the skill shortage falls primarily in tasks that are taught to children, often prior to high school. The study also recognized that the area's pattern of new jobs is strong evidence that skill shortages are weakening its economy. The study strongly concluded that absent dramatic human capital improvements, St. Albans, or the State as a whole, is unlikely to enjoy economic growth near the national average.

Industry and Marketing in St. Albans

This study identified construction and automobile sales as two potential areas in which the region could develop industrial clusters. Both of these industries are large, receive much of their income from consumers outside the region and employ a wide range of workers. This is important, because the area is home to a number of relatively low skilled workers, who will need employment. Also, the presence of jobs that require a variety of skills may serve to slow the out-migration of so many of the region's better educated workers.

The study also identified a perceived, or possibly real, shortage of day care providers for children and the elderly that serves as a disincentive to worker relocation to the area. While there may be sufficient child care for large numbers of new families, access and information about these services is lacking.

The city's marketing plan should target these industries in the short run (with a re-evaluation of the targeted industries every three to five years). The study outlined basic marketing techniques, and recommended the adoption of an integrated marketing plan for the city.

The Survey and Main Street Program

St. Albans has recently joined the national *Main Street Program*. This organization provides a number of important resources to local communities including classes: seminars, grant writing assistance and an organizational outline. Through a survey funded by Governor Underwood's office, the community identified a number of areas in which new businesses may find a niche in the region. The survey also outlined a number of potential programs designed to improve the amenities in the region.

The study evaluated the successes of *Main Street* cities around the nation. This section outlined a wide array of potential programs for the region. The key findings in this area are that a city beautification project, a city theme and programs that emphasize the physical attributes of the area are key to development. The study provided a variety of evidence of successful funding efforts, including festivals and events that other cities around the nation felt were successful in stimulating interest in their communities.

Recommendations and Conclusions

The study made fifty seven recommendations to the Renaissance Group. These recommendations include both long term and short term suggestions on a variety of issues. The suggestions ranged from creating a city logo to exploring school choice in the county. The most critical long term recommendations involved steps to improve human capital. The most urgent short run recommendations included area beautification efforts, festival planning and marketing.

Overall, the study was designed to provide the community with a useful outline of the region's strengths and weaknesses, as well as an explanation of the basics of economic growth. The study was conducted during a time of exciting changes in St. Albans. Over the past six months, the region has voted to construct a new high school, has begun fund-raising and marketing campaigns and is revamping school curriculum. The region already has many of the the basic building blocks for economic development. However, some of the basics must be improved upon for the community to grow.

Critical self assessment is always difficult. It requires courage. The St. Albans Renaissance Group has shown remarkable foresight and invaluable commitment to the vibrancy of the city. It is telling of the community's commitment and the potential for success that St. Albans is already addressing a quarter of the nearly sixty recommendations made in this study.

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1. Introduction

This report focuses on a set of issues surrounding economic development of St. Albans, West Virginia. In particular, we examine the issues of industrial clustering and expansion, regional marketing, education, demographics, and social amenities. We do this through the lens of the mainstream economic and development research. However, this is not an academic study, it is an evaluation of the potential for economic development in St. Albans, with an emphasis on outlining growth enhancing policy options. In order to illustrate the potential effectiveness of the recommendations we make, this study has undertaken a broad census of other successful development plans throughout the United States. Hence a “model city” outline brings to bear both the academic research and lessons learned regarding economic development.

As stated, this study makes a series of recommendations we label as either short or long term. The naming of these recommendations reflects not the implementation period, but rather the scope of the decision making involved. Where we see areas that need improvement, but do not require broad consensus or detailed fiscal decisions, we make short term recommendations. These are simply small, but important steps that in our estimation can be quickly achieved. They do not require detailed deliberation by the citizens of St. Albans and their representatives. The long term decisions typically reflect needed change or emphasis in an area that can only be made through a broad and democratic decision making process. For these recommendations, our goal is to educate and inform the citizens of St. Albans and to make suggestions regarding changes that must ultimately be considered. Our goal is not to determine the path of change, only to suggest the journey be undertaken. An example of a short term recommendation is the creation of a city logo, while a long term recommendation would be to revisit the existing curriculum of the local schools. These decisions ultimately involve a judgement call on the part of the authors. We are not too naive to recognize that any recommendation made in a report of this type may be contentious. We beg your tolerance in this regard, our intentions in completing this report are only to insure the vibrancy and health of St. Albans.

2. Economic Development Primer

This study approaches economic development from the basis of mainstream economic research into the subject. This differs in many respects from the approach taken by economic development professionals, both public and private. There are many reasons that recommend this economic approach. First, researchers in mainstream economic development are beginning to recognize the appropriateness of economic research into the issues of economic development. Second, economists incorporate a much broader view of economic development than does the traditional economic development specialist. Third, and perhaps most importantly, we are economists. Below we outline some support for this methodology in a brief primer on economic development.

Economic Growth: The Definition & Problem

Expansion of economic activity, both in quality and quantity acts as our working definition of economic growth. This means, among other things, higher levels of employment, better paying jobs and an increase in the availability of goods and services demanded by consumers. These goods and services may be publicly or privately provided, and include traditional consumer goods such as foodstuffs, consumer durables and housing. They also include other services, such as health care, entertainment, a clean environment, public safety, education, the arts and a host of other items not traditionally defined as economic development by mainstream development experts.

While it is fairly easy to undertake a definition of economic growth, identifying the cause of economic expansion is more difficult. For example, each of the characteristics we have identified above typically occur simultaneously. Localities that enjoy cultural amenities almost always have higher levels of educational attainment, more recreational opportunities and more and higher paying jobs. These communities also typically experience higher levels of public infrastructure, a more stable and growing tax base and a wide variety of public goods and services. Increasingly, they also enjoy better environments and other amenities that make them desirable location choices for businesses and workers.

The first inclination of most readers observing these communities' characteristics is to identify a root cause of these happy circumstances. Indeed, selecting a cause of growth and targeting this cause with policy incentives is the primary role of economic development officials. Sadly, there is not a single root cause of economic development and there is no evidence, beyond mere anecdote, that the incentive policies employed by economic development professionals are effective. In fact, it is not unlikely that the entire host of fiscal incentive policies offered by state and local governments actually result in a net loss of employment.¹ For this reason, we will not recommend *local* fiscal incentives to draw business to St. Albans.

Given these limitations how can we identify the cause of growth and recommend appropriate policies to expand economic activities? Fortunately, while the body of research in economic development does not guide us here, we can draw on significant research from mainstream economics to suggest policy options.

What Really Causes Economic Growth?

The expansion of an economy depends not on the type or size of business, nor typically on specific policies employed by government. In a market economy, such as ours, businesses choose to locate or expand in places that aid them in their quest to maximize profits. It is that simple. The type of inputs to production and the markets for outputs guide business decision making.

Standard economic analysis decomposes the wide array of productive inputs into three broad areas: *private capital*, *human capital* and *public capital*. This triad of different inputs are combined by firms into a production function that produces outputs. Successful governments have long recognized that selecting the type of outputs firms create is folly. However; many governments still desire to influence the mix of inputs to production. In some measure this is necessary, as we will describe below, as we treat each productive input separately.

Human Capital

The human elements of production: skill, education, health, motivation and social construct all define human capital. Since the bulk of input expenditures are labor costs, high

levels of human capital (which lowers labor costs) are important to firms. Indeed the supposed “work ethic” of Appalachia is a highly touted marketing tool for the region. However, economists tend to measure human capital in terms of years of education and other metrics of mainstream skill measurement. Measures of public health are also proxies for human capital, especially since poor health affects labor costs. Sadly, our region of West Virginia is comparatively weak in almost all measures of education and health. While some measures are due to an aging population, a careful adjustment for age bias in these data still reveal a constant or worsening stock of human capital in our region. While the percentage of white Americans over 25 who have not completed high school is under 15 percent, Kanawha County suffers a high school non-completion rate of roughly 30 percent.² As we will detail later, this is an unfortunate figure because a major part of firm and worker productivity is linked to the level of human capital. The stark educational attainment statistics for the region act as a profound disincentive for many firms to locate or expand in the area.

Private Capital

To economists, capital is the physical component of production that includes any privately owned physical item used for production. Automobiles that transport workers to their places of employment, laptop computers, lathe machinery, long-wall coal miners and 18 wheel trucks are all private capital. These items are typically financed internally by firms, through loans or the sale of stock. The State of West Virginia supports some type of private investment through low interest loans for firms. Unfortunately, the State’s current tax code acts as a significant disincentive to investment in private capital. Indeed, the State is among the few localities in the world that appears to have actually experienced a net decline in capital stock over the past fifteen years. Governor Underwood’s proposed comprehensive tax reform would dramatically reduce or eliminate the disincentive for firms to purchase productive capital. This would, even in the short run, improve wages.

Private capital is especially critical to the growth of a community for two reasons. First, the profit motive means that firms will efficiently seek the best use of investment dollars. So, free flowing capital actually delivers a high rate of return. Second, physical capital is a primary cause

of high productivity by firms and workers. As we shall see later, higher levels of productivity are the primary source of regional economic development.

Public Capital

The goods and services provided by government of all levels are known as public capital. Most governmental expenditures are made without a direct link to economic expansion. The building of a national defense, a justice system or health and human services may all provide the happy result of increased economic activity, but that is not their purpose. Not surprisingly, it is difficult to measure the positive economic consequences of a national defense or justice systems, since having these are a virtual requirement for economic expansion. These items are known as *social overhead capital*. Other items, such as roads, bridges and sewer systems, may directly aid in the production of goods and services. It is important to note however, that electricity, water, waste disposal, natural gas, telephone and a host of other goods and services are privately produced in the United States, and are not strictly public capital.

Public capital is an important component of economic growth in West Virginia and may broadly include items such as publicly funded research and development centers such as the *Robert C. Byrd Center for Flexible Manufacturing* and the *Center for Business and Economic Research*. Similarly, such institutions as the *YMCA*, *Red Cross* and the *Center for Economic Options*, though they are private, are in many ways supported by public funds through tax abatements that encourage these activities.

The provision of public infrastructure is a favored method of economic development because it typically has an immediate employment impact (as in the case of road or bridge construction) and may lower the cost of production for firms that locate in the area. Unfortunately, each dollar spent on these items is paid for through tax dollars and thus draws away expenditures from private and human capital expenditures. Thus, the *real* or *opportunity cost* of a publicly provided infrastructure investment is the jobs not created by private businesses because tax dollars are diverted to other uses. These types of programs are often employed to reallocate wealth from richer to poorer regions (and occasionally vice versa), but for the most part their provision is undertaken with little actual regard for economic efficiency.

The Production Function

Firms combine the three types of inputs: human capital, physical capital and public capital to make goods and services. Firms efficiently mix these inputs to provide outputs. The market guides them and requires constant adjustment of the mix of goods. This results in the dynamic economy the United States enjoys. As we have mentioned, policy can and does affect each of these inputs and may be considered as a method for reducing costs to firms.

From this point onwards, in this discussion, we will not consider the *social overhead capital* items. We do not build aircraft carriers or courtrooms to generate economic activity, so considering them in this discussion is moot.³ We will attempt to evaluate the net impact of a dollar spent on each type of input: *human capital*, *physical capital* and *public capital*. Evaluation of each is rather straightforward given the quantity of research performed in recent years in this area.

We use the term marginal product to describe the extra output generated by a dollar spent on each input. Economists have conducted an enormous amount of research into the relative marginal products of each, while almost no research of this kind appears in the economic development literature. Here lies our strongest criticism of mainstream economic development experts. Their research almost exclusively involves evaluating the different types of incentives in drawing and expanding business and in evaluating the impact of different types of public capital investments. There is almost no research evaluating the opportunity cost of these programs in this literature. While mainstream economic developers recognize the effects of human and private capital they do little to provide solid policy advice on the relative benefits of each. This leaves anyone involved in allocating scarce local resources without the information needed to make optimal decisions. This leads to poor public policy which may lead to lower levels of employment and business activity as dollars are mistakenly diverted from more to less efficient expenditures.

The unmistakable conclusion from the economic literature suggests a hierarchy of return to each of these inputs. This is the *marginal product* (MP), and should not to be confused with the regional economic multiplier which represents the *gross*, not *net*, impact of a dollar spent on each. This is in essence the total additional return to a dollar invested in any of these three areas.

The hierarchy of these returns are illustrated below:

$$MP \text{ of Human Capital} > MP \text{ of Private Capital} > MP \text{ of Public Capital}$$

These results are for a developed economy such as West Virginia's, not for an underdeveloped economy where the order between public and private capital may shift. More simply, to illustrate this relationship we should ask: is \$1 spent on a government development program more efficient in job creation than \$1 spent in the private sector (from which the tax dollars will be obtained). Under almost every conceivable circumstance, the answer is no. *It is extraordinarily unlikely that government economic incentive programs stimulate net job growth.*

Clearly expenditures that target economic development should be made in the areas that reap the highest return. Unfortunately, the most visible and proactive appearing policies do not carry the highest return. Indeed in the case of *public capital* it is likely that additional expenditures may actually cause a net decline in employment, wages and output.⁴

This probably sits uneasily with many readers, since it suggests that spending on even the most productive forms of public capital in our State could actually lead to lower economic growth. This idea is certainly not new to this study. A leading economist outlined this argument in a leading economic journal in 1962! So many of you will ask yourselves whether this is true, and if it is, then how could we be continuing to inefficiently allocate scarce resources for growth? To answer both questions I will begin by assuming it is true and thus explain how it could continue to occur.

Economic Development and Redistribution

A dollar spent by the Federal, State or local government on a road project in St. Albans will quickly generate many new jobs in the area (note these are gross not net jobs). However, the jobs lost due to the collection of taxes will be distributed across the country and State. The local jobs lost will never approach the number of new jobs in St. Albans. This makes this project appear, erroneously, to be a big job creator and a good return on tax dollars. The attractiveness of this project to an appointed or elected official is obvious. However, this does not suggest

that this is an inappropriate use of tax dollars. Redistribution of wealth to impoverished areas has a long (if controversial) history in the U.S.

However, it is equally likely that the argument presented here would be new to both a large percentage of elected and appointed officials, even within the development agencies in state and local government across the country. Redistribution of wealth incorporates notions of equity and interpersonal value that we do not make in this analysis, since they are outside the scope of this study. We do not recommend the use of development incentives, such as tax abatements, because they do are not likely to improve the lot of St. Albans residents in the long run.

Some Evidence of the Inefficient Use of the Development Dollar

The governmental reform platforms of both major political parties openly acknowledges the fact that government is less efficient than the private sector in its economic development goals. The “reinventing government” efforts of the Clinton administration and the restriction of governmental interference in the private market that marked the Bush and Reagan administrations exemplify this truth. Indeed, even at the international level criticism of the *International Monetary Fund* and *World Bank’s* local development efforts echo the criticisms made in this study.

Here in West Virginia, the myriad of economic development plans and fiscal incentives have undoubtedly brought some businesses to the State and expanded others. *However, it is quite likely that there has been no net increase in employment, wages or output in the State as a result of these policies.* It is important to recognize that most government spending is not designed specifically to generate economic growth, and that this criticism is not a blanket indictment of anything other than economic development policy. Estimating the actual impact of these policies is a costly process, and beyond the scope of this study. However, there is a preponderance of evidence to suggest that tax abatements and public capital play a very minor role in plant location and expansion. Studies in Appalachia and surrounding regions by Fox and Murray [1990, 1999], Flynn and Mayo [1987], Walker and Greenstreet [1980], Bartik [1990], Hall [1987], all find minimal or no correlation between fiscal incentives and firm location decision. Surveys of business decision making reported by Walker and Greenstreet [1990], Fox and Price [1989],

Kent, Thompson and Hatcher [1996] all report fiscal incentives and public capital ranking below educational achievement, physical amenities, existing markets, union influence and labor costs.⁵

We do not claim that some types of public capital are unimportant, only that the type most likely to be constructed under the guise of economic development is not likely to impact firm entrance and expansion. We do claim that fiscal incentives are almost wholly irrelevant to a firm's location decision. Indeed, since West Virginia has among the most extensive fiscal incentive programs, if they worked we would undoubtedly see our economy growing rapidly. It is not. It is worth noting also, that there is declining use of these incentives, at the State level. However, if fiscal incentives and public infrastructure are not the solution, then what is?

Economic Growth in West Virginia

The expansion of the State's economy depends on the level of each of the three inputs to production. The higher the level, the greater will be the sustained rate of growth, as well as measures of well being. Our measures of economic well being such as per capita income, labor force participation rates, the unemployment rate and Gross State Product are all comparatively poor.

The simple reason that West Virginia is growing slowly is that we have a relative shortage of *human capital*. In many measures of public capital, we have more, per capita, than the national average.⁶ This simple statistic alone is a profoundly strong argument for refocusing development efforts towards the highest area of return in the production function: *human capital*. By virtually any measure, West Virginia has a tremendous shortage of human capital.⁷ For reasons that are not entirely clear, we have among the lowest levels of high school completion, high school achievement, go-to-college rate, mathematics and reading performance and literacy. Indeed, many counties in West Virginia suffer from literacy rates well below the world average. This problem is exacerbated by stereotypes of the Appalachian citizen's human capital. It also serves to confirm many of these biases. This imposes severe structural impediments to economic development in the region, and, in large measure, suggest the type of industry that will locate here.

Conclusions

The causes of economic growth are many, but human capital is identified everywhere as a critical part of the success or failure of a community. Development programs, though they do explicitly focus on education, typically do not place the relative importance on human capital that the preponderance of economic research warrants. In the next section, we will outline education in the region and will describe some of the more successful education programs in the country. We will make some recommendations regarding the improvement of education in St. Albans (and the State as a whole). *However, the problems regarding human capital are many, as are the solutions. Education, primary and secondary, are the most important components of economic growth in St. Albans. The current level of education achievement is so poor as to seriously challenge the economic future of the region. Correcting the problem will be expensive, and the results will not be immediate. However, if St. Albans does not improve the educational attainment of its youth, no other economic development program will prove effective.*

Notes

1. Fiscal incentives take two broad forms: government sponsored infrastructure development and tax relief. For the former policy, in order for the development to create a net (not gross) increase in new jobs, the government must be a better investor of dollars than the private sector. That is a dubious proposition. In the latter case, any tax relief generates an increased tax burden on consumers and existing business or results in a lower level of public services. An overwhelming body of evidence suggests that existing firms are responsible for the bulk of economic growth and that firms value key government services more highly than simply low taxes. In either case, tax relief will prove ineffective for generating a net increase in employment. In both cases economic development officials will cite job growth directly attributable to both policies as evidence to the contrary. Of course they are only measuring gross job increases, not the net job flows that are attributable to these policies. It is almost an arithmetic certainty that these policies cannot create a net expansion of jobs. Their sole recommending feature is that they may reallocate jobs from high growth to low growth areas. For more detailed research, see Fox and Murray [1999].

2. U.S. Census data estimate more than 30 percent in this category, however we feel the 2000 Census will show roughly 30 percent of Kanawha County residents over the age of 25 have not completed high school. As we mention elsewhere, the age distribution of the State's residents means that this statistic needs some careful interpretation. However, even with an age adjustment, these data suggest the educational achievement of the State is poor. Similarly, the actual percentage in St. Albans, is likely lower than 30 percent, but remains too high for comfort.

3. There appears to be little *social overhead capital* which can be feasibly be added by St. Albans.

4. Formally, for the return to be negative on public infrastructure its marginal product must be less than the marginal product of private use of taxes. Since a small (and not likely tax sensitive) portion of consumer and business expenditures are on human capital, let us consider the marginal product of private capital to illustrate the

calculation. In West Virginia 80, percent of tax dollars are remitted by business (and remember housing, autos, and home computers are all private capital), and investment is quite sensitive to tax payments. It seems likely that even a marginal product of private capital of only 20 percent greater than that of public capital (if its greater than 1) would likely generate a negative return.

5. Walker and Greenstreet did not explicitly model the education component, but their other findings were similar to other research in the area.

6. The over representation of the construction industry in West Virginia (and St. Albans) is due, in large part, to the growth of public infrastructure construction in the State.

7. In total, we have a very high per student spending in the education budget. However, when this budget is decomposed into its sub-components, the State ranks very low in instructional spending.

3. Public Capital in St. Albans

Chapter 2 dealt extensively with the theoretical and research findings on public capital, as well as other issues. This chapter will address the specific components of public capital in the region. We will combine all policy recommendations, including those for public capital in Chapter 12. For convenience, we categorize public capital into three areas: social overhead capital, transportation and utilities.

Social Overhead Capital

Earlier we defined *social overhead capital* as public institutions, such as a justice system, fire protection, legislature and other basic components of our form of government. It is difficult to statistically measure the impact of these on economic growth, since they are a necessary component of a healthy economy. Without them, no region will thrive.

The most basic of *social overhead capital* contributions to the region involves public safety and protection. Simple comparisons of St. Albans with either West Virginia, as a whole, or the United States suggests that the crimes per capita, of all kinds, are significantly lower. This is important because property crimes impose especially heavy costs on businesses and act as a deterrent to business expansion or relocation. Also, the markedly lower levels of violent crime make the region more attractive to employees, lowering the costs of doing business.

Transportation

The region is blessed with perhaps one of the best ground transportation systems in the country. A major east-west interstate highway (I-64), a major north south highway (I-77), and the Kanawha River. Also, rail service through the area combines to make the region very attractive to businesses that require an extensive and varied ground transportation system. This intermodal aspect: road, rail and barge is especially important to many firms.

Overall, a focused effort to expand roadways and other ground transportation systems *in order to spawn economic development* is unwarranted. This, of course, does not preclude prudent building for new business entrance or expansion, only that additional speculative transportation infrastructure is unlikely to spawn economic growth. This recommendation does not suggest continued maintenance, safety and congestion relief activities should not continue. Several studies have noted that infrastructure maintenance is often overlooked. Also, as most citizens will note, congestion imposes costs on firms and workers, and where feasibility studies identify needed improvement, they should be made. Note however, this will sustain, not spawn economic growth.

While ground and waterborne transportation in the region is a noticeable strength, convenient air service in the region is absent. While the Yeager and Tri-Cities Airports are proximal, the air service at both are inconvenient and expensive. The relatively small demand for air service resulting from small, widely distributed populations suggests that significant growth of air service from Tri-Cities is unlikely. While there is significant ongoing interest in a regional airport, the economic feasibility of such a project is uncertain. It appears very unlikely that absent major service consolidation that a regional airport, in western West Virginia, will enjoy more competitively priced and convenient air service. Even under a consolidation, that outcome is not certain. The relatively long permitting and approval process also suggests that, in the presence of local consensus, available funding and commercial interest, a decade long lag in placing the airport in service is probable. So, under the best of scenario's reliance upon air service as a key component of economic growth in the short run is not tenable.

Public Utilities

Most public utilities such as sewer, water, electricity and telecommunications are owned by the private sector. We include them in the public capital chapter because they are regulated in ways that generate a public good aspect to the service. Chief among these is the network access and universal provision characteristics common to all. In order, we shall examine sewer, water, electricity and natural gas, and telecommunications.

Water & Sewer

The availability of clean water and waste disposal for a population is a necessary component to economic growth. In rural areas, this may not involve a sewer and water system, but in urban and high density areas these facilities are a necessity. The governmental role in providing these services is demand driven. Therefore construction of these facilities should meet the same feasibility standards as any other type of construction. St. Albans suffers no shortage of quality or quantity of these that inhibits economic growth.

Electricity & Natural Gas

The region enjoys electricity rates that are among the lowest in the world and there is little evidence that line installation costs are greater in the region than elsewhere. Natural gas costs, due to the proximity to the major north-south pipeline, are relatively low in the region. While line costs for new service may be expensive, it is important to note that it is the relative cost that matters in business location decisions. In any discussion regarding the area, the low relative electricity and natural gas costs must be emphasized. *The low costs of these inputs to production contribute heavily to local comparative advantage.*

Telecommunications

An increasing importance in rapid access telecommunications is important for firms in virtually all industries. While this is obvious for such industries as call and data processing centers, it is also important for firms engaging in detailed supply chain management.

The Appalachian region offers a major advantage in that the central communications network is routed through the most modern “telecommunications highway” in the world.¹ The existence of this highway potentially offers the same benefit to local economic activity as did the interstate highway system in the 1950's. However, the major inhibiting factor in drawing firms to the region is the absence of telecommunications “on-ramps.” The inability to readily access telecommunications highways makes them much less attractive to firms. St. Albans offers the basic service, but lacks the “on-ramp” capacity. For a city the size of St. Albans, speculative construction of this type of additional infrastructure is unlikely to prove feasible.

Summary

Public capital in St. Albans and the surrounding region is, for the most part, more than adequate to support economic growth. Commercial ground and water transport, as well as an extensive commuter road network make the area attractive to a wide variety of firms. We find water, sewer and other public utilities more than adequate. The region enjoys a strong comparative advantage in electricity costs and the most modern Telecom system in the world.

The strong state of public capital must be maintained and congestion continually ameliorated to sustain growth. Also, the absence of an “on-ramp” to the Telecom system in the region may not permit the fullest use of this infrastructure. However, the one area in which immediate attention must be paid is the absence of sufficient air service. The construction of a regional airport may well prove a necessary condition for economic expansion in Kanawha County. Whether or not it is feasible to build given the current demand and cost conditions we do not yet know. We strongly recommend that St. Albans support an extensive feasibility study of a regional airport.

Notes

1. The recently updated, fibre optic network in the region offers a strong potential inducement to firms requiring these infrastructure. However, the local access to Fibreoptic networks is not widely available, and the construction of local access may constitute a strong local comparative advantage.

4. Private Capital

An integral component of the regional production function is the stock of productive physical capital held by the private sector. This public capital is a key component to workers' productivity and a necessary component of economic development. The rapid movement of capital to areas of greater productivity is a hallmark of our free market economy. Indeed nothing better exemplifies the overall dynamism of an economy than its ability to draw capital for productive purposes. This process is often referred to as "capital deepening" and, in large measure is responsible for the level of economic prosperity in regions that enjoy high levels of capital mobility. An adequate stock of private capital primarily results from the profit motive. As such, the availability of private financing for economic activities with profit potential represent the most efficient free market mechanism in St. Albans.

The Source of Private Capital

The financing of the physical means of production is internally and externally performed by firms. The choice of financing mechanism depends on the firms' size, profit potential and cash reserves. Tby selling stocks and bonds, and by borrowing, firms externally fund the purchase of capital. By purchasing capital through cash reserves, internal funding is performed.

St. Albans enjoys strong capital access, indeed there are willing lenders available for both home and business loans regionally and nationally. For a home buyer with secure credit or a small business person with a viable business plan, there are no significant barriers to capital.

However, the overall tax burden is only part of the location decision. Several studies have indicated that the provision of services and public infrastructure are more important than tax rates.¹ Similarly, the way in which the state's tax is structured is critical in affecting firm location decisions. Higher taxes on productive capital tend to discourage its growth, while taxes on fixed assets, such as land, tend to have a less distortionary effect on private capital growth.

Tax Incentives

Local governments have been tempted to offer tax abatements and incentives to firms locating in the area. This has not generated true economic growth. While a tax abatement may well cause a firm to relocate to the area, that should not be its sole goal. Increased economic activity should be the desired outcome of the policy. Increasing taxes on existing firms in order to attract new firms is unlikely to generate the desired affect. Indeed, the overall consensus of economic researchers is that tax abatements show no positive impacts on economic activity. There is little to recommend their continued use.²

Finance and Small Business

Microfinance's role in economic development has been heavily researched. This research primarily focuses on developing nations where structural impediments to capital investment exist (e.g. ethnic or gender bias in lending). There is little to recommend the adoption of a microfinance program in the area. While this makes the per capita bank assets in the State lower than the national average, it results from large banking centers holding disproportionate amounts (e.g. New York, Atlanta).

The most probable method of improving capital access in the region appears to be removing barriers to information. This could be relatively easily achieved through the banks themselves. Huntington, West Virginia's chapter of the NAACP recently held a series of meetings, with banking, university and local leaders to explain the intricacies of capital access. These meetings permitted local bankers to explain their criterion for lending and highlighted the services available at *Marshall University's Small Business Development Center*. This type of activity provides the community with a better sense of the local banks' commitment, as well as sharing capital access concerns from the local community with bank leaders.

The Housing Stock

The condition of housing, its availability and alternative sources of housing (e.g. rental apartments, etc.) comprise an important aspect of private capital. Housing stock also adds to human capital, since amenities available in housing directly affect workers' performance. In developed countries, the absence of housing rarely reduces the overall productivity of workers.

The absence of affordable housing, for example in the *Maquiladoras* of northern Mexico, are primarily a problem of underdeveloped regions. However, rent controls and other market access restrictions may result in lower productivity as workers are unable to obtain adequate housing. That problem is not shared in the region.

A low quality stock of housing is typically a market response to worker income. As we will detail in the following chapter, low wages are common in the region, and this leads to lower valued housing. There is little evidence however, that this spawns economic distress or slower growth. Any such conclusion mistakes the direction of causation of this observable condition.

Rental property availability may make short term adjustments to labor demand more difficult. For example, a firm which needs workers immediately may find that the absence of available housing drives up labor costs, since workers may require higher wages to travel long distances. There is little evidence of this affecting growth in the region.

The quality of housing in parts of the region is far below the national average. This is not unusual in Appalachia. However, there are also pockets of high quality housing, and alternative sources. A potential problem with low quality housing is that, in the absence of effective zoning restrictions, this may depress house values in other areas. This may act to reduce private investment in homes, since the potential for low quality housing relocating nearby threatens the investment aspects of housing.

The presence of easy financing and a robust construction industry in the area suggests that any imbalance in the housing stock would be short lived. There is little evidence that the housing stock in St. Albans area inhibits economic development. However, there are a number of employable policy mechanisms that may to improve the stock of housing. These include zoning, enforcement of derelict building codes and community efforts to foster efficient housing development. All of these will be addressed in the recommendations chapter.

Summary

The regions' banking structure is sound. There have been only three bank failures in the State in the past decade. St. Albans enjoys good access to financial capital, and, as a result appropriate levels of private capital. Any investment shortfalls in the City likely result from

structural insufficiencies in other parts of the regional production function, not a flaw in the local financial sector. To exemplify this conclusion, we may examine economic growth in McDowell County, West Virginia. During the 1990's McDowell County enjoyed tremendous access to financial capital as the Keystone Bank loaned funds in the local area at an enormous rate. While the access to these funds appears to have been due to illegal activity (as recent jail sentences suggest), and the loans below market interest rate there is no evidence of resulting economic growth. So, even with access to capital that cannot be replicated, a region with many of the same structural problems as this area did not enjoy strong economic growth. In the next chapter we examine the major shortcoming of the region, its stock of human capital.

Notes

1. See Fox, William and Betty Vickers. "Determinant Factors in Business Location Decisions: A Tennessee Update." Center for Business and Economic Research, University of Tennessee. Oct 1988. and Kent, Calvin A., and Mark Thompson, and Richard Hatcher. "Barriers to Retention, Expansion and Attraction of Business in the Huntington Area." May 11, 1997.

2. Indeed, recently the research focus on tax abatements has shifted from their efficacy to the question of why they are still pursued when the evidence is so strongly stacked against their effectiveness. The most compelling research suggests that municipalities and states offer abatements because everyone else does. This is the famous "prisoner's dilemma" from game theory.

5. Human Capital & Education

Human capital is simply the collection of knowledge, skills, health, culture and education that builds productive workers. A measure of human capital that is very responsive to policy measures is workers' skill level. While there is definitely not a worker shortage in the St. Albans area, there is evidence of a skills shortage. Although this is a nationwide problem, it is a particular challenge in West Virginia. In the Spring of 2000, there were an estimated 13 million people in America who are in the job market. Of these 13 million, roughly half are unemployed and are seeking work, 4 million desired work but had stopped searching, and the remainder have a part-time jobs but would like to have full-time work. It appears that the primary reason many cannot find the employment they desire is because they lack necessary skills.¹ Low levels of human capital are the major inhibition of businesses relocating and expanding in an area.

Skill Measurements and Characteristics

It is difficult to measure a worker's performance solely based on their years of educational attainment. This type of measure does not capture a host of important skills, nor does it differentiate between different types of skills obtained in school. Schools' very low achievement levels exacerbate this problem because many people who graduate high school do not possess adequate skills in reading, writing and arithmetic. This causes the value of a high school education to become suspect and motivates employers to pay the higher labor costs necessary to obtain employees having the necessary skill levels.

It is important that we explain in more tangible terms what is meant by entry level job skills. It is not typically, as many would imagine, technical proficiency on equipment or skills in computer operations and language. These skills are specific to firms and training in them are typically undertaken privately, by the firms themselves, as part of initial training. The skill deficit that is closely identified with workers possessing a high school degree or less education are the most basic of skills: multiplication and addition of fractions, ability to write in complete sentences, reading simple road maps or summing a column of items to determine a cost. All of these skills are taught in elementary school. All too often, skill training in adults requires costly instruction

for a long period of time, refreshing these skills prior to embarking on more technical training.² In order to estimate the distribution of skills within a region it is necessary to employ testing, education or survey results with available data in the region. The National Adult Literacy Survey³ (NALS) gives a good estimate of the skill levels of the American population. It also estimates the distribution of these skills by education.

The NALS possessed two sections in the survey: a demographic section and a section to test the participants' ability to apply reading and mathematical skills to real-life tasks. Through a representative sample, results were predicted using a statistical model based on how well the participant responded to the various tasks. Each participant was given a score ranging in number from 1 to 5, representing a certain set of skills similar to what that participant could perform. However, to be included in the skill level, the participant could not perform at the next skill level. For example, a person performing at a skill level 2 could not handle skills related to level 3. Table 5.1 gives examples for the various skill levels.

Table 5.1: Skill Levels and Abilities

Skill Level Abilities	Levels
/locate expiration date on driver's license /total a bank deposit slip /sign their name	1
/locate an intersection on a street map /understand warranty on appliances /total the costs from an order	2
/write a letter /explain an error on a credit card bill /understand and use a bus schedule /use a calculate to figure out a ten percent discount	3

It is interesting to note that the lowest of the two skill levels represent the types of skill deficits that we noted above. A number of workers, particularly low-wage workers, rank in the two lowest skill levels (levels 1 and 2). The data show that 60 percent of male and 45 percent of female low-wage workers fell into either skill level 1 or 2, with 20 percent actually in the lowest category.

There are a number of problems associated with a high proportion of unskilled workers in a region. One problem is that the impact of poor skills falls disproportionately upon women, who are less likely to hold high paying low skilled jobs. This, in turn, is likely increase the proportion of children in poverty, since the bulk of single parents, with custody, are women. This may lead to further erosion of human capital, because poor children are less likely to obtain the necessary skills that lead to higher paying jobs when they become adults. This, in short, is the cycle of poverty.⁴

Education & Human Capital

While education and skill level are often considered synonymous, they clearly are not, however; they do correlate with one another. Years of educational attainment is a key measurement of human capital. People who obtain a high quality education typically possess higher skill levels, and will contribute more productive labor. This presence of a higher proportion of better skilled workers makes a region's economy stronger. If an area offers workers with higher levels of education, then companies will not have to absorb higher training and education costs. Firms can also avoid the cost process of relocating skilled workers or relocating the firm to an area with a more highly skilled workforce. This is a tangible problem in Kanawha County.

Appropriate education provides students with the essential skills they need to find future employment.⁵ Many companies are attracted to areas that have strong educational systems. A survey by the accounting firm of Ernest & Young, found that an educated workforce has become a major factor affecting the firms' decision to establish their business in an area.

Academic studies of human capital by leading economists suggest that policies designed to enhance human capital should be targeted as early as primary and secondary education. One leading study suggests that technical skill enhancement provides individual workers and firms, not society as a whole, the greatest benefit. Through this reasoning, extensive technical training should be performed in the private sector. Another well known model reinforces this idea by evaluating the productivity enhancing benefits of primary and secondary education. This alternative suggests that it would be more valuable to invest in lower and intermediate levels of

education, because improvements at these skill levels contribute more to overall productivity. This leads to a higher overall productivity and should be funded by the public sector. Both theories suggest that the public sector emphasis should be on primary and secondary education. Since they use two different approaches to support the same conclusion, the results are compelling.⁶ For these, and other, reasons we will recommend increased policy emphasis on primary and secondary education.

Skill and Education in St. Albans

In evaluating the actual educational and skill levels in St. Albans, it is important to look at the *National Adult Literacy Survey* (NALS) to see what impact education has on skill levels. It is important to note that earning a high school degree does not verify that a student possesses adequate abilities to perform a medium or high skill level job. In fact, this study suggests that having a high school degree may be worth little in the job market. For example, of all the workers tested on the survey 40 percent of high school graduates could only perform at a level 2, while virtually all of the skill level 3 tasks are included in high school curriculum.

By matching data on educational achievement with the test results on skill levels in the NALS, we have calculated the distribution of skill levels in Kanawha County. We could also have reported these findings by looking at the distribution of high wage jobs in the area, since the results were similar. It is also important to recognize that the NALS survey was not administered to persons who could not read. So, our estimates of the skill levels in the Kanawha County area overstates the actual skill levels in the region. Conversely, the use of County-wide data may give us a biased look at St. Albans itself. Neither of these two potential problems change the qualitative impact of the skill level assessment.

In each of the two low skill levels, Kanawha performed worse than the nation, though better than West Virginia as a whole. In Skill level 3, the region was very similar to the nation as a whole, while in the highest skill levels the region lagged far behind the national average. Table 5.2 illustrates the skill level distribution.

**Table 5.2: Skill Level Distribution in Kanawha County
(proportion of total population)**

	Level 1	Level 2	Level 3	Level 4	Level 5
Total U.S. Population	14.3	23.0	36.7	23.2	2.8
West Virginia	14.9	29.9	36.8	17.2	1.8
Kanawha County	14.6	27.1	36.7	19.6	2.0

Source: National Adult Literacy Survey, National Center for Educational Statistics and Center for Business and Economic Research

These stark findings suggest that the Kanawha County region likely suffers a high unemployment rate due primarily to the relatively low skill levels of area workers, and that the pool of available workers likely has an inadequate skill set. The low skill levels of the available workforce will have a profound effect on firm relocation to the area. Though we have not treated it explicitly, it is also worthwhile to note that on average, wages in an area are heavily determined by its average skill level. The relatively low per capita income in the Kanawha County area is strongly correlated with the limited skill levels of its average worker.

Primary and Secondary Education in the St. Albans Area

Another aspect of education affecting student skill levels is public and private educational investments. For many years, class size has been an important issue in school funding. However, a paper by Harvard economist Caroline M. Hoxby⁷, concludes that this public investment will not have a measurable effect on the outcome of education unless it occurs at a sufficient level to benefit most area classrooms. In her research, Hoxby notes that it takes a fairly large change in class size (roughly 10 percent) to quantifiably impact school performance. However, policy makers should not rule out class size reductions. Instead they should recognize that small, incremental reductions will require years to generate a difference in student abilities.

Another paper by Caroline M. Hoxby⁸ evaluates the private investment of the Tiebout Choice process, where policy outcomes are driven by consumer (in this case parental) choices.⁹ Tiebout choice allows for increases in productivity, and increases scholastic achievement while at the same time decreasing costs. This strongly points to the efficacy of some form of school

choice. Further research into the efficacy of school choice has strongly concluded that a degree of school choice is likely to improve education for both individuals and the entire community. Despite an overwhelming amount of quality research to support this conclusion, school choice remains a contentious issue. Removing the school choice impasse is likely to be the most important beneficial change in elementary and primary education of our time. The application of some form of school choice is especially important for areas that do not enjoy high levels of educational achievement.

U.S. schools are performing poorly when compared to other developed countries. Indeed, the U.S. ranks at the bottom in most measures of education achievement among the developed countries. So, performance at or below the national level in measures of educational achievement, is poor school performance on the international level. By virtually every criterion we have observed in Kanawha County, primary and secondary school performance is comparatively weak. See Table 5.3.

Table 5.3, Selected Public School Statistics, St. Albans

School	Avg. Class Size	Stanford Achievement Test Percentile Score
Alban Elem.	22.8	76 (6 th Grade)
Andrews Heights Elem.	19.2	64 (6 th Grade)
Anne Bailey Elem.	24.7	67 (6 th Grade)
Belvil Elem.	18.8	66 (6 th Grade)
Central Elem.	22.5	75 (6 th Grade)
Fairview Elem.	18.5	60 (6 th Grade)
High Lawn Elem	21.9	82 (6 th Grade)
Lakewood Elem.	22.1	76 (6 th Grade)
George C. Weimer Elem.	19.2	60 (6 th Grade)
Hayes JHS	21.3	69 (8 th Grade)
McKinley JHS	24.3	60 (8 th Grade)
St. Albans, HS	21.2	62 (11 th Grade)

Source: U.S. Department of the Census, U.S. Department of Education, National Center for Educational Statistics

These data do not suggest the area's schools are performing at a level much beyond average. The test scores outlined above are not taken by a representative set of schools nationwide. Though there are problems involved with measuring school performance from these types of exams, they remain one of the few comparative statistics of school performance. Perhaps the best method for evaluating the school system's performance is using the scores available for college entrance exams. St. Alban's High School ACT takers score below the Kanawha County and West Virginia averages. Unfortunately, the State ranks 47th nationally in this category. Succinctly stated, more than half the students in St. Albans taking the ACT in preparation for college entrance are scoring below the national, State and County average. Internationally, Kanawha County's performance is even weaker. The region lags behind virtually all of the world's developed nations. The region's measured performance in such areas as mathematics, language and reading skills is quite poor. A stark observation by the National Center for Education Statistics perhaps best illustrates the problem facing the region:

“In the 1991 mathematics assessment, only 9-year-olds in Slovenia and 13-year-olds in Jordan and Spain scored approximately the same or lower than their U.S. counterparts. Nine- and 13-year-olds in the United States scored below students in the same age groups in the other participating countries. Korean students scored highest among the 9-year-olds, and Taiwanese, Korean, and Swiss students scored highest among the 13-year-olds.”

--NCES, EDUCATION INDICATORS: An International Perspective

These indications of educational achievement suggest that it is an unattractive region for international firms seeking a highly trained workforce. The low levels of human capital in the region suggest that workers in the area will be less productive, therefore more costly to their employers. In order to balance the relatively lower regional education (and skills) workers in the region will undoubtedly accept lower wages. In our analysis, the region's primary and secondary education and human capital levels in the region are the weak link in economic development.

College & Higher Education in the Region

Contrasting with the very weak primary and secondary educational statistics in the region is the abundance and quality of the post secondary educational opportunities. Numerous higher education opportunities surround the area. These colleges and universities offer a variety of

degrees, as well as a diverse selection of study programs. Most of these universities are no more than an hour drive.

In addition to the varied choices and proximal locations, these schools are of extraordinarily high quality. The academic programs and research at both Marshall University and West Virginia University are nationally and internationally known. Though, there is little choice of nearby Ph.D. programs, this is likely to have little impact on regional growth. The very strong performance of post secondary schools in the U.S. and this region provides an important balance to the region's low stocks of human capital and poorly performing schools. In terms of higher education, the chief ingredient missing in the region is the presence of a strong research and development program. There are important research centers in Huntington; especially the *Robert C. Byrd Center for Rural Health*, the *Robert C. Byrd Center for Flexible Manufacturing*, the *Center for Business and Economic Research* and the *Small Business Development Center*, but the region lacks the type of technological research for likely to produce high level R&D spin-off. This will slow potential growth, but it is not the key constraint in the region.

Economic Impact of Skill Shortages

There is a rising demand for highly skilled workers in the national labor force. As firms require fewer low-skill workers, their wages also deteriorate. Since the region has a high number of low skilled workers, measures must be taken to improve employee quality. This begins not with investments in higher education, but rather investments in lower and intermediate levels of education, where primary work skills are learned. According to University of Chicago Economist James Heckman, government investments have not performed well when targeted to older and disabled work groups. Investments should be made toward young learners, where the return to public investment is higher.¹⁰

It is clear that this area suffers from a high proportion of poorly skilled workers. Firms who are considering expanding or re-locating in the area, notice this, and while it is unlikely that a firm will publicly criticize the skill level of the workers in the area the problem still exists. The low worker skill level also suggests that most firms attracted to this area will not need highly skilled workers and will pay lower wages. Much of the stagnant wage growth in the region is

attributable to this phenomenon. *Simply put, without an increase in the level of education and skills in the region, wages will not rise, unemployment rates will remain high, and out-migration of more skilled workers will continue.*

Other Measures of Human Capital

We have explicitly not elected to evaluate issues of human capital such as culture, work ethic and other weakly quantified issues. These, and many other issues, may be critical, but are not readily amenable to short run policy correction. Also, we do not feel that these issues offer much to mitigate the otherwise poor levels of human capital in the region. While there are regional and cultural issues, the impact these have on new firm locations is uncertain. Also, while the region may suffer from Southern Appalachian stereotyping, public policy can more readily ameliorate the problems related to basic education and skill training than it can decades old bias.

Summary

Human capital can be measured through health, skill, and education. Many residents of the region are suffering job skill shortage, that is strongly linked to their level of educational attainment. The skills needed for jobs are learned in primary and secondary education, but for a multitude of reasons the areas primary and secondary school system has not provided the education and skills needed to obtain high paying jobs. This problem needs to be improved before Kanawha County or St. Albans can experience dynamic economic growth.

The cause of these problems are many: out-migration and aging, weaker family structure, inadequately trained teachers, poor curriculum, a lack of discipline in schools, television, interest group politics, poverty, low college admissions standards, low funding levels, and social and cultural differences. Blamecasting on this issue is unlikely to improve schools. *Absent a dramatic effort to improve the quality of schools in the region the growth in employment which we forecast in this report will occur primarily in low wage industries, that are willing to accept less skilled workers.* While some growth in high wage jobs that accompanies this, those jobs will be fewer, and will recruit workers from outside the region. This outcome is economic growth, but is unlikely to be of the type favored by most residents.

Notes

1. The National Adult Literacy Survey, *National Center for Education at the U.S. Department of Education*.
2. Virtually every study of skill deficits repeats these observations. Also, nearly every curriculum of adult and technical education we have observed includes extensive refresher training prior to adopting the more technical training. The refresher training typically includes these, literally, elementary skills.
3. The National Adult Literacy Survey was published in 1992, and funded by the *National Center for Education at the U.S. Department of Education*. It was tested on approximately 50,000 literate persons aged 16 and older.
4. The better paying of the low skilled jobs typically involve greater physical exertion or very unpleasant working conditions, and for a variety of reasons, these tend to employ a disproportionate number of males. It should also be noted that since single parents are overwhelmingly female, the poverty impact of low job skills falls heavily on children.
5. Education also improves or develops social skills, which aid in employment. Also, we contend that education is beneficial in its own right. Indeed, the introduction of a public school system in the United States was primarily intended to develop civic virtues and knowledge, not create a more skilled workforce.
6. In this theoretical study (the Nelson-Phelps Model), the productivity enhancement of technical training is not a direct benefit to society, but to firms. In another well known model by Lucas and Corvers, primary and secondary training benefits society. Both of these sets of models essentially confirm the policy outcome of public support for primary and secondary education, with more public support of higher level technical training and education. Lucas is a Nobel Laureate, and Phelps a leading candidate for future awards of the prize.
7. The Effects of Class Size on Student Achievement: New Evidence from Population Variation by Caroline M. Hoxby.
8. Does Competition Among Public Schools Benefit Students or Taxpayers? by Caroline M. Hoxby.
9. Charles Tiebout suggests in A Pure Theory of Local Expenditures, that family preferences make a difference in the local economy. When a family chooses a location based upon its taxes and expenditures and then moves when dissatisfied, this creates diversity among local governments. Some areas will emphasize particular interest, while others may emphasize something else, depending upon the district's household preferences.
10. What Should Be Our Human Capital Investment Policy? by James Heckman

6. The Model City

The Main Street Program Successes

The Main Street Program is very successful and has helped to develop and improve over 600 communities nationwide since 1980. Basically, the program is designed to improve all aspects of the downtown or central business districts (www.mainst.org). The National *Main Street Center* is part of the *National Trust for Historic Preservation*. The *National Main Street Center's* mission is to empower organization's and communities to achieve ongoing downtown and neighborhood district revitalization based upon the principles of self-determination, resource conservation and incremental transformation represented through the *Comprehensive Main Street* approach.

All of the *Main Street Program* cities followed a *Four Point Approach* that consists of design, organization, promotion, and economic restructuring. Many cities have followed this program in their revitalization efforts. Prior to analyzing the programs that have worked, we must first understand the basic concepts behind the four-point plan. Design, or downtown revitalization, is basically the rehabilitation of downtown historic buildings and encouraging of new downtown construction. The second stage is organization, which is simply a consensus and cooperation among business people and the community surrounding them. Third design promotion or marketing, which mainly deals with marketing the traditional commercial districts', the assets to consumers and investors. Finally, we have economic restructuring which is mainly strengthening the districts existing economic base, while finding ways to expand it to meet new opportunities and challenges from outlying development.

The program has proven effective, achieving these results nationwide:

/ \$10.9 billion public and private investment in *Main Street Communities*.

/ \$5,139,000 average reinvestment per community.

/ 174,000 net new businesses generated.

/ 60,900 buildings rehabilitated.

/ Average program length to date: 5.60 years.

/Average cost per job created: \$2,179.

/Average cost per business created in a main street district \$6,553.

Even though there is not specific criteria for the *Main Street Program* certain states (including West Virginia) have established their own criteria. For instance, in order to be apart of the *Texas Main Street* program, a city must have a population ranging from 5,000 to 50,000, agree to hire a full-time main street manager for three years and provide funding for the local program

Virginia also has a *Main Street Program*. Their programs basically deal with cities ranging between 1,200 and 50,000 people which include:

/Bedford

/Franklin

/Petersburg

/Winchester

/Lexington

/Suffolk

/Staunton

Designated *Virginia Main Street* programs receive no state or federal funds. They commit local funds to hire a project manager and support the administration of a downtown program for these years. They also must form a downtown revitalization organization with public and private sector support. Also they must work in the four-point approach for downtown revitalization.

Some Successful Programs

It is important to note that various programs have enjoyed success under the *Main Street Program*. First, we can look at Burlington, Iowa, which was picked by the National Main Street Program web site as town of the month in January, 2000. Burlington, Iowa has a population of 29,000, and started the program in 1986. Their major accomplishments include:

- /Saving and Old mill from demolition.
- /Launching a major cycling race.
- /Crafting historic building protection.
- /Tapping the downtown employee market.

Moreover, the financial reinvestment in the town was touted at \$12,948,000. In addition, this town rehabilitated over 248 buildings and created 262 new jobs.

Durant, Oklahoma's main focus of revitalization was its' downtown area. During the revitalization process, there was a strong partnership among the Main Street program, Chamber of Commerce, and the city and county government. The primary focus of the city of Durant was:

- /Low interest rate loans programs.
- /Design assistance.
- /Hosting their own festivals.

The *Utah Main Street Program* has worked for several cities in that state. For instance, Brigham City has instituted a downtown concert series, held several networking socials for downtown business and assisted businesses and property owners with obtaining technical and financial assistance for rehabilitating their historic buildings. These are the types of programs that St. Albans could easily employ for downtown revitalization.

The Mt. Pleasant, Utah program dealt primarily with the rehabilitation of storefronts and the construction of affordable housing for newly locating residents. Another important concept associated with the *Utah Main Street Program* was the use of the Heritage Industry. The "Heritage Industry" consists of heritage tourism, as well as the use of traditional products or items that have historically been manufactured in that region. The cities that the Utah Main Street Program points out as heritage regions are: Spring City, Manti and Emphraim.

In comparison, the Flora, Illinois Main Street Program tries to recruit new business into the area. To facilitate this effort, members of the Flora Community Development Corporation, the Flora Chamber of Commerce, and the *Main Street Program* director meet yearly with

individual downtown commercial establishments to discuss how to improve their economic performance.

One of the programs that this city has instituted was the Façade Renovation Grant Program. This program is mainly designed to make low interest loans available for downtown building faced renovations. In addition, they have the *Awning Town Program*, which permits downtown businesses to jointly purchase storefront awnings under agreement with awning manufacturers.

River Falls, Wisconsin has established a low interest loan fund and a building façade improvement grant program. Furthermore, River Falls developed a sign grant program, which helped to spruce up its downtown area. In comparison, Springhill, Louisiana focused on bringing shoppers back to Main Street. Furthermore, they emphasized that they wanted to bring people back to enjoy the relaxed pace of a friendly, small town living as well as its festival and parades.

North Carolina also has a *Main Street Program*, which includes more than just the four-point program that many other cities must follow. They have “Program Guidance” which helps in developing the local revitalization program management process. Also the program provides technical assistance which helps with organizational development, market analysis, business retention and creation and encourages façade renovation and investment. Also, there is training for the *Main Street* four-point approach. Furthermore, they offer help in real estate and business development. They also offer courses from around the state and their programs are provided to *Main Street* and non-main street communities alike.

Organization was also a key factor in the development of *Main Street* communities. For instance, within the communities, city officials, bankers, merchants, civic leaders, and individual citizens must all work together. This coordination is assisted by a catalyst known as the program manager.

What Works Best? Community Perspectives

Next we analyze the specific programs that the cities and communities involved with the *Main Street Program* felt were successful. First we will start with Tarboro, North Carolina. This city is located on the banks of the Tar River and is accessible from I-95, and US 24. It is

considered to be one of the oldest towns in the United States. Primarily, Tarboro has attempted to lure shoppers back to its downtown area. Their website describes its downtown revitalization program as innovative, with an array of shopping, banking and service facilities. It also has brick sidewalks and tree lined, with a shopping district within walking distance of the town's National Historic District. Tarboro's program also concentrated on recreation and culture, mainly focusing on Clark and Braswell parks, which consist of community centers with gymnasiums, basketball courts, game rooms, and kitchens.

Shelby, North Carolina, one of the first *Main Street* communities, joined the program in 1980. It has been at the head of downtown revitalization, with projects such as the Farmer's Market, an Art's Center, Mason Square, Lafayette Place, a Municipal Service District, and to cap it all off is its award winning promotion of Freedom Fest. Also, their town has the Foothills merry-go-round which offers carnival rides, food, and live concert music. In addition, Shelby is home to a world class cycling race that attracts cyclist from around the world.

In Newton, North Carolina, low interest loans are available for the purchase or renovation of downtown buildings, including facade improvements. The *Main Street Program* in this town also sponsors an annual Hometown Festival called "Newtownfest" which offers Arts and Crafts, food and activities for kids. Reidsville, North Carolina offers the Penn House, a city owned facility, which is used for weddings, parties, meetings and social events. Furthermore, Reidsville offers the Antique Alley Street Festival, which features Apple Cider, Peanut Roasting, and Homemade Molasses cooking. Clearly, Newton, and other towns in the *Main Street Program* feel festivals and activities are important to their revitalization efforts.

As one can see, the *Main Street Program* is national. In Cedar Falls, Iowa the program claims an additional \$122,000 annually given to the city of Cedar Falls to the general fund. Also and additional \$124,000 is given annually to the Cedar Falls School Budget.

/188 new business starts (with 57 net new in businesses).

/252 new jobs with 165 net gain in new jobs.

/261 building rehabilitation efforts.

/\$7,185,419 private dollars invested in renovation.

/Private \$ invested in property acquisition, \$4,499,218.

The Marshall, Illinois Main Street Program is funded in three major ways. Thirty-three percent comes from the city of Marshall, 33 percent from business and 33 percent comes from private donations. Much like other programs, Marshall mainly governs its own program with staff assistance from the Illinois Main Street Program. Individuals or businesses can become members of the Marshall Main Street Program by volunteering their time and talents or through money gifts. Membership levels include:

/Senior \$20

/Individual \$50

/Organization \$50

/Family \$100

/Bronze \$150-\$249

/Silver \$250-\$499

/Gold \$500-\$990

/Platinum \$1,000 or more

Many of these programs are neither necessary nor feasible for St. Albans. However, there are a number of potential policy options that the city may effectively leverage to generate growth. These will be detailed in this report's recommendations chapter.

7. Industry Selection

Why Target Industries

Targeting individual industries for expansion and location into St. Albans and the surrounding region is important only for directing scarce marketing resources. Expansion and location of virtually any industry should be encouraged. Indeed, industrial expansion should be discouraged only in cases where the costs of an industry imposed on the residents outweighs the benefits. This is unlikely to occur in the Kanawha valley.

The targeting of individual industries for expansion and relocation requires analysis of the structure of the local industry: its supply and demand components. We employ two different techniques to select these industries. One technique, known as the *traditional approach*, identified successful industries in St. Albans for targeting efforts. This method takes advantage of the information the free market offers to researchers regarding the cost, demand and other market conditions that are favorable to St. Albans based industry. The second technique is *supply gap analysis*. This technique was used to identify instances where the market failed to provide adequate services, or to identify services that are being performed, but are not part of the mainstream economy. Both processes were important in selecting industries that the St. Albans community could target. We focused on four attributes that were critical for each industry:

- / Rapid national growth in recent years, with a prospect for future regional growth.
- / Industries that employed a wide range of workers, from unskilled to highly skilled..
- / Industries that imposed little or no external costs on the community.
- / Industries that have a strong regional multiplier impact (wages & employment).

We selected two rapidly growing and influential industries in the region: construction and automobile sales and services. We also selected two underdeveloped industries within the region: health and child care.

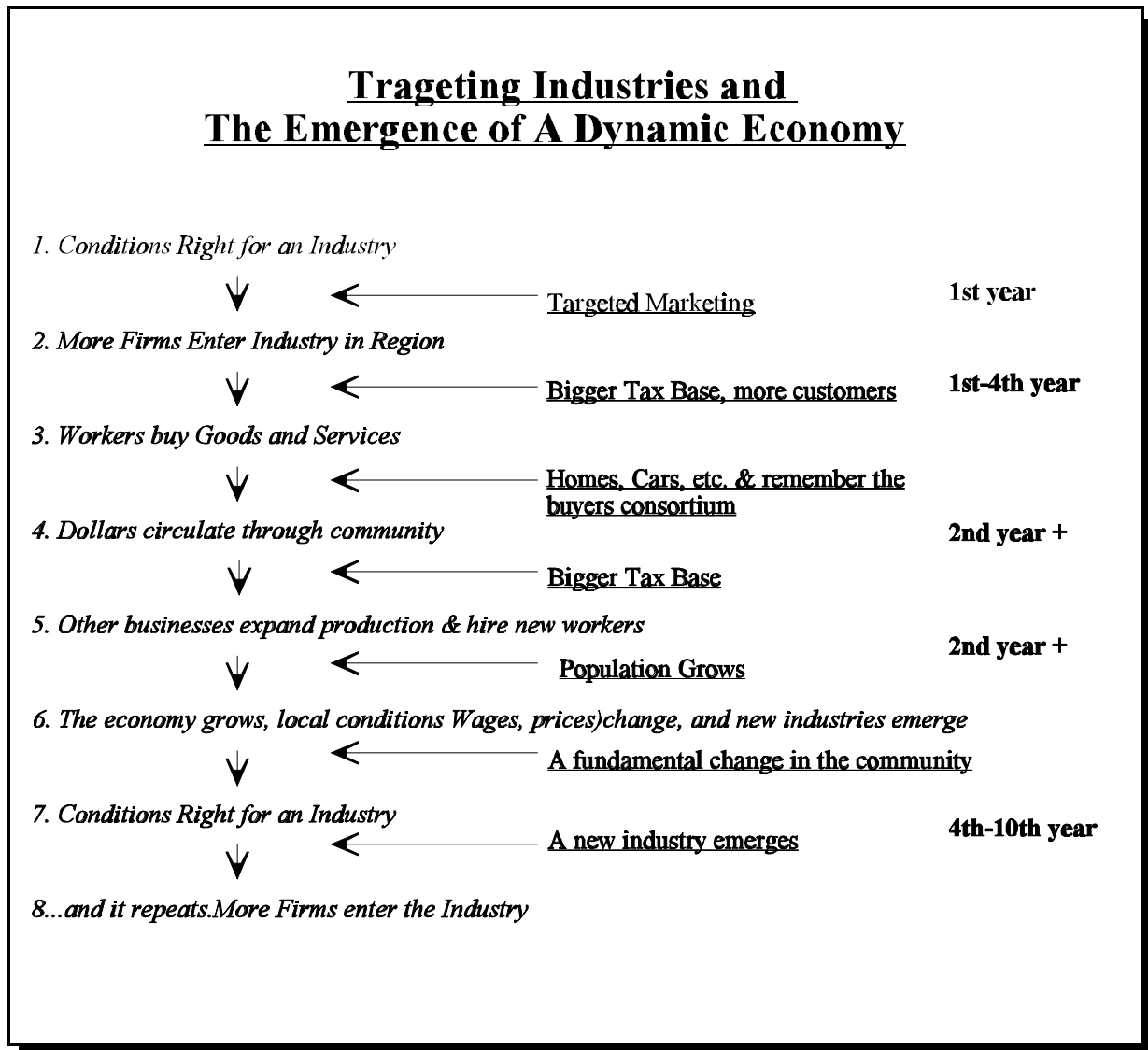
A note of caution about industry targeting is necessary. If conditions are not favorable for a business, there is little government can do to entice its location or expansion. Indeed, the only truly effective technique we have found in the economic literature is marketing. Also, many development officials will spend much effort in attracting high paying jobs, while ignoring lower paid jobs. Unfortunately, this is not likely to work. Wages paid in an industry are almost perfectly correlated with the productivity of that region and industry's workers. Productivity is simply the dollar output per worker, and is almost perfectly correlated with the levels of human and private capital available in the region. As we have already detailed, the region has a shortage of the former. This means that targeting industries that only pay high wages is unlikely to directly yield useful results.

There is another consideration in any effort to entice industry. Work itself tends to improve human capital, and can lead to a more productive workforce. Since the region suffers from an unemployment rate almost fifty percent higher than the national average, increasing employment of any kind would be an important instrument in improving human capital. It is important that we target industries that have jobs that match our labor force's characteristics. Sadly, many of these will be low paying. Evidence that this is the market's future choice is available throughout the region. Call Centers, with average wages at roughly \$8.00 per hour are a rapidly growing sector of the regional economy. This results from the surplus of workers whose skills do not command a higher premium on the labor market.

Industries that are successful are likely to stay and grow. This will, in turn, cause the flow of dollars through the community (known as the multiplier effect) to generate more business. This inevitable process is what leads to regional growth. The clustering of industries occurs when several businesses find it profitable to locate in a single area because it has the best mix of inputs (land, labor, capital resources, market, amenities, etc.) for that industry. This leads to expanded growth for the whole community and should be welcomed. Indeed, cities that enjoy clusters of auto sales (Alcoa, TN), or furniture manufacturers (Hickory, NC), or carpet manufacturers (Dalton, GA) have a very desirable attribute that St. Albans should emulate.

Finally, identifying industries where there are a wide range of employment options is useful. Industries that locate and expand in the region will likely bring workers that have skills

not locally available. These are typically more highly skilled (hence better paid) workers. This in effect leverages the growth of a community, by using its available resources. It is much more likely to achieve the desired results than are efforts to attract high paying jobs to an area whose work force does not match their needs. A quick schematic of this process is outlined below:



Targeting Prospects in the Business and Residential Location Market

The annual market for new or expanding industry is very competitive with over 20,000 economic development organizations fighting each year to attract less than 3,000 new company location decisions. The greater part of these communities will not even make the first elimination of a beginning search area. In addition, the complexity of the site-selection process is further increased by the dozen or so nationally known site consultants and the dozens or more lesser known consultants who may not know of the potential of a particular community. A community's chance in this process is measurably increased by a positive image. In order to obtain this image, communities can seek the help of a marketing consultant, local development agency, state development department, and possibly by the economic development departments of utility companies. We have outlined some basic marketing ideas, with cost estimates, in Chapter 11, as well as some specific recommendations later in this study.

Possessing all the necessary attributes to attract companies does not ensure being selected. The community has to get their message to the correct people. An aggressive marketing program for a town may cost hundreds of thousands of dollars, with much of the money going to people or organizations with no interest. A more cost-effective way of targeting businesses can be obtained by attending professional associations. These include *International Association of Corporate Real Estate Executives* (NACORE), *Industrial Developers Research Council* (IRDC) and *International Council of Shopping Centers* (ICSC) to name a few possibilities. These organizations and trade shows can be an effective place to find leads and prospects. On the flip side, advertising, association meetings and trade shows have their faults, since consultants and companies are not physically in the community. The competition is high, since many other communities also attempt to attract consultants and companies using similar methods. In addition to these general targeting strategies, there are specific processes to entice particular industries. These vary with individual industries and should be addressed as a targeted marketing plan is developed.

8. Targeted Industries

St. Albans is home to a diverse industrial base. This base continues to shift, and as it does some industries will provide changing of the region's total economic activity. The nature of economic activity is such that expansion in one industry often leads to a general growth in other industries. This means that economic development simply spurs more economic development. In order to facilitate growth in an economy, development agencies tend to seek out successful industries. The success of an industry often suggests that the conditions in the community are favorable to that type of firm, and so attracting others like it may be the best way to increase overall growth. In this chapter, we outline two industries that have enjoyed success in this region. Many other industries have grown, but these two, in terms of growth rate and regional impact, represent the biggest industries. The tables on the following pages outline the components and structure of these industries. This is an informational element and is important in allowing a targeted marketing plan to take place.

Construction & Automobile Sales

The firms that build, supply and organize the construction of physical infrastructure are the construction and affiliated trades industry and automobile sales and service. St. Albans enjoys a strong and growing construction industry. In part because the region possesses many of the attributes that make the area attractive to the industry. These were outlined earlier, and include low priced land, available labor force and access to transportation. These attributes are similar to those required for the automobile cluster. The industry structures are outlined in Table 8.1 and Table 8.2.

Table 8.1 The Construction Industry in St. Albans

SIC 4 Code	Industry	No Bus	% Total in County	Total Emps	Total Sales	Avg Emps
1521	Single-family housing construction	18	2.4	51	4.4	3
1799	Special trade contractors, nec	9	1.2	35	0.9	4
1542	Nonresidential construction, nec	6	0.8	61	10.9	10
5084	Industrial machinery and equipment	6	0.8	105	54.9	18
4213	Trucking, except local	6	0.8	123	0.2	21
1741	Masonry and other stonework	6	0.8	49	6.3	8
5211	Lumber and other building materials	5	0.7	75	7.3	15
4212	Local trucking, without storage	5	0.7	15	0.5	3
7359	Equipment rental and leasing, nec	4	0.5	15	0.3	4
5082	Construction and mining machinery	3	0.4	85	N/A	28
1794	Excavation work	3	0.4	6	0.5	2
5032	Brick, stone, and related material	3	0.4	22	1.6	7
1629	Heavy construction, nec	3	0.4	9	0.3	3
5251	Hardware stores	2	0.3	22	1.6	11
5085	Industrial supplies	2	0.3	12	0.3	6
5031	Lumber, plywood, and millwork	2	0.3	37	1	19
1771	Concrete work	2	0.3	3	0.1	2
8713	Surveying services	1	0.1	2	0.1	2
8712	Architectural services	1	0.1	5	0.2	5
7692	Welding repair	1	0.1	4	0.1	4

Table 8.1 Continued

SIC Code	Industry	No Bus	% Total in County	Total Emps	Total Sales	Avg Emps
7353	Heavy construction equipment rental	1	0.1	26	2.2	26
6552	Subdividers and developers, nec	1	0.1	3	0.5	3
5039	Construction materials, nec	1	0.1	6	N/A	6
3569	General industrial machinery, nec	1	0.1	6	0.5	6
3449	Miscellaneous metalwork	1	0.1	28	N/A	28
3446	Architectural metalwork	1	0.1	22	1.5	22
3444	Sheet metalwork	1	0.1	N/A	N/A	N/A
3273	Ready-mixed concrete	1	0.1	5	N/A	5
1791	Structural steel erection	1	0.1	3	0.1	3
1751	Carpentry work	1	0.1	2	0.1	2
1742	Plastering, drywall, and insulation	1	0.1	8	0.5	8
1622	Bridge, tunnel, and elevated highway construction	1	0.1	125	18	125
1611	Highway and street construction	1	0.1	1	0.1	1
1522	Residential construction, nec	1	0.1	3	0.4	3
Total/Avg		740	100	8,096	405.5	12

Note: N/A means not available due to data suppression employed to preserve the anonymity of the firm. Some additional firms are not included here to preserve anonymity.

Table 8.2 The Automobile Industry in St. Albans

SIC Code	SIC 4 Code1	No Bus	% Total	Total Emps	Total Sales	Avg Emps	Avg Sales
7513	Truck rental and leasing, no drivers	1	0.1	30	10.5	30	10.5
7514	Passenger car rental	1	0.1	4	0.2	4	0.2
7532	Top and body repair and paint shops	6	0.8	37	1.5	6	0.3
7533	Auto exhaust system repair shops	2	0.3	10	0.6	5	0.3
7538	General automotive repair shops	23	3.1	94	3.9	4	0.2
7539	Automotive repair shops, nec	4	0.5	11	0.5	3	0.1
7542	Carwashes	1	0.1	3	0.1	3	0.1
7549	Automotive services, nec	4	0.5	26	1	7	0.3
5013	Motor vehicle supplies and new parts	5	0.7	26	2.2	5	0.4
5014	Tires and tubes	1	0.1	6	N/A	6	N/A
5015	Motor vehicle parts, used	1	0.1	2	0.1	2	0.1
5511	New and used car dealers	5	0.7	280	106.5	140	53.3
5521	Used car dealers	1	0.1	1	0.1	1	0.1
		55	7.2	530	127.2	9.7	16.6

Note: These data do not include the largest sales firm, which is not included due to Census Department suppression of the data (for confidentiality).

Health and Child Care Cluster

The health care (especially elder care) and child care sectors in the area do not appear to be of sufficient size to provide an expected surge in the former, and a hoped for surge in the latter, over the coming decade. We feel that the problem is most likely that of information, licensing and the shadow economy than an actual shortage of the service. This suggests policy options in this area.

Day care services for children and adults is likely already offered by unlicensed persons as a private service. The quality and cost of care is probably suitable, but access to care, since these operations are not advertised, is problematic. This is likely a disincentive to young people relocating to the community, who may need child care, and a costly inconvenience for older citizens who need these services. For that reason we will later recommend the city, in conjunction with non-profit agencies such as the YWCA and local houses of worship, provide a day care clearinghouse.

A day care clearinghouse would act as an informational exchange where local service providers could register. This clearinghouse, though very difficult to insulate from litigation and safety concerns, could prove an important asset in attracting young families to the area. The current level of known health care service provision is outlined in Table 8.3.

Table 8.3, Registered Health and Day Care Providers

SIC code	Description	No. Bus.	% Total	Total Emps	Total Sales	Avg Emps	Avg Sales
8351	Child day care services	2	0.3	11	0.2	6	0.1
8082	Home health care services	3	0.4	24	N/A	12	N/A
8059	Nursing and personal care, nec	3	0.4	5	0.3	3	0.2
8051	Skilled nursing care facilities	3	0.4	94	0.3	31	0.2
8099	Health and allied services, nec	1	0.1	83	N/A	83	N/A
8052	Intermediate care facilities	1	0.1	N/A	N/A	N/A	N/A
8049	Offices of health practitioner	3	0.4	9	0.3	3	0.1
8042	Offices and clinics of optometrists	5	0.7	16	0.5	3	0.1
8021	Offices and clinics of dentists	9	1.2	37	1.3	4	0.1
8072	Dental laboratories	2	0.3	3	0.2	2	0.1
8031	Offices and clinics of osteopathic physicians	1	0.1	4	N/A	4	N/A
8011	Offices and clinics of medical doctors	6	0.8	16	1.2	3	0.2

Note: N/A means not available due to data suppression employed to preserve the anonymity of the firm. Some additional firms not included here to preserve anonymity.

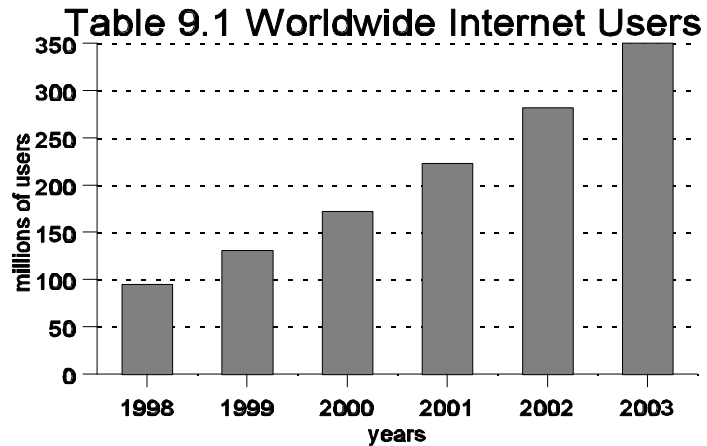
Summary

In this chapter, we have illustrated two industries the region may have success in expanding through a marketing campaign. These industries are part of the overall economic mix, not the entirety of St. Albans. The city enjoys a diverse economy, however those industries which have already located in the area are doing so in response to a favorable business climate, and it is likely that others may follow.

Similarly, we have target industries where apparent supply gaps exist. Day care for elders and children is an important and growing component of the national economy and cannot be ignored in St. Albans. While we feel that many of these services are provided by caring and competent persons, the absence of advertising, by non-licensed providers may cause real problems. We recommend the city engage in opening access to this industry, making St. Albans a showpiece for accessible day care for both elders and children over the coming decade.

9. Electronic Commerce

During the mid 1980's, West Virginia was facing an increasing unemployment rate and a decline in the success of its traditional industries. It became apparent that continual advancements in computer and related technologies would drive the modernization of the state's business and industry. To seek this type of industry an organization was created known in 1986 as the *Software Valley Foundation*. The president of the foundation was current Governor Cecil Underwood. This foundation laid the groundwork for creating a successful infrastructure for computer related economic development.



Currently, many West Virginia communities are trying to attract computer-related industries. One thriving computer industry is electronic commerce or e-commerce. E-commerce is simply doing business over the Internet, includes both business-to-business and business-to-consumer activities. Online retailing and wholesale, customer service, financial transactions, supply chain management, etc. are all forms of e-commerce. Some examples include Amazon.com, Ebay, Priceline.com, and Yahoo. Computer giants, IBM and Microsoft, are predicting that the rapid growth of e-commerce will exceed \$3 billion this year.

The benefits of obtaining an e-commerce business in a community or region are numerous. One of the obvious and best benefits is job growth. Currently, West Virginia's unemployment rate remains high and many workers must leave to find employment. E-commerce jobs would give more West Virginian's the opportunity to stay. These jobs also offer a mix of high, medium and low skilled positions. Given the results of our education analysis, these types of jobs would be necessary for both short and long run economic growth.

An important requirement of e-commerce is the condition of Telecom infrastructure. As

we mentioned earlier, West Virginia has the Nation's state-of-the-art telecommunications network. Such a system is needed for e-commerce ventures to operate successfully. The only other component needed is a location with the correct communications "on-ramp" technology and space needed to house the company. A large industrial park is not needed to support an e-commerce business.

The last major benefit that the e-commerce industry brings is that it is a stepping stone to high paying high-tech business. Like most industries, the computer business typically grows together in partnerships and clusters. In Silicon Valley, California and Austin, Texas, the two largest computer communities in the United States, clusters of high-tech firms share parking lots, marquee rights, technology and more. If West Virginia began attracting large numbers of e-commerce business other computer related industries would follow. These high-tech jobs would create software, actual computers, and other related technology. High-tech jobs are also high paying. The typical high-tech manufacturing worker earns 54 percent higher weekly wages than his or her private sector counterparts and receives 34 percent higher wages than his or her manufacturing counterparts.

These high-tech firms are also constantly growing. An example of the growth can be seen in Atlanta, Georgia. Atlanta's 50 largest tech companies grew 17.4 percent in 1997 to \$8.4 billion in high tech revenues. This growth results in increased employment. The transition of e-commerce to a high-tech industry is difficult, but the long-term benefits are outstanding.

Unfortunately, e-commerce also causes some potentially unattractive consequences. The first is a potential drain in local tax revenue. Most e-commerce businesses, like most businesses, sell a product or service. But unlike most brick and mortar businesses, enforcement of sales tax laws are difficult. Sales taxes are not collected because of the broad markets the Internet reaches and thus challenging compliance efforts. This is likely to mean that, from a local revenue standpoint, e-commerce will not provide a net gain.

Federal legislation currently imposes a moratorium on new taxes on electronic commerce. This legislation was designed to permit several years of growth in the industry. The types of taxes this legislation outlawed included levies on transmission line usage and taxes on such activities as e-mail messages. Existing laws, such as sales taxes were unaffected. In this sense, the collection

of tax revenues on firms such as L.L. Bean and Coldwater Creek are handled exactly like e-commerce — that is taxes are not collected.

The current interpretation of federal law proscribes the collection of sales taxes directly from firms that do not have a nexus – or physical location – in the state under question. The method of collecting taxes on sales from mail orders outside the state is very simple: individual consumers report their sales tax liability and pay the taxes due in that state. Not surprisingly, enforcement of these laws is at best sporadic.

The problem ensuing from inequitable taxation is primarily a concern for local governments that rely on local option sales taxes and for firms that directly compete with the mail order or e-commerce firms. The former problem is not of concern to St. Albans because West Virginia has no local option sales tax. This means that the potential lost revenues associated with a mail order or e-commerce firm do not directly impact city revenues. Similarly, it is not likely that local retailers would be adversely affected by a competing mail order or e-commerce firm. For these reasons, e-commerce or mail order sales facilities should be welcomed additions to the local economy.

Future taxation of these firms is not likely to result in collections that adversely impact their operation or profitability. Indeed, there is some doubt whether applying tax collection requirements to firms that do not have a nexus (physical location) in an existing state will ever be feasible.

The final cost of e-commerce is the difficulty in attracting it. Virtually all regions are trying to attract these firms. Taxation incentives, networking and heavy marketing strategies are pulling e-commerce to every corner of the globe. Atlanta, New York, Costa Rica and Richmond, Virginia are just a few communities trying to induce growth in this industry. This tough competition makes it very difficult for West Virginia to attract e-commerce businesses.

E-commerce has many benefits and few costs. Benefits include jobs, growing industries and a possible link to high-technology manufacturing. The costs are no taxation, an uncertain future, and high competition.

What could St. Albans do to bring this industry to its backyards? St. Albans has three strong points to entice e-commerce. The first is its infrastructure. West Virginia has the most modern, high tech telecommunications network in the United States. St. Albans also is located near several major highway systems and a major river. It is also located near many colleges and universities. These institutions may offer the educated workforce needed to expand technology, although dramatic improvements in the local schools would be needed to provide the workforce e-commerce demands.

We will end with a modest forecast of e-commerce in the region. E-commerce is here to stay, and if combined with brick and mortar operations, it is likely to offer an important adjunct to existing businesses. The local construction, automobile and health and child care services could all reduce advertising costs, reach more people and tap an important new market simply by adding these services. St. Albans residents and businesses will (and simply must) become connected electronically to Internet services, and take full advantage of them if they are to grow.

10. Community-Wide Questionnaire: Making St. Albans a Better Place to Live

Some Limited Interpretation of Results

The Community-Wide questionnaire provides the St. Albans Renaissance Group as well as the region as a whole with important information. Specifically, the survey lists potential demand for goods and services in the region, an outline of what many would like the city to look like, and a register of the level of community interest in a number of activities. This survey will provide an ongoing tool for planning and program development in the region.

A thoughtful reading of the survey will reveal that there appears to be a desire by many residents to have available a wider range of commercial activities in the city. This is especially true in small retail and franchise businesses. Also, there is a desire by many residents to aid in community development. The wide range of skills of potential volunteers suggest that there are options for mentor ship and other organizational skills in the area.

Less obvious in the survey is the very high response rate. In the authors experience, the response rate on this survey was much greater than is usual. Similarly, the demographic distribution of the respondents suggests that there is broad based interest in many of the programs outlined in the survey. This survey, funded by Governor Underwoods' office has provided St. Albans with a useful economic development tool.

The Survey

Demographic Information: 435 respondents to this question

Age Group of Head of Household:

17-19 0 20-30 27 31-40 52 41-55 137 56-65 67 65+ 170

Highest Educational Level:

12 years 163 16 years 121 17+ Years 138 Other 13

Do you have a home computer? Yes 246 MS/Word? Yes 171

ECONOMY:

The highest paying, fastest growing jobs are currently high tech (Internet) and service industry, information intensive businesses such as healthcare and finance. Also, the Internet means we no longer have physical boundaries but can participate in global business opportunities. All this translates into higher paying and more jobs in St. Albans. In which areas do you have skills or interest to learn:

152 respondents

- | | |
|--|-------------------------|
| 55 Starting an Internet business in my home | 50 Networking |
| 36 Programming | 37 Internet Advertising |
| 13 Setting up a program through a University Business Dept. to match entrepreneurs with investors (“angels”) | |
| 32 Setting up a business-government-education board to match needs & opportunities with education | |
| 26 Setting up internships so students graduate with enough diversity of experience to be skilled programmers immediately | |
| 14 Starting a business distance learning program focused on entrepreneurs | |
| 16 Evaluating the top ten business schools and matching their programs and results | |

Studies have shown that well over 50% of future new business growth will come from small businesses. A large percentage of that is projected to be franchises. Below is a list of the fastest growing or most successful franchises in the U.S. not currently in St. Albans. List the top five you would prefer to have in our City:

414 Respondents

- | | | |
|--------------------------------|----------------------------|------------------------------|
| 37 Yogurt Froz | 53 FutureKids | 28 CruiseOne |
| 3 Jackson Hewitt Tax Service | 33 Lawn Doctor | 44 Kitchen Tuneup |
| 58 MailBoxes Etc. | 41 Pearle Vision | 18 California Closet Company |
| 178 TCBY Treats | 37 Athlete’s Foot | 32 Golf USA |
| 31 Nursefinders | 55 Big Apple Bagels | |
| 17 Candy Bouquet | 41 Pretzel Time | |
| 41 Jazzercise | 48 Furniture Medic | 32 Environmental Tech |
| 7 Coverall Cleaning Concepts | 8 Gateway Cigar Store | 88 HobbyTown |
| 43 California Juice Stop | 36 The Mole Hole | 9 Dave & Busters |
| 30 Jenny Craig | 68 Coffee Beanery | 27 It’s About Games |
| 9 Mr. Rooter | 227 Intl House of Pancakes | |
| 21 Miracle Ear hearing Systems | 31 Wienerschnitzel | 38 Play It Again Sports |
| 61 Medicine Shoppe | 96 Radisson Hotels | 7 American Pool Players |
| 24 Matco Tools | 24 Cookies by Design | 16 Orion Food Systems |
| 56 Jiffy Lube | 45 Pro Golf Discount | 45 Closet Factory |

Another way to improve the economy in St. Albans immediately is to increase the tax base by ensuring more of our dollars are spent in businesses within St Albans. Indicate below the major acquisitions you plan in the next 12 months and whether you would be willing to purchase them from a St. Albans store if they were willing to match the manufacturer and price you could get elsewhere: 379 Respondents

Item	Willing	Not Willing	Item	Willing	Not Willing
Major Appliance	213	16	Wallpaper	155	23
Draperies	130	21	Remodeling	173	15
Auto	154	22	Upholstery	94	28
Computer	123	26	Cabinetry	105	27
Antique	66	25	Carpet/Floor Covering	170	18
Art	37	26	New Kitchen	63	26

Rank top 3 reasons you purchase routine small items outside St. Albans: 410 Respondents

- | | |
|--|--|
| 40 Poor Service (Wait in line too long) | 226 Price usually better elsewhere |
| 35 Poor Service (Can't find anyone to help me) | 237 One stop shopping – more stores on one place |
| 14 Poor quality | 14 Displays – Store feels better |
| 254 Lack of variety | 265 Product not available. |

What categories of services would you like clustered throughout St. Albans that are currently not available:

434 Respondents

- | | | |
|---|---|-------------------------------------|
| 151 Ice Cream Parlor | 46 Tailor | 41 Traveling Art or Museum Exhibits |
| 6 In-home hair styling | 222 Fresh produce & fish market | |
| 65 Upscale Massage & Day Spa | 15 Silk flower arrangements | 114 Flea Market |
| 112 Spaghetti Warehouse | 62 Home grocery delivery | 52 Tea Room |
| 51 Minivan transportation @ cost of a bus but to/from my home | | |
| 196 Clothing Dept Store | 14 Import/Export Convention for Gift Shop Owners (Annual) | |
| 39 Gift shop/fudge shop | 71 Game center | 48 Vitamin/nutrition store |
| 159 Nice hotel or bed & breakfast | 87 Upscale thrift shop | 67 Classic Movies |
| 187 Bookstore/gourmet coffee shop | | 143 Country Store |
| 82 Horse & Buggy Rides from Downtown through Historic District and City Park. | | |
| 60 Skate Boarding Ramp and Park | | |
| 28 Location for a National competition (e.g. diving) | | 15 Bike and buggy rental |

HOUSING:

List the top three items below that require the greatest focus to maximize your property value:

414 Respondents

- 265 Replace all the curbs and sidewalks, provide lighting and streetscaping to make the City look successful
- 291 Beautifully streetscape all entrances into St. Albans and clearly delineate our boundaries from ugly areas
- 236 Focus on the type of development, businesses & entertainment that will attract your family to want to have your family reunions here.
- 187 Develop a beautiful walking trail that attracts people to certain parts of the City.
- 122 Build a new housing development in St. Albans

If you're a senior and a new senior condo complex were constructed, would you be interested in moving? 267

Respondents 106 Yes 160 No.

What amenities would you require:

- | | | |
|---|--------------------|-------------------|
| 65 Size of 1500-2000 sq. ft. | 20 Golf course | 64 Transportation |
| 16 Size larger than above | 9 Ballroom | 56 Covered Patio |
| 51 Swimming pool | 66Lawn/Garden Care | 32 Crafts |
| 74 Senior-proofed with e.g. railings in bathtub for easier exit | | |

QUALITY OF LIFE:

What entertainment would you like that is not currently available in St. Albans or you would like to join: 411 Respondents

- | | |
|---|--|
| 87 Cooking school at the Chilton House | 128 Movies & popcorn at the high school auditorium |
| 36 Christmas community semi-formal dance | 41 Shakespeare & other plays |
| 73 Jazz concerts | 61 Ballroom dancing lessons and dances |
| 158 Community/Wellness Center w/dues \$25/mo. | 8 Horseshoes |
| 33 Tennis club | 26 Singing Club |
| 27 Wine tasting club | 42 Quilting Club |
| 88 Group tours/cruises | 6 Spanish Club |
| 56 Hiking club | 45 Investment Club |
| 5 Water skiing club | 25 Poetry & Literature Club |
| 31 Basketball club | 43 Books on Tape Exchange |
| 0 Water polo club | 21 Barber Shop Quartet |
| 25 Bridge club | 6 Debate Team |
| 29 Square dancing | 4 French Club |
| 9 Shuffleboard | 14 Billiards Club |
| 9 Kayaking club | 14 Teddy Bear Collectors |
| 44 Fishing club | 9 Stamp Collectors |
| 14 Poker club | 64 WV Football Potluck |
| 42 Antique collectors club | 71 Marshall Football Potluck |
| 108 Exercise Club | 52 Camping |
| 10 SCUBA Club | 56 Hayrides |
| 5 Ballet Swim Club | 1 Outrigging Club |
| 5 Dive Team | 9 Remote Control Airplanes |
| 18 Acting Club | 31 Promise Keepers |
| 9 Classical Guitar Club | 19 Men's Retreat |
| 62 Book exchange club | 20 Football Camp |
| 15 Softball Camp | 33 Basketball Camp |
| 27 Soccer Camp | 32 Gymnastics Club |
| 2 Cross Country Ski Club | 14 Roller Blading Club |
| 24 Hot Air Ballooning | 6 Shuffle Board |
| 54 Golf club | |
| 61 Dinner club | |
| 36 Biking club | |
| 89 Walking club | |
| 14 Snow skiing club | |
| 25 Softball club | |
| 0 Polo club | |
| 98 Day trips | |
| 17 Horse shoes | |
| 18 Bowling club | |
| 15 Hunting club | |
| 5 Sailing expedition | |
| 13 Car collectors club | |
| 5 Snowboarding club | |
| 14 Ice skating club | |
| 12 Swim Team | |
| 55 Swim-aerobics Club | |
| 5 Ice Skating Club | |
| 19 Chamber Music Club | |
| 10 Train Collectors Club | |
| 14 Magazine Exchange Club | |
| 42 Women's Retreat | |
| 44 Swimming Lessons | |
| 13 Metal Detectors Club | |
| 62 Bingo | |

List classes you would be interested in taking or enrichment groups you'd like to join:

302 Respondents

7 Any of Skills listed in item		
61 PC & Internet for Age 65+	90 PC & Internet for Adults	30 MS/Word
23 Powerpoint	23 Excel	23 Quicken
14 TurboTax	15 Programming Classes, Visual Basic, C++, or Java	
10 Writing a Business Plan	12 Business Owner Mentor for New Business Start-up	
43 How To Start & Run a Small Business	30 How To Get Funding for a Small Business	
16 Successful Team Leadership	10 Effective Committees & Meetings	8 Negotiation
21 Career Search – Resume Writing, Where & How To Search, Interviewing		8 Job Network
42 Painting	49 Investments	40 Ballroom dancing
19 Square dancing	10 Letter writing	8 Japanese
8 Spanish	5 Chamber of Commerce	4 Roof Repairs
9 Woman's Club	5 Rotary Club	4 STARDA
7 Cub/Boy Scouts	10 Brownie/Girl Scouts	24 Garden Club
31 Laying Tile	19 Installing Hardwood Floors	32 Historical Society
16 Upholstery	2 Installing a Lawn Irrigation System	39 Hanging Wallpaper
21 Making Draperies	42 Flower Arranging	12 Making Slip Covers
25 Selecting Interior & Exterior Paints & Finishes		45 Interior Design
104 Re-landscaping My Lawn – Design that Makes a Statement		24 Fancy Paint Finishes – Marblizing
26 Plumbing Repairs	26 Plumbing Repairs	31 Small Electrical Repairs
		18 Welcome Club

Which restaurants and stores do you wish had home delivery? 256 Respondents

72 IGA	32 KFC	23 Tim Hortens	30 McDonalds
91 Kroger	63 Subway	62 Taco Bell	17 Hardees
89 Parkway	27 Ponderosa	24 Tudors	135 Rivers Edge
67 Shoneys	48 Wendys	45 Dairy Queen	

How many times do you eat out each week on average? 1125 meals total

423 Respondents

How many times would you eat out as opposed to preparing the food yourself if you had home delivery? 839 meals total 307 Respondents

Do you have a will? 308 Yes 125 No 438 Respondents

Do you have a trust? 98 Yes 304 No 405 Respondents

Please indicate whether you have ever bought a car from the following dealerships, and whether you would buy from them again. **404 Respondents**

<u>Dealership Name</u>	<u>Have Bought Yes</u>	<u>Would Buy from Them Again</u>	<u>Would NOT Buy from Them Again</u>
1. C&O Motors	260	152	82
2. Charleston Lincoln Mercury	45	37	5
3. Moses Ford BMW	113	91	10
4. Coal Mountain Auto	2	-	-

If would NOT buy from them again, why not? Please check reasons that apply.

<u>Reason</u>	<u>C&O</u>	<u>Charleston Lincoln/Mercury</u>	<u>Moses Ford</u>	<u>Coal Mtn Auto</u>
1. Make/Model Not Available	7	4	3	2
2. Staff unprofessional or discourteous	39	1	1	1
3. Price	30	3	1	1
4. Service	51	3	3	-
6. Poor quality product	51	2	3	-

Would you prefer to have similar stores (e.g. all car dealerships or all hardware, Carpet/flooring, remodeling, drapery) grouped in the same mini-mall so you could save time?

421 Respondents

133 Yes 31 No 265 Don't Care

So that we can develop a database that everyone can use for references, please list contractors you have used who provided quality work at reasonable prices. Do not list yourself.

257 Respondents, results not yet published

What stores in Olde Main Plaza do you NOT go to now that you would go to if either they were located somewhere else or Main Street were re-opened? **319 Respondents**

<u>Store</u>	<u>Do NOT Go There Now</u>	<u>WOULD Go There if Main Street Opened Or Store Located in More Convenient Location</u>
1. Chandlers Floor/Wall Covering	175	71
2. Coal River Insurance	184	19
3. Harmon Cable	111	51
4. Dollar Store	177	145
5. Premiere Medical	158	30
6. Olde Main Café	176	119
7. Vision Assoc.	176	23
8. Harco Investments	181	16
9. E & P Properties	183	14
10. Colonial Interiors	161	80
11. Gift shops	163	161

If a grant is not available but all sidewalks and curbs could be replaced for an additional cost to you of \$30-\$40/mo. over 3 years (or \$20-\$25/mo. if 5 years), would you agree to this expenditure? 277 Respondents

49 Yes (3 Yrs.) 112 (Yes, but prefer \$20-\$25/mo. over 5 years) 104 No

The city deteriorated to its current condition over a number of years (infrastructure, loss of businesses and population), and it will likewise take a number of years to re-vitalize it. It will take everyone's help. What skills do you possess that you may be able to volunteer?

134 Respondents

36 Board member for St. Albans Renaissance Group (Expertise: lenders, Board members of other major groups, City/County Gov't officials, recognized community leaders, business owners, attorneys, accountants, CFOs) – seeking at least 35 people.

35 Design Committee (Expertise: architects, landscapers, interior designers, graphic artists, sign painters, contractors, historic commission reps, artists, citizens interested in good design)

21 Promotion Committee (Expertise: Members of downtown Merchant's Assoc., Chamber of Commerce, local arts association, school board, library, civic organizations, special interest clubs, bank marketing dept.)

23 Economic Restructuring Committee (Expertise: City Council members, officers of financial institutions, realtors, chamber of commerce board members or staff, merchants, property owners, attorneys, business teachers, economic development government experience)

5 Membership and Development Committee (Expertise: board nominee recruitment, membership)

9 Culture Sub-Committee (Expertise in coordination and any of skills listed in question # 8 above)

11 Instruction Sub-Committee (Expertise or knowledge in classes listed in question # 9 above).

15 Historic District Sub-Committee

11. Marketing

Introduction

As part of the community's development plan St. Albans seeks prospective businesses and workers to relocate locally. A marketing and promotion campaign should be focused on targeted groups, and should highlight and reinforce attributes of the town and surrounding area that are most attractive. Businesses are looking for transportation proximity, an educated labor force, an area to retain and appeal to workers and most importantly, a suitable business environment. For residential living, people desire towns with a low crime rate, community amenities, quality schools, jobs, and activities to entertain the entire family. This paper outlines the positive attributes that St. Albans should promote to prospects, the marketing methods to serve as a vehicle for the town message, and the targeting of specific businesses and people included in this market. Before we delve into these issues, it would be most effective to learn from the experiences of other communities that have encountered the complexity of marketing of a town.

Successful City Marketing & Promotion Campaigns

The marketing of a town creates many difficult questions including, 'where do we begin?', 'what attributes attract prospects?', and most importantly 'where do we find these prospects and what methods bring them to us?'. The most effective approach is to learn from areas that have successfully engaged in marketing campaigns. They are detailed below.

Charlotte, North Carolina, now considered a thriving southern town, did not always enjoy such a reputation. A decade ago, Charlotte had a downtown that was quickly dying. Determined citizens began a revitalization project by planting trees along the main corridors of the city. From this grass-roots beginning, the project was never considered primarily as a beautification scheme, but rather an economic development tool. Their short-term aim was beautification, the long term aim entailed economic development. Ambitious plans concentrated on the improvements of improving landscaping, median design, curbs and gutters, sidewalks, bus shelters, crosswalks and decorative monuments. Charlotte's revitalization council had the foresight to recognize that amenities would be followed by business and then by people. The organizers attributed the

effectiveness of the improvements to working closely with developers, business owners, realtors, and residents to discover how the council's money could best be spent. Charlotte raised a large sum of their money by a bond issuance and taxpayer levy. Their city council hired Atlanta based Haddow & Company to do a market analysis for determining what type of businesses would best suit their downtown area.

The initial analysis results were disappointing. It explained that regional retailers were permanently gone and possible candidates for replacement would most likely include office businesses and service entities, such as repair shops and restaurants. Once this was accepted and target businesses were listed, they hired a local public relations consultant to promote the new vision and change the corridor's negative image.

The Charlotte area attributes the success of their downtown to their *South End Development Corporation* (SEDC). The SEDC tackled the larger issues of raising money, and worked at the smaller promotions of erecting banners to hang on light poles, and placing historic markers on prominent buildings throughout the town. These actions encouraged public enthusiasm for improving Charlotte's appearance.

In 1996, Charleston, South Carolina was confronted with the closure of its navy base and shipyard, which employed over 20,000 workers. The *Charleston Regional Development Alliance* (CRDA) was created, which has since recruited more than 70 companies, 8,000 jobs and over \$1.8 billion in new capital investment. Rather than allowing the local governments and businesses to compete, they worked together with the CRDA to create a cure for their problems. The CRDA was developed to be the sole business marketer and non-business locator. They attributed most of the alliance's success to the board of director's leadership, its pursuit of clear communication channels with constituents, and teamwork among local businesses and organizations. The CRDA believes effective communication between it and the constituencies was essential to success, as was an effort to publicize its successes. These continue to be a key component in maintaining program momentum and spreading the message. It has created national public relations and an advertising campaign to help shape Charleston's image. As a result, business executives have come to view the area as an 'at all costs' organization.

Another contributing factor to the CRDA's success is its ability to work with other area

organizations. Once a week, economic development managers meet with CRDA representatives to trade ideas and information. This open communication reduces bureaucratic red tape, political rivalries and issues, including complex permits that may prove lethal to attracting businesses and closing deals. As a result, Charleston has developed a solid reputation in the business world. Outstanding characteristics have led to Charleston's CRDA being listed as one the top ten best development groups in 1995 and 1996 by Site Selection Magazine. Looking toward the future, Charleston has created new economic development offices at the airport, with executive briefing areas armed with interactive computers, and state-of-the-art audiovisual capabilities. The CRDA's web page is also improving pushing the Charleston story into the media. Charlotte and Charleston serve as examples of large metropolitan campaigns.

Rural Enterprises Incorporated of Oklahoma (REI) operates on a much larger scale than a metropolitan area. It has aided in bringing jobs to many places throughout the state. REI promotes communities and small business enterprises through direct mail campaigns, a newsletter, and by taking part in state and local development agencies. Rural Enterprises utilizes a media consultant to aid in news releases and M&P activities. The Oklahoma organization has also conducted marketing activities that include hosting industrial prospects, site selection consultants, participation in trade shows and organized direct mail campaigns to prospects. These promotions have resulted in REI playing an influential role in attracting business to Oklahoma.

Rochester, New York, Akron, Ohio and Richmond, Virginia have implemented and continue to implement, successful promotion of their area's unique qualities. In the past decades, these cities were overshadowed by the growth of Houston, Atlanta, Dallas, and Phoenix. Many such areas are now victims to their own success. Side effects of rapid growth include high crime rates, low income areas, and sections segregated by race. Today, northern and eastern towns are competing with the larger sunbelt cities for business and people. Several studies have shown the most important factors in site selection were:

- / Access to markets
- / Land, buildings, and rental costs,
- / Labor cost,
- / Availability of skilled labor, and,
- / Local property taxes.

However, it is now commonly accepted that among a business's first priorities is the quality of life, and an area that can attract and keep employees.

Rochester, New York has attracted 1,500 new jobs in two years to its once stagnate economy. The lesson to learn from Rochester is their targeting method which looks for small businesses with potential to sell products to their manufacturing base. This was a positive aspect since the town built from an existing manufacturing base. They discovered the attractiveness of selling the University of Rochester to promote the town image as having very skilled and educated workforce. The town program in Richmond, Virginia is also very informative. The city is presently creating an image as a technology center. This is the result of an effective corporate-led campaign to strengthen Virginia Commonwealth University. Prospects are very interested in the possible labor market that can be tapped for their companies. In addition, Richmond promotes its unique assets, such as white water rafting and being the only U.S. city with two breeding bald eagles within city limits. Another example of a city marketing program comes from the nearby town of Akron, Ohio. During the 1990's, Akron saw it's once thriving tire manufacturing base decline. Their program is not as yet successful to the degree of the previous mentioned areas, but, the momentum they have gained is a direct result of their foresight to examine the valuable advantage of a partnership with the University of Akron. The school has helped its community by continually exploring new job creation opportunities.

Charlotte, Charleston, Oklahoma, Rochester, Richmond, and Akron have all sought ideas for developing a community marketing and promotion campaign. Their size and experience is very different from that of St. Albans, but they unite on the issue of advertising the complex concept of a town. They illustrate the relationship between improved aesthetics and economic

development. In addition, larger cities have more amusement parks and entertainment facilities, although this comes at a cost of higher taxes, crime and congestion. These cities show the importance of marketing education, from primary school to the range of degrees available in the area colleges and technical schools. Most importantly, they display the foundation necessary to achieving high goals, to market the community's unique qualities and to obtain a group of organizers to deliver the city name to business and residential prospects.

St. Albans and the Surrounding Area's Marketing and Promotional Highlights

"St. Albans is an excellent location for conducting business while enjoying family living."

This should be the marketing campaign's core message. It is nestled in the rolling hills of West Virginia, which are among the most beautiful in the world. It is conveniently located within 500 miles of half of the United States population. The marketing campaign will seek to please the target groups of business and residential relocation. One main business concerns will be the employee's community, so the initial promotions aimed at of attracting these target groups will be very similar. For organizational purposes, the two will be examined separately.

What Firms and Workers Seek

Companies seek a location not only suitable for conducting business, but also for attracting and retaining employees. St. Albans and the surrounding area includes four colleges. St. Albans and the neighboring city of Charleston has a multitude of cultural and social amenities. Charleston, the capital, is home to a minor league baseball team. The Charleston Civic Center recently offered shows like 'Sesame Street Live', 'Lords of the Dance', and concerts by artists that include Garth Brooks and Elton John. Secondly, they want access to markets. St. Albans clearly satisfies this requirement because it is within 500 miles of half the U.S. population. The Yeager Airport is only a twenty five minute drive from any point in the town, and Interstate 64 and Route 60 provide sufficient automobile transport. The train system is among the best in the United States, offering Amtrak service to Washington D.C. and Chicago. Thirdly, prospects are

looking for land, buildings, and low rental costs. Fourth, they desire reasonable labor costs. St. Albans and the surrounding area have a large labor market. However, a shortage of several key skills limit the type of industries the area can reasonably attract. Recent successes in the area include the new Toyota manufacturing plant and Amazon.Com. Toyota had over 5,000 job applicants for a total of 800 job opportunities. Amazon.Com is also in the process of organizing it's new call center in a neighboring town, where it enjoyed the same long list of job applicants. Four colleges that offer 4-year degrees, ranging from nutrition to economics are within a short distance. There are also a plethora of higher education options that include graduate, engineering and medical school degrees. Sixth, businesses desire the type of low local property taxes which St. Albans enjoys. The marketing programs should emphasize the regional benefits which correspond to these six needs to business prospects.

The residential promotional campaign seeks individuals moving to the immediate local as a result of employment changes. People are naturally concerned with the quality of family life in an area. This consists of the community's activities and attractions. People are most interested in the school system for children between the ages 5 to 18 years of age. St. Albans has an established system composed of ten elementary schools, two junior highs and one local high school. A new high school has been funded and construction will shortly begin. The neighboring city of Charleston enjoys the largest mall in the state that is three-tiered and composed of over 150 shops and restaurants. As previously mentioned, the Charleston Civic Center is continuously offering entertainment attractions for all ages, including a hockey rink. Also listed was a minor league baseball team. . Within a thirty-five minute drive are the colleges of Marshall University, WV Tech, WV State, University of Charleston, Marshall Graduate College, and Marshall Medical School. In addition there are many educational alternatives, including technical schools and community colleges.

Table 11.1 Locally Offered Degrees and Certifications

Subject	Degree
Accounting	BA, MBA
Art	BA
Automobile Repair	Cert.
Business Administration, Economics, Finance	BA, MBA
Chemistry, Physics, Biology	BS, MS, PhD
Communication	BA, MA
Computer Programming	BA
Dental Hygiene	B.S.
Education	BA, MA, EdD
Engineering	BS, MS
Industrial Technology	BA, MS
Management	BA, MBA
Marketing	BA, MBA
Mathematics	BA, MA
Medical Assistants	AA
Medicine	MD
Nursing	BSN, MS
Nutrition	BA

People are also concerned with recreational offerings of the state they are to live. West Virginia is an outdoor recreation gold mine. The State's whitewater rafting locations in the State place seventh in the world in the leading survey of rafting sites. In addition, the State's mountain biking circuit is ranked among the country's top five, and there are also many trails for the State's recreational bikers and hikers. The State has tremendous fishing, hunting, and parks. The State's skiing is one of the best on the east coast, with one resort being only an hour from St. Albans. West Virginia's environment is enjoyed by people from all over the world. St. Albans, its neighboring towns, and home State offer something for everyone.

Marketing & Promotion Methods

St. Albans will need to hire a marketing consultant, or create a marketing group from the resources of local business leaders, citizens and city officials. First, the group will have to designate duties while arriving at a consensus on the attributes most important in attracting businesses, and residential prospects. Second, they will be required to create a budget deciding on the most effective manner in which to spend money on marketing and promotion.

Possible marketing methods include the creation of a video or color brochure, direct mailings, the sale or free giveaway of St. Albans stickers for automobiles, the enhancement of the town Internet site and a special event. A town video can be sent to realty agencies, played on local television and sent to relocating companies. The video costs much less in the VHS-format than in 35mm, while still effectively serving all purposes. To develop a video in VHS-format from a local television station, would typically cost between \$5,000 - \$15,000, depending on the amount of extras. If made by any independent filmmaker, it would likely be more expensive, and range from \$15,000 - \$25,000. The local television stations create videos for many community groups free of charge, so there is a possibility that St. Albans could arrange for the help of an area station. The development of a color brochure is another promotional tool. A color brochure would be a very effective way of exposing the town to a large number of people, since it requires less time to view than a video. It typically costs from \$3,000 to \$15,000, depending on the number of pages and complexity. Direct mail would deliver the video tapes and brochures to the public. It would include the cost of each individual video, each brochure and postage. The third possible marketing weapon is the creation of a sticker for automobiles that would serve as a wonderful moving advertisement. The community should arrive at a consensus on a town slogan and then approach automobile dealers in the community to place it on their car decals. The city could give them to community members or sell them to raise additional funds.

TABLE - 11.2
MARKETING COSTS
VHS Video Tape

PRICES

*Created by local television station	<u>\$5000-\$15000</u>
*Created by independent filmmaker	<u>\$15000-\$25000</u>
Color Brochure Price depending on whether a local printing company creates it and/or the help of a marketing company is enlisted	<u>\$500-\$5000</u>
Automobile Decals Price does not include the help of a marketing company	<u>\$0.15-\$0.75 each</u>
Direct Mail The prices will include postage, brochure, video tape, individual packaging, and printing costs.	<u><u>\$0.60-\$20.00</u></u>

A fourth possibility is the enhancement of www.stalbans.com to include a city aerial picture, views of the historic houses and perhaps a few prominent businesses, as well as advertisements. These could be produced electronically and distributed via the world wide web as .MPG files. This is a nearly costless method of reaching a wide audience. They could also list the St. Albans and surrounding area marketing campaign highlights. The required enhancement and continual updating would be quite expensive. There might possibly be an arrangement made with St. Albans High School to develop the site, while giving local students an introduction to one of the at the fastest growing job market in the world.

Upon the possible implementation of the ‘*Main Street Program*’, the town could show pictures and describe their economic development. For example, Charleston, South Carolina uses it’s victories as fuel for their ongoing marketing campaign. The final marketing proposal is the tying of a special event to the overall marketing themes. An attractive event, such as a festival, bike or foot race, can be a great way to bring prospects to the area and sell St. Albans on a personal basis. Events can include specific selling promotions for the community or they can be ‘informal’ gatherings at events ranging from sports, concerts, etc.

A typical business in the relocating market will seek the advice of a site-selection consultant. It is important to invite not only prospective companies, but also consultants. The

event is most effective with organizers from areas such as the state development office, utility economic development efforts, and regional development organizations.

Conclusion

The marketing and promotion of St. Albans will be challenging; however, the examples of Charlotte, North Carolina and Charleston, South Carolina illustrate the possible results. The Renaissance Group must first accept responsibility for the campaign or designate it to a group composed of city officials, local business leaders and citizens. The diverse composition of members will help ensure coordination with the community so that marketing time and money can be effectively managed. Then the responsible group must decide on area highlights that are unique and positive. Next, they must decide on the particular businesses and industries to target (which we have identified as construction and automobiles sales). The targeted industries should receive marketing efforts, and re-evaluations of appropriateness of targeted industries being re-evaluated every four or five years.

Following this, the most efficient use of funds must be decided upon and a budget must be completed. The marketing of a town is much like that of a business. St. Alban's "products and services" are its' labor supply, local business offerings, the positives of the surrounding area, and its residential and business property. Weakness, especially in education, cannot be ignored. It is useful to keep in mind that efforts to improve an area that is currently weak need to be mentioned in the marketing plan. The construction of a new high school is exactly what St. Albans needs to emphasize. The hiring of a marketing consultant would help, but he or she is not may not have the proper insight into the unique qualities of the area.

St. Albans has the qualities that attract people and businesses they simply need to be delivered. The City needs a fully committed community. This will not be an easy task; however, Charlotte and Charleston should serve as benchmarks for success.

12. Recommendations

Short Term Recommendations

We recommend the St. Albans Renaissance Group, city and citizens implement the following short term recommendations. These are simple, easy and do not require detailed deliberation.

1. Combine marketing efforts into a single program and theme:

/Create a city logo

/Create a city video and .MPG and distribute widely to trade associations.

/Create a standard bumper sticker with city logo.

/Create a detailed theme (e.g. describe St. Albans, the saint, and brand the city to him).

/Hold a regional business marketing meeting to coordinate city and business marketing.

/Create a Renaissance sticker and pin to be worn and displayed by members.

/Create a city-wide discount card for Renaissance members (like the Kroger's card) and emphasize discounts in inter-business sales.

/Improve the city's web site, include on several search engines.

/Identify key trade and business location conferences to attend, and encourage local sponsorship of multiple attendees from the Renaissance group.

/Sell St. Albans t-shirts, and have a Spirit Day each spring where everyone wears the shirts.

/Invite tourism officials from the WVDO to speak on local tourism development.

2. Beautify the City:

/Conduct frequent (semi-annual) clean-ups with sponsor organizations.

/Standardize facade appearances on individual streets (using merchant consensus,

consultant design assistance and Architectural Guidelines) and work with local banks to establish low-cost improvement loans.

/Hire an architect to design extensive greenspaces within the city. (The implementation of this is a long-term recommendation, an initial plan though, must be done soon).

/Seek donated materials and labor to create cityscape murals on selected rail underpasses and other unsightly areas (open wall, etc.) Sell advertisement in these spaces.

/Aggressively implement destruction plans for condemned buildings.

/Enforce the Boca Code property upkeep standards.

/Aggressively implement the Christmas in April plans for home repairs.

/Begin a cash award program for beautification.

/Begin a lawn of the month program for beautification.

/Use the City web site to match those who have plants and trees to donate with those who need them for beautification.

/Replace the 50-50 owner-City sidewalk replacement program with a systematic non-volunteer program by area.

/Utilize a St. Albans business to provide landscaping classes to the 25 percent of the respondents in the Community-wide questionnaire who expressed this need.

/Create an active Garden Club to beautify public areas, with particular attention to replacing high maintenance grassy areas with lower maintenance alternatives. (The Community-wide Questionnaire identified twenty-three additional people who wished to join the Garden Club).

3. Establish an expanded city festival scheme:

/Hold a Summer/Autumn Concert Series for varied audiences (e.g. jazz).

/Build a regionally impressive “Tour of Homes” in the autumn.

/Build a regionally impressive “Tour of Lights” in the Christmas Season, expanding on the very successful current program.

/Build a professional 5K run with strong cash inducements for placement. Coordinate a

fun-run and senior walk with this program. Look for regional sponsorship and advertising.

/Build a professional bike race, along the same lines as the run (but in a different season).

/Consider building an olympic-size pool with diving boards and ample parking for regional and national swimming and diving events as part of the new high school remodel project.

4. Organize the City:

/Conduct an extensive series of development seminars based on this study

/Aggressively pursue funding of the Renaissance program through local business and citizen involvement.

/Award volunteer organizations Renaissance Awards for public service.

/Aggressively pursue Main Street status at the State level.

5. Enhance the quality of life in St. Albans:

/Implement the high-interest classes and activities identified in the Community-wide Questionnaire. These can be advertised and managed on the web site.

/Ensure the new high school has ample space, parking and security for traveling art exhibits, plays, movies and large community events.

/Investigate the feasibility of businesses and services identified in the Community-wide Questionnaire, plus licensed child care.

6. Develop programs that can positively impact education in the short term.

/Tutoring and supplemental classes taught by volunteer retired engineers and technology business professionals to strengthen science, math, English and technology proficiency.

/Create an electronic City with a plethora of good course software for self-instruction.

/Technological capability at new high school for distance learning.

7. Public-Private Capital Combinations

/Expand existing and new business in St. Albans by business development conferences and related activities. As identified in this study and the Community-wide questionnaire, opportunities exist in: The construction, automotive, and healthcare industries and Internet and E-Commerce.

/High demand programs identified are: business plan development, Internet and web site conference specific to industry, buying consortium, business mentor program to attract young buyers for retirement-age business owners.

The short-term recommendations listed above provide St. Albans with a list of important projects that can be started immediately. The list is not exhaustive, and each main idea requires several small steps before completion; however, none of these ideas requires a full consensus of policymakers and local leaders. The projects that require the long-term for implementation and consensus among citizens are the most critical. Without these, the city's economic growth will continue to lag behind the national average.

Long Term Recommendations

1. Public Capital:

/The city should extend its short run objectives of hiring an architect and planning greenways. The establishment of a city park, walk and bike path will be a necessary amenity in the 21st century. "St. Albans in Bloom" could be a revenue generating tour through City Park in the spring if it were turned into an arboretum with beautiful gardens throughout the city.

/The city should formally call upon the State Legislature to pass comprehensive tax

reform in the next session. Future tax policies must focus on lowering barriers to investment, incorporating general equity and providing the stability the current system lacks.

/The city should consider annexation of neighboring areas to lower the per capita costs of key services.

/The city should consider establishing a non-profit day and elder care clearinghouse. This operation could consist of coordination staff who match the needs of customers with providers in the area. The city should attempt to streamline licensing of staff, in coordination with other local agencies.

/The city should support a formal study of a regional airport. If found feasible, the city should support the construction of a regional airport.

/The city should consider jointly consolidating, or privatizing, key services with other municipalities. This process should involve reducing costs through size and scope efficiencies.

/The city should clearly identify old buildings and deteriorating areas that can be redeveloped or modified for other uses and plan their uses now. The city should identify funding sources early for projects to demolish and rebuild large areas. Parking should be part of this analysis.

/The city should consider converting the unused schools into *Urban Entertainment Districts* (UEDs) – large scale urban redevelopment projects, shopping centers or flea markets, residential towers, cultural facilities and sports or wellness centers.

/The city should prepare a globalization plan, promote export of local products, attract foreign investment, internationalize city hall, build cultural diversity in the community, foster active foreign sister-city relationships, get involved in cultural student exchanges and make the

city foreign-user friendly. Universities, State and Federal Government and a number of international organizations offer blueprints for this type of program.

/The city should ensure the safety of all its residents with ample lighting, high tech surveillance where needed, as well as parking and new facility design with security in mind.

/New housing projects should deconcentrate poverty and not segregate by race or other characteristics. This can be facilitated by encouraging developers to seek community involvement prior to designing additional development.

/Develop a long-run (20 year) strategic infrastructure plan that accounts for projected population growth, economic activity and depreciation of existing capital. This plan should be undertaken by a consulting firm or public institution with similar experience and proven record, and should be updated on a regular (5-year) basis.

2. Private Capital:

/The city should establish a lending clearinghouse for small businesses. The program should allow area banks to meet or exceed local lending requirements as set forth in the Community Reinvestment Act and provide local entrepreneurs the opportunity to capitalize their ideas. The use of Marshall University's *Small Business Development Center* is recommended.

/The city should consider updating housing zoning in a manner that allows for housing to cluster by type. For example, the potential for relocation of temporary housing (trailers) may act as a strong disincentive to private investment in housing.

3. Human Capital:

/The expansion of a flexible program of higher education is a must. Research and

outreach capacities of the region's universities should be encouraged by the city.

/The city must improve its K-12 education. Not even the most optimistic interpretation of data on local school performance can conclude that St. Albans public schools are performing any better than average across the nation. A more realistic interpretation of the advanced levels of education is less charitable. St. Albans must improve the performance of its schools immediately. Change should incorporate: enforced, rigorous academic standards, school choice, and increased pay for teachers so that they may be hired from a national pool.

Summary

These recommendations follow from the analysis presented in the opening chapters of this study. As we previously stated, a thoughtful reader should be able to expand this list, and we hope they do. Also, as the process of implementing these recommendation matures, new ideas will emerge and priorities will change. That is the nature of economic development planning. However, we feel the basic economic analysis of the region will continue to provide an important benchmark, even as times change.

Further, these recommendations are complementary. There is a synergy in accomplishment, and many of the city's shortcomings may be ameliorated or reversed through the successful implementation of some of these policies. That is both the authors' and the St. Albans Renaissance Group's hope.

13. Conclusions

This study evaluated the potential for economic growth in St. Albans, West Virginia through mainstream economic analysis. We analyzed the potential for industrial growth, identified key supply gaps, outlined a marketing plan and explained the potential for Internet sales growth in the region. We devoted significant space to the successful experiences of other *Main Street* cities, as well as a lengthy chapter devoted to specific recommendations to enhance local development.

We reviewed the public, private and human capital stock in the area, and how it related to economic growth. We found that, with the exception of air service, both private and public capital in the region ranged from adequate to excellent. The realm of human capital offered a different story. In the State, County and in St. Albans, the stock of human capital as measured by educational achievement of adults, was lackluster. Regrettably, the current level of education offered in St. Albans could not be characterized, on the international level, as anything better than mediocre. When evaluating the preparedness of current students for higher education, it appears that area students are inadequately equipped to meet the heightened expectations that face them.

This frank assessment leads us to the most important conclusion of this study — if the human capital of the region does not improve, the local economy will not grow. This finding cannot be overemphasized, and brings with it several important policy recommendations. Whether or not steps are undertaken to improve the economic possibilities for the region depends in large measure on the organization, resolve and cooperation of State, County and City residents. We hope that this study will do much to focus efforts to this end.

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