

Economic Development Strategy 2020-2021

Economic Development Priorities and Activities



DRAFT

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Mission

Develop strategies and principles for engaging with staff and key stakeholders in identifying and maximizing economic development activities and opportunities.

Tacoma Public Utilities Economic Development Strategy 2020-2021

Purpose

When planning for economic development, the goal is to create and maintain a strong, vibrant and resilient economy. Public utility economic development planning is part of a region's overall economic development strategy and involves a multitude of intergovernmental and private sector coordination. As the region's economic climate has become more competitive and complex TPU must be proactive in creating, identifying, and responding to opportunities for economic growth and investment.

Strategic economic development plans are integral to achieving sustainable economic growth, as well as quality of place. This plan provides an overview of the Utilities' economic development policies and goals, and identifies strategies, programs, and projects to implement them in partnership with our external stakeholders.

What is Economic Development?

It is important when considering economic development that there is general agreement on the meaning of economic development and of its outcomes. While there is no one definition of economic development, the following is the official definition of the International Economic Development Council (IEDC):

Typically, economic development can be described in terms of objectives such as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic wellbeing of a community. In the broadest sense, economic development encompasses three major areas:

- *Policies that government undertakes to meet broad economic objectives including inflation control, high employment, and sustainable growth.*
- *Policies and programs to provide services including building highways, managing parks, and providing medical access to the disadvantaged.*
- *Policies and programs explicitly directed at improving the business climate through specific efforts, business finance, marketing, neighborhood development, business retention and expansion, technology transfer, real estate development and others.*

The main goal of economic development is improving the economic wellbeing of a community through efforts that entail job creation, job retention, tax base enhancements and quality of life. ...there is no single strategy, policy, or program for achieving successful economic development. Communities differ in their geographic and political strengths and weaknesses...therefore, each will have a unique set of challenges for economic development.

The Role of Utilities in Economic Development

“All economic development is local, and it all relies on a site or a building. And every site or building is going to be served with utilities...Utilities are one of the key stakeholders in the economic development team.” Janet Ady, Site Selector

Public utilities play a significant role in promoting economic development activity to help grow and improve their communities. This requires a strategic working relationship with local and regional economic development partners. Utilities can help communities by:

- Enhancing their organizational capacity for economic development
- Supporting their readiness for commercial and industrial development
- Partnering in marketing the region to generate leads, and
- Providing tools that give communities a competitive advantage.

Operational costs are usually one of the critical deciding factors when companies are evaluating sites for a new facility. Without widely available, reliable and affordable utility services, most projects would have problems getting off the ground. While utilities are essential in assessing the readiness of a site and can be one of the most valuable partners to a company during their location efforts, it must be noted that utility services are not the only criteria in the site location analysis. Successful utilities will be those that go beyond their traditional utility norms, providing creative, value-added client services and products.

This strategic plan identifies policies and procedures by which TPU adds value to the region’s economic development efforts and is viewed as a valued community partner.

Principles

TPU Public Affairs drafted the 2020-2021 Economic Development Strategy with input from operating divisions and review and approval by executive leadership. The strategy identifies measures and initiatives that will result in greater utility engagement in regional economic development activities and contribute to job creation and private capital investment in the communities served by TPU. Successful implementation of the strategy’s recommendations will depend upon an executive level commitment to business development, recognizing the importance of economic growth and empowering staff to implement these priorities to achieve these goals.

Tacoma Power, Tacoma Rail and Tacoma Water have a history of successfully engaging in the region’s economic development efforts. The 2013 Ten Year Management Review noted the common interest in economic development that TPU shares with Tacoma General Government. Recognizing that TPU works well with General Government at the tactical level, the review suggested that there are additional opportunities to support further economic development at the strategic and policy levels. The review went on to suggest the creation of an economic development interface to coordinate efforts between TPU and the community, providing additional attention to developing policies to facilitate regional development efforts.

In the Tacoma 2025 Shared Vision/Shared Future strategic plan, economic vibrancy is identified as a key objective, prioritizing the creation of high-quality jobs, economic diversification and neighborhood business district vitality. TPU recognizes the importance of a coordinated, team approach to a successful regional economic development strategy, and supports efforts to attract and retain businesses by collaborating with our partners to encourage public and private capital investment, and job creation and retention.

The traditional economic development model focused on jobs and investment, whereas now economic development plans are shifting to a model that incorporates business development, talent development and place management. In addition, these traditional approaches to economic development have not always benefited all populations and, in many cases, the policies and programs have failed to distribute the benefits equitably across all populations and geographies. Therefore, it is an overriding goal of this plan to be intentional about ensuring inclusivity and equity in the implementation of its economic development programs, funding, and policies including those populations and neighborhoods that are located away from the region's economic centers.

The goal of this plan is to not only facilitate growth in the economy and family-wage jobs, but also facilitate economic mobility and equity across all populations throughout our service area.

Organization and Staffing

The economic development function at TPU is a relatively new position and located in the Marketing and Communications section of the Public Affairs and Communications department. A major role identified for this position is to “*develop strategies and principles for engaging in economic development activities and opportunities.*” This is to be achieved by actively engaging with staff and other key external stakeholders to investigate and identify growth opportunities for business relocation, existing business expansion, redevelopment, and retention in the Utilities’ service areas.

One full-time Economic Development Manager undertakes these economic development efforts. Given these limited resources, it is critical to the program’s effectiveness to leverage the work of our economic development partners. Engagement will also focus on key industry sectors, particularly those traded sectors that generate new money for the economy, i.e. export businesses.

Executive Summary

This strategic plan should inform Tacoma Public Utilities' leadership and staff on how to meet these objectives, effectively and efficiently, including the roles TPU can play in facilitating the creation and retention of family-wage jobs and supporting economic vitality in the region and the communities it serves. A broader organizational-wide lens in which economic development is approached, and the closer alignment of business unit efforts is critical for this plan's success.

The Economic Development Strategy comprises eight initiatives developed to maximize the effectiveness of TPU in working with new and expanding customers to create and retain family wage jobs and increase capital investment in the region it serves by harmonizing internal processes and coordinating with TPU's external partners and stakeholders to achieve economic development success.

- 1. Provide consistent and effective engagement with economic development partners**
 - a. Share TPU strategy with local economic development partner organizations
 - b. Assess and centralize TPU's economic development organization memberships, points of contact and activities to ensure consistent presence, engagement and messaging
 - c. Be a strong partner and add value to the efforts of the economic development organizations TPU supports
 - d. Coordinate with other regional utilities and permitting agencies to present a coordinated front effort to new development
 - e. Closely monitor franchise cities' needs and conduct regular gap analyses, ensuring they are incorporated in to TPU plans and initiatives
- 2. Establish multi-disciplinary work groups to address needs of new and expanding customers**
 - a. Convene multi-disciplinary teams from across business units to engage with and respond to customers seeking new or expanded service
 - b. Dedicate resources necessary to assist existing customers to retain or expand their business
 - c. Increase efficiency of new connects by identifying opportunities to streamline internal processes
 - d. Designate a single point of contact at the utility to provide greater consistency and coordination for commercial and industrial customers/prospects.
- 3. Compile current utility capacity data for key commercial and industrial sites**
 - a. Develop and maintain database of water, power and rail capacity at key industrial sites.
 - b. Annually review database with internal planning staff to update status of utility capacity and ability to increase capacity to serve larger loads
 - c. Support and inform the establishment of a local or regional site certification program
- 4. Create business development marketing plan**
 - a. Redesign TPU economic development web pages
 - b. Proactively engage in marketing TPU service territories to new business and investment opportunities in cooperation with economic development partners.
 - c. Develop a marketing and branding effort to increase coverage and knowledge of TPU's "green and clean" business profile

5. Leverage TPU program resources for business development

- a. Work with program personnel to identify which resources may be leveraged to promote business recruitment, expansion and retention
- b. Identify studies, fees, and procedures that can be leveraged as additional incentives beyond conservation.

6. Communicate Importance of Economic Development

- a. Lead and align with the TPU Public Utility Board's Strategic Directive on Economic Development.
- b. Communicate importance of utility economic and business development efforts to internal and external audiences.
- c. Increase internal alignment, understanding of, and communication about TPU's role in regional economic development efforts.
- d. Identify policy mechanisms that further demonstrate TPU's support for economic development within the framework of benefits beyond cheap rates

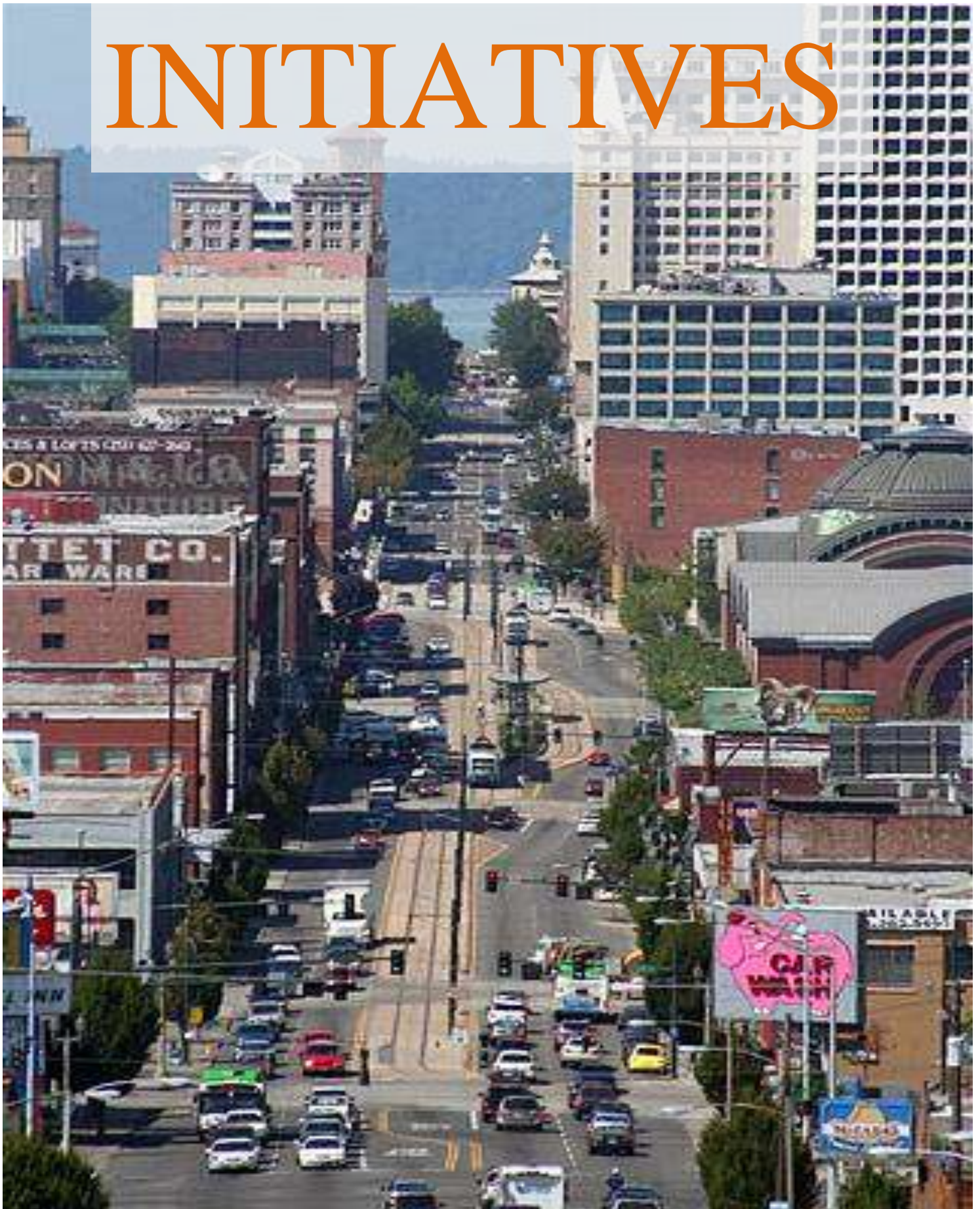
7. Identify and implement programs that position TPU to support capital investment, job creation and economic growth

- a. Identify and implement elements that enhance TPU's support of economic development
- b. Bundle Water, Power and Rail programs into cohesive economic development packages as needed
- c. Work closely with economic development partners to attract investment in the region's Opportunity Zones

8. Collaborate with workforce training institutions to create pathways from education and training to work

- a. Proactively engage the region's educational institutions to create a pipeline of skilled workers, not only for TPU's business units, but for the region as a whole.
- b. Provide input from employers to workforce developers of their employment training needs
- c. Work closely with the TPU Education Outreach Coordinator and regional workforce entities to support talent development, retention and attraction initiatives

INITIATIVES



1. Provide Consistent and Effective Engagement with Economic Development Partners

TPU invests in the economic development capacity of local and regional partner organizations allowing it a strong voice in driving key initiatives such as business attraction, retention and expansion; marketing; talent development, retention and attraction; FDI and trade; and site selector promotions. TPU's economic development policy should prioritize organizations and projects that champion the creation and retention of family wage jobs and capital investment in the communities it serves, recognizing that economic development opportunities vary from community to community.

The economic development manager will be responsible for implementation and oversight of the strategy, including ongoing communication and engagement with economic development officials from Tacoma, Pierce County, communities served by TPU, and regional economic development organizations. TPU should be an active partner with our franchise cities through regular engagement in and monitoring of their meetings and planning efforts. This engagement ensures timely information on activities that are critical to their development allowing TPU to support these efforts from the start. This outreach provides an opportunity to reinforce TPU's role as a key member of local and regional economic development teams.

Action Items:

| Provide consistent and effective engagement with economic development partners | | | | |
|--|---|-------|------|--------|
| # | Task | Owner | Date | Status |
| 1a | Share TPU strategy with local economic development partner organizations | | | |
| 1b | Assess and centralize TPU's economic development organization memberships, points of contact and activities to ensure consistent presence, engagement and messaging | | | |
| 1c | Be a strong partner and add value to the efforts of the economic development organizations TPU supports | | | |
| 1d | Coordinate with other regional utilities and permitting agencies to present a coordinated effort to new development | | | |
| 1e | Closely monitor franchise cities' needs and conduct regular gap analyses, ensuring they are incorporated in to TPU plans and initiatives | | | |



2. Establish Multidisciplinary Work Groups to Address Needs of New and Expanding Customers

TPU will establish a process whereby multi-disciplinary work groups are formed to engage with and respond to requests for information by our economic development partners in support of business prospects and existing customers. The intent is to prioritize retail utility sales by improving the coordination and timeliness of our responses to requests for new or expanded services. This initiative brings together staff from different departments within TPU to coordinate responses and identify process improvements.

With respect to existing customers, TPU will dedicate resources to retain major customers, identifying resources to assist in potential expansions. Account Executives will identify customers who require specialized attention to retain or expand their business and work with the Economic Development Manager to identify internal and external resources to deliver in response.

Action Items:

| Establish multi-disciplinary work groups to address needs of new and expanding customers | | | | |
|--|--|-------|------|--------|
| # | Task | Owner | Date | Status |
| 2a | Deploy multi-disciplinary teams from across business units to engage with and respond to customers seeking new or expanded service | | | |
| 2b | Dedicate resources necessary to assist existing customers to retain or expand their business | | | |
| 2c | Increase efficiency of new connects by identifying opportunities to streamline internal processes | | | |
| 2d | Designate a single point of contact at the utility to provide greater consistency and coordination for commercial and industrial customers/prospects | | | |



3. Compile Current Utility Capacity Data for Key Commercial and Industrial Sites

The process of starting or expanding a business is often time-consuming and expensive. TPU can provide significant value for potential new customers by identifying the power, water and rail resources available to serve new customers at key industrial and commercial sites prioritized for development by our communities. TPU should also identify areas where there is excess capacity and work with local economic development organizations to promote those industrial sites to businesses with greater utility needs.

Creating a database of key industrial sites with their associated power, water and rail capacity and the ability to add capacity in the future, would provide readily available information for business prospects and our economic development partners. In addition, it is an opportunity to fine-tune communities' industry targets to ensure they are consistent with available infrastructure.

To that end, TPU should collaborate with its economic development partners to establish a site certification program and provide utility capacity information in support of such a program. With better understanding of existing power, water and rail services at commercial and industrial sites around the service territory, TPU staff can better engage in local and state-managed retention and recruitment efforts.

Action Items:

| Compile current utility capacity data for key commercial and industrial sites | | | | |
|---|---|-------|------|--------|
| # | Task | Owner | Date | Status |
| 3a | Develop and maintain a database of water, power and rail capacity at key industrial sites | | | |
| 3b | Annually review database with internal planning staff to update status of utility capacity and ability to increase capacity to serve larger loads | | | |
| 3c | Support and inform the establishment of a local or regional site certification program | | | |



4. Create Business Development Marketing Plan

Utility economic development initiatives uniformly emphasize proactive outreach to recruitment candidate businesses and site selection professionals through targeted industry trade-show participation and outreach to site selectors. While funding is limited, there may be opportunities to leverage other economic development partners' activities. Given TPU's limited economic development resources, business recruitment efforts should prioritize target industries that are consistent with local partners' marketing efforts. Following are some of the industries our economic development partners have prioritized for recruitment: Aerospace; Health Care and Services; Trade and Logistics; Information Technology and Cyber Security; Bioscience; and Manufacturing. While this list is not exhaustive, there may be additional industries and companies that TPU could target for outreach and recruitment, and each opportunity should be evaluated on its own merits.

Working with local economic development partners, TPU should investigate co-sponsorship of site selector familiarization tours as an opportunity to connect with site location consultants. These tours help communities promote themselves and, perhaps more importantly, learn what they can do to be better prepared for business prospects.

TPU should help identify business recruitment or site selector activities, with participation from economic development staff and account executives where appropriate. By participating in industry activities and events, account executives working with particular industry clusters can be a resource of market intelligence to be shared with customers, adding value to TPU's relationship.

Businesses and site selectors increasingly depend on websites for data to help narrow the field of communities under consideration for expansion or relocation. By providing basic utility information, including rate comparisons, territory maps, and other TPU programs and initiatives that benefit business visitors to the website (e.g., energy efficiency, carbon footprint calculator, rail services, water quality data), TPU can promote a positive, pro-business image.

While it is critical that TPU market itself and the advantages of doing business in the region, there may be additional opportunities to further differentiate TPU from other utilities in our region. Each of the business units has attributes that distinguish them from other service providers, and TPU should leverage these attributes to build a brand known for these advantages. These attributes include abundant clean water, 97% carbon-free power, low operating costs for businesses, conservation opportunities, and our willingness to work with companies to find the best possible solution to their location and utility requirements. Leveraging this brand across multiple platforms should become a part of all our marketing materials.

Action Items:

| Create business development marketing plan | | | | |
|--|--|-------|------|--------|
| # | Task | Owner | Date | Status |
| 4a | Redesign TPU's economic development web pages | | | |
| 4b | Proactively engage in marketing TPU service territories to new business and investment opportunities in cooperation with economic development partners | | | |
| 4c | Develop a marketing and branding effort to increase coverage and knowledge to TPU's "green and clean" business profile | | | |



5. Leverage TPU Program Resources for Business Development

TPU should effectively leverage its energy/water efficiency and conservation resources to support business development efforts, such as promoting programs and target industry case studies in marketing materials (e.g. website) aimed at attracting new business development.

TPU should also review opportunities to leverage other business areas (Evergreen Options program, transportation electrification, procurement) to advance economic development opportunities for new and existing customers.

Action Items:

| Leverage TPU program resources for business development | | | | |
|---|---|-------|------|--------|
| # | Task | Owner | Date | Status |
| 5a | Work with program personnel to identify which resources may be leveraged to promote business recruitment, expansion and retention | | | |
| 5b | Identify studies, fees, and procedures that can be leveraged as additional incentives beyond conservation. | | | |



6. Communicate Importance of Economic Development

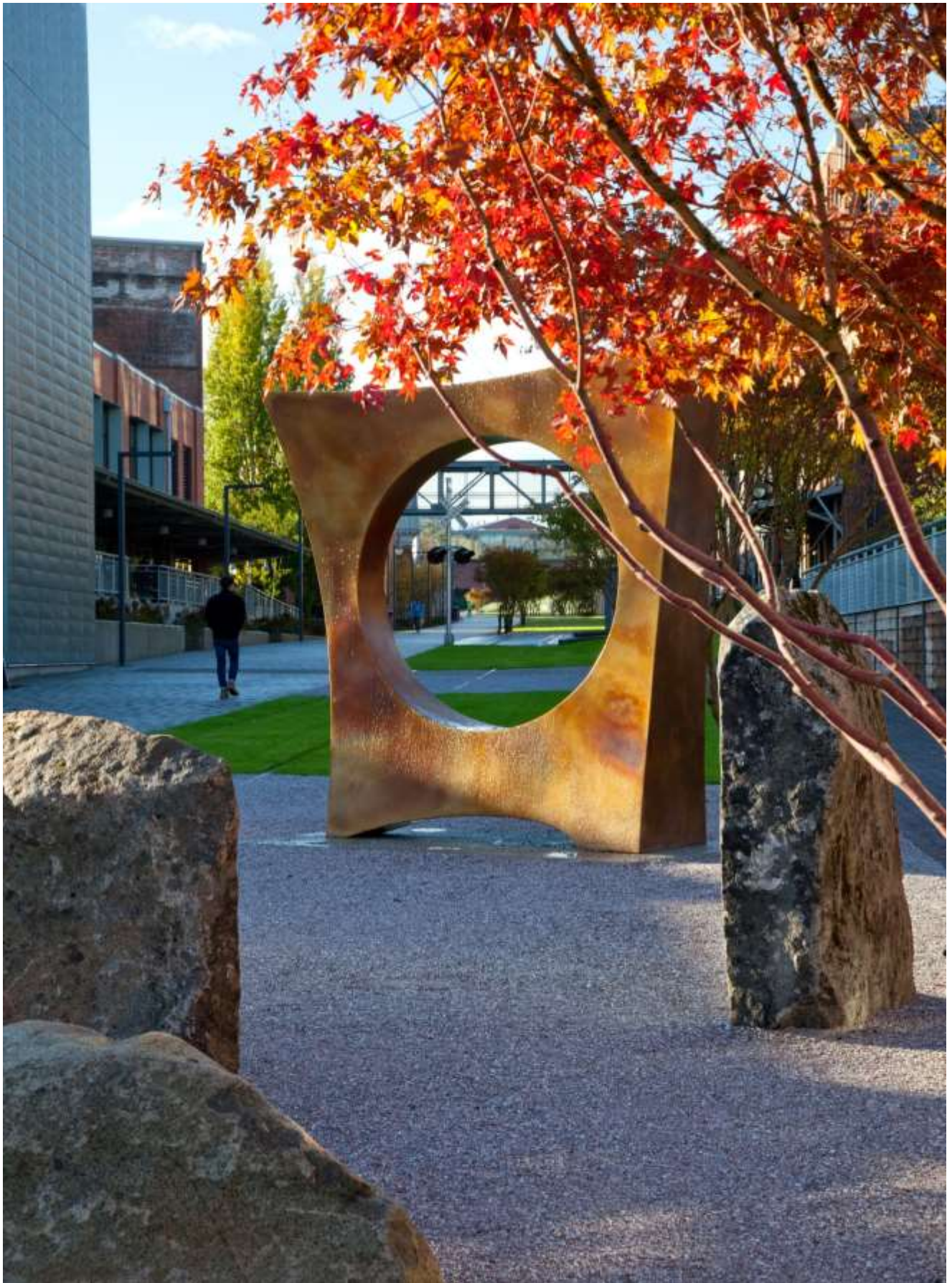
The success of this Economic Development Strategy will depend on engagement and support throughout TPU, from Board Members and Senior Leadership, to customer service personnel who often have the first contact with a new customer; estimators; planners; and construction project managers. Economic development at TPU needs to be seen through an organizational-wide lens rather than through its constituent business units. In order to implement this approach, it should be common practice to convene multi-disciplinary teams, cutting across utilities and divisions, to facilitate full engagement and maximize results. Fostering a culture of support for economic development requires clearly demonstrating the importance of economic growth and that everyone has a role to play.

TPU should articulate the value of “traded sector” industries to the local economy. Traded sector industries produce goods and services that are sold outside of Pierce County resulting in the flow of new dollars into the economy. These new dollars support the non-traded businesses throughout our communities and together are critical to a healthy and resilient economy.

TPU will communicate the role it plays in economic development and the resulting economic impacts in the communities it serves. TPU will better utilize its web presence to highlight its role as well as the importance of traded sector investment and jobs to the local economy. In addition, on its economic development web pages it will promote the community and region by providing critical information for business development and recruitment efforts that advance economic development projects and complement the efforts of our economic development partners.

Action Items:

| Communicate Importance of Economic Development | | | | |
|--|--|-------|------|--------|
| # | Task | Owner | Date | Status |
| 6a | Lead and align with the TPU Public Utility Board’s Strategic Directive on Economic Development | | | |
| 6b | Communicate importance of utility economic and business development efforts to internal and external audiences | | | |
| 6c | Increase internal alignment, understanding of, and communication about TPU’s role in regional economic development efforts | | | |
| 6d | Identify policy mechanisms that further demonstrate TPU’s support for economic development within the framework of benefits beyond cheap rates | | | |



7. Identify and Implement Programs that Position TPU to Support Capital Investment, Job Creation and Economic Growth

The economic development functions of many utilities around the country include the implementation and management of incentive rates with the goal of retaining customer load and attracting business expansions and recruitments. The practice of offering incentive rates has generally not been favored in the West Coast states. While TPU rates are already quite favorable to those of other utilities in the region and around the country, there may be other opportunities to become more attractive to new industrial and commercial customers.

In 2014, SAGE Management Consultants conducted the TPU Ten Year Management Review and made recommendations that would increase TPU's commitment to economic development. These policy recommendations included:

- Stopping the current practice of charging prospective large customers for system load studies;
- Identifying creative financing approaches such as longer payback terms or a revenue-based extension allowance to offset utility development costs;
- Adding a bill surcharge for undergrounding facilities to create a fund for undergrounding projects over time.

As part of the Economic Development Strategy, TPU economic development will work with Tacoma Power and Tacoma Water as the business units review their consultants' recommendations and identify potential initiatives to attract and retain customers. Additionally, Tacoma Rail already offers volume incentives to attract incremental business. At the TPU level, it is most important that these incentives are bundled, when possible, to be promoted as a package that encourages economic growth in the region.

The Opportunity Zone program, created in 2017, was designed to provide tax incentives to investors who finance development in underserved communities of high unemployment and poverty rates. TPU will collaborate with partner organizations to assist in attracting investment into those areas.

Action Items:

| Identify and implement programs that position TPU to encourage job creation and economic growth | | | | |
|---|---|-------|------|--------|
| # | Task | Owner | Date | Status |
| 7a | Identify and implement elements that enhance TPU's support of economic development | | | |
| 7b | Bundle Water, Power and Rail programs into cohesive economic development packages as needed | | | |
| 7c | Work closely with economic development partners to attract investment in the region's Opportunity Zones | | | |



8. Collaborate with Workforce Training Institutions to Create Pathways from Education and Training to Work

TPU supports comprehensive, demand-driven training programs around the region to work with businesses, regional groups, education providers, and other stakeholders to deliver effective job and skills training. TPU should facilitate the connection between business and workforce to align skills and interests with real work opportunities in its business units and provide a clear path from education and training to job opportunities.

In addition, engaging with a wider group of stakeholders focused on talent development, retention and attraction initiatives requires some realignment of resources to partners with shared goals. Partnering with organizations focused on talent ensures the region is attractive to employers who may be struggling to meet their employment needs in other regions with a less skilled talent pool.

The region is home to several educational institutions that engage in many aspects of economic development, in particular, education and workforce training. TPU has strong relationships, as customers and as community partners, with the University of Washington Tacoma, University of Puget Sound and Pacific Lutheran University, as well as Bates Technical College and Tacoma Community College. There is an opportunity to leverage these relationships to promote further workforce training to meet the needs of TPU and employers in the region.

Action Items:

| Collaborate with workforce training institutions to create pathways from education and training to work | | | | |
|---|--|-------|------|--------|
| # | Task | Owner | Date | Status |
| 8a | Proactively engage the region's educational institutions to create a pipeline of skilled workers, not only for TPU's business units, but for the region as a whole | | | |
| 8b | Provide input from employers to workforce developers of their employment training needs | | | |
| 8c | Work closely with the TPU Education Outreach Coordinator and regional workforce entities to support talent development, retention and attraction initiatives | | | |

