

A New View | A New Path A Way Forward

We propose that all of the City of Baraboo become an entrepreneurial incubator with our entire community as its support network.

Summary:

The traditional path to economic health based on successful competition for the development ideas that worked in the past is less viable as a vision for the future of Baraboo. There are increasing demands for public land, tax relief and even direct subsidies that will be more and more difficult to meet from current or anticipated public resources. This is the nature of the new globally competitive world we are now in and the current wide spread economic stagnation indicates that there will be no relief from those demands in the foreseeable future.

A new view and a new path are necessary. We now live on a wide stage in a global economy and our transition to this new world is inescapable and irreversible.

The Council, our citizens, the business community, the non-profit community and the School District should look to the entrepreneurial spirit as a unifying civic value and a guide to the future. We need to develop a marketing plan that presents the city as a uniquely friendly and welcoming hospitable place with a strong future orientation to attract, nurture and support entrepreneurs and their families who bring businesses proposals and concepts for high value, high risk, high salary and high potential enterprises in any technical, commercial or service area. This allows us to use the strengths we have, the strengths we can develop and the strengths we can create to differentiate ourselves from competitors and position the city and the greater Baraboo community for ongoing success.

To succeed on this new path we must strive to maintain and improve the attractiveness of our public spaces and our sense of joint community. We must strive to offer exemplary public schools and promote all of the educational, natural, recreational and cultural resources of the Baraboo region and the rest of Wisconsin. The public, business, financial and other community sectors of the city must be eager to offer mentoring and advice and low cost or even free services to those who come. There must be community-wide understanding of the potential value of this approach to the future of the city.

More details are laid out in what follows. There are surely other ideas yet to be expressed. We hope to begin a broadly based discussion of as many ideas as possible to use the unique resources of Baraboo and the region to move our entire city forward in what we see as an entirely new world.

We request that the Council assign the task of exploring ways to implement this proposal, or others that may be presented, to one, perhaps all, of its standing committees and/or construct a special committee to coordinate the task.

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Mission:

- To establish a national reputation for Baraboo as the place where entrepreneurial dreams are warmly received and nurtured by the entire community.
- To establish the reality and the perception that Baraboo offers the resources to enable the individuals we hope to attract to stretch the funding they bring with their projects.
- To establish the reality and the perception that the Baraboo public schools are at the level of the best public and private schools in the country.
- To establish the reality and the perception all of our regional natural, recreational and cultural resources, whether they are within our boundaries or not, are recognized by the Baraboo community for their value in attracting motivated individuals with high potential entrepreneurial projects.
- To promote a widespread recognition that Baraboo is an exceptional community in which to live and work.

Objectives:

- To maximize the value of all of our public spaces as a public benefit for the entire city.
- To use the Ringling Riverfront as a uniquely attractive resource as part of our effort to drive and catalyze the economic development of the entire city.
- To provide broad and deep support to the Baraboo Schools as an essential tool for differentiating Baraboo from other competitors for economic resources.
- To use the educational, cultural and natural resources of the wider Baraboo area, Sauk County, Wisconsin and the entire region as specific features to attract entrepreneurs with little or no demand for public funds and with the greatest potential for long-term economic growth and spin-off benefits.
- To foster understanding of the need to avoid competition for development concepts that come with demands for significant start-up capital, tax incentives, property discounts or other forms of public funding which we cannot meet.
- To work to maximize community understanding and buy-in by all the stakeholders of the greater Baraboo region for the entire program.

Keys to Success:

- The schools, the river, our historic downtown square and the other natural and

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institutional attractions of our area are critical to attracting the initial group of entrepreneurial projects to the city.

- The high school quality we advertise as a feature of this community must readily be perceived as true by the people we attract and must be maintained as a long term fact as evidence of community commitment.
- We must establish and maintain an atmosphere of hospitality and welcome from the elected officials and public employees, the business community and all the residents of the city and the surrounding areas.
- We need to establish support services and the unified community support to maximize value of the city and our neighboring municipalities as a viable place for these attempts.
- The Baraboo business and financial communities must provide an organized source of mentoring and advice and low or no cost services to the various stages of the projects we attract.

Reality Check:

- The City of Baraboo can only act for itself but the benefits of the proposal will be magnified if all local government entities act cooperatively in accepting common goals. The competition of the past will be an unfortunate barrier to success. The conversations about cooperation and common goals should start as early as possible.
- The State of Wisconsin and the Federal EPA have invested over \$3,000,000 in the Ringling Riverfront to date. This investment was based on specific criteria concerning readying the area for redevelopment. The ideas presented in this proposal may need evaluation and consent from the entities that provided the initial funding. There is the hazard that unilateral changes in the original redevelopment concepts could trigger penalties or repayments or that their threat could become a complete barrier. One of our first and most important tasks will be to get written approval for any changes this, or any other, proposal may represent.
- Baraboo has many groups with economic development as their major goal. These include the Baraboo Economic Development Committee, the Community Development Authority, the Chamber of Commerce, the Downtown Business Improvement District, Downtown Baraboo, Inc, the Sauk County Development Corporation and others. These groups need to enthusiastically embrace the concepts and ideals presented here or some other proposal that deals with the economic uncertainties we face. Success requires a unified voice.

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- Baraboo already offers great educational opportunities through our public and private schools, the local University of Wisconsin campus and other venues. A goal of exemplary educational excellence in all areas is a key component of this proposal. Agreement across all our communities to the overall goals is necessary to deal with the difficulties in planning and implementation the steps to that excellence. The School District crosses several independent municipal boundaries and nothing in this proposal must, should be or is necessarily bound by those artificial limits. Baraboo, West Baraboo and our neighboring townships will all benefit if we work together with the School District as partners.
- We need to identify the groups, individuals or entity that will take this, or any other idea, from paper to working policy. There must be tenacity, passion and authority to implement this idea. This is not something done once and is finished. This will need to be continued until it is so ingrained and successful that it becomes the natural cooperative condition of all our communities.
- The organization known as *Thrive* works to become the major economic driver for the region but their concept is different from the one here. The State of Wisconsin and the Federal agencies have endorsed their approach to regional economic development. It is not clear if this proposal should be presented to them and, if we do, just what role would we expect them to play?
- Financing is a potential complication of this endeavor even if substantially minimized or entirely in the form of in-kind assistance. Direct use of significant tax based funding in any traditional form is not part of the proposal but impacts on tax rolls, assistance for the startups and marketing must be accounted for in detail to the community. Identifying and applying for grants both public and private, as well as constant vigilance by and of elected officials must be a built in procedure so that transparency is maximized and impacts on local taxpayers are minimized.
- The ideas and opinions expressed in this proposal are an outline of the actions needed to start the city and our neighbors onto a new path. More expansion and development to move past this initial step to a more robust starting point is an absolute necessity.
- There must be a transition between how we used our previous tools for economic development and the ideas presented here that is widely acceptable.

Change of this magnitude is difficult and fraught with obstacles but the changes in the new economic realities facing us demand that something be done.

If not this then what are we to do?

More ideas must be on the table for all to consider.

Please present yours.

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Proposal:

The visions and proposals that guided Baraboo's development up to the recent past represent a time when there were readily available financial resources for the city and for traditional developers. Those times are gone and, as recent events in the US and international financial markets have shown, they will return very slowly if at all and possibly not for a decade or more. We believe that previous economic growth paths will require significant costs and effort just to maintain our current status. We are experiencing basic changes in the structure of our economy that require revisions to the nature, scope and timelines of our economic ideas and how they now apply to our city, our neighbors and our region.

We must adopt a different view that calls for improvement in the economic values of the entire city in what goes forward as part of the Riverfront or elsewhere in Baraboo. Ideas that could be implemented or duplicated in almost any community on almost any piece of available land at almost any time require critical evaluation of the value of their use of any public resources. What we allow anywhere, whether on the river or not or whether under this proposal or some other, be a significant improvement in the attractiveness of our whole community as a place to live, to raise families and establish and maintain a business. We must insist that what we allow so obviously contributes to these goals that we get wide-spread buy-in and ownership from a large part of our community.

Initially we wish to attract those entrepreneurs that do not require significant initial public funding or special financial considerations from us but who will be strongly attracted to a community that will welcome them and value what they do. They will value a community for themselves and their families that provide the best environment for them to pursue their ideas and stretch their resources. They require a community that recognizes the future value of what it has and the immediate and future potential value of what they bring. The organization of venture capital is not a pre-condition and can be addressed later.

The Ringling Riverfront is vital not because it is a riverfront but because we can use it to demonstrate that the community has a future orientation sharply focused on the formation of public resources for the long term public benefit of all its residents and of those we hope to attract. All the resources of the wider Baraboo area, Sauk County, Wisconsin and the entire region are critically important. These include the region's social, cultural, natural and recreational resources and the UW Baraboo/Sauk County campus, the Reedsburg MATC program and our proximity to the city of Madison with its resources and the UW flagship campus.

First Steps:

The initial costs of this approach are low in terms of direct public funding because we can expect to start slowly. Programs like this are built on the trust of those we hope to attract that the marketing materials they see are solidly based on fact and not on advertising expertise. Program growth stems from word of mouth reports that spread through social

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media channels and independent articles in the publications they habitually read. We are not marketing a new cereal, kitchen cleaning product or any other commodity. The main tradeoff is between the net future benefit of this or any other new vision and of repeating past practices after the actual costs are considered. This includes evaluating potential impacts on our existing business environment and an emphasis on all of our public amenities and their city wide future benefits. We can direct our efforts toward those self-funded projects that are the result of long standing hopes and planning.

We are not proposing that the city act in any way to provide angel or venture capital funding other than in-kind contributions as described below and those yet to be determined. We are not proposing that the city set up any evaluation or filtering process to attempt to predict success for the enterprises we will welcome beyond ordinary zoning rules. A single-point-of-contact for the services we may offer should be considered.

The tangible welcome by the community of the entrepreneurial spirit is the first and most crucial part of the marketing plan we need to develop.

New Thinking:

A new approach is necessary to set Baraboo apart from the crowds of competitors for increasingly scarce resources. This competition will only intensify given the current political and financial environments.

We must recognize the value of all of our city-wide public amenities as long term resources that serve to make the entire city attractive to entrepreneurs with projects and ideas focused on the future. Their focus on the future must be matched by ours.

The expenditure of any public asset to garner taxable resources must be examined in comparison to their value as key features aimed at attracting entrepreneurs. The projects we should strive to attract are those with low initial impact on public resources but that may start small have strong potential for long-term growth and contributions to the economic well being of the city. We have several examples that started in Baraboo and have grown to a national and international reach.

As the city develops a reputation for hospitality to projects, we will be sought out as a locale for them. It is not easy to establish the reality of that reputation but once begun, and conscientiously maintained, it will sustain itself and expand.

Transition:

We are not proposing to abandon the economic development tools of the past but a new way to look at those tools and to develop the new tools needed to go forward. Development ideas that fit past models may also be a match to our views of the future. All of the present organizations concerned with development remain as important as or more so than they were in the past for this proposal. The Community Development Authority may have an expanded role in the future.

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Who Might Come:

Our potential audience is not in any way limited to the technical, electronic or digital although that gets the most media attention. It can be described in two general categories.

The first is mid-level employees in technical, creative or service departments of mid to high level companies who have nurtured entrepreneurial dreams for a product or a service for a considerable time. They feel stymied by the corporate culture of their current situation and its lack of provision for welcoming new ideas. The 3M Company is an outstanding example of a company that avoids this trap and it is worth searching for a description of their policy for employees to take company time to pursue their own ideas without direction. **Post-it®** notes are a product of this 3M policy.

Some of the people we are interested in recruiting will be leaving jobs for which they are probably well-paid. They have been saving resources for implementing their dream but have not found a setting in which that is possible. They will tend to live in high cost areas where their accumulated resources may not last long enough to establish the viability of their project. If they have school age children there is a high probability that they are in private schools where tuition is a sizeable drain on their resources. This last is a significant part of the reason for including such high levels of quality for our public schools but even by itself the quality of a community's schools often drives the property values in a community. The comfort of those we hope to attract in placing their children in a stand-out public school in a supportive community frees considerable resources for them to buy additional time to be devoted to realizing their ideas.

The second group is generally young and with less experience but with a strong if not well formulated idea of what they want to do. Bill Gates and Steve Jobs fit this to some extent. Two others, James Freeman the founder and CEO of the Blue Bottle Coffee Co and Eileen Fisher the founder and CEO of Eileen Fisher, Inc. are good examples of other kinds of success stories. They were recently the subject of articles in the September 11, 2011 issue of *Fortune*.

As strong as their skills are in the area of their project, the history of such ventures shows that their skill level in ordinary legal and business practices is insufficient. The Baraboo community must take the initiative to organize mentors and consultants to provide this expertise as in-kind contributions at low or no cost. The projects involved are unlikely to result in competition for existing Baraboo businesses in that they strongly tend to involve new ideas using new technical processes or original creative concepts.

Schools:

We can adopt this or any other proposal as the key to an entirely new path for the city out of the current economic doldrums, we can construct a detailed plan for advancing on that

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path, we can obtain wide support from the community but the potential for success is reduced without another important component.

The actual and perceived quality of the local public schools must be of exemplary quality comparable to the best private preparatory academies and public schools in the country. As wild as that may appear it must be recognized that we essentially reached that level before in the 70's, 80's and 90's for K-12 and we did it while maintaining budgets below our neighbors' and much of the of the state. UW Baraboo started at that level in its main mission and has remained there. Its ongoing efforts to upgrade its programs in science and to offer more opportunities beyond the first two years of college make it an asset of rapidly increasing value.

Many of the people we wish to attract will come from high cost cities and send their children to private schools for a variety of reasons. A high level public school system they trust frees \$40,000 per child or more for them to devote to their projects and would be an important feature of our attraction.

Unfortunately, recent events at the local, state and national level have raised the bar for achieving this goal.

Guidelines for how our thinking about schools must change to meet the challenges we all face can be found in the new book by Thomas Friedman and Michael Mandelbaum, *That Used to Be Us*. An overview of the long-standing importance of public schools to local economic development can be found from a Google search on the keywords "public schools" "economic development" used together.

The connection between the economic health of the city and the quality of the schools will become an important part of any public discussion of this or any plan. As a start we believe ongoing talks between the School District, the city, the business community and the surrounding communities centering on this connection should begin as soon as possible.

Outcomes:

The products and services that will result from this idea are not well defined which is both inherent in the idea itself and a deliberate goal. If these were well defined then we would be dealing with ordinary proposals which by their natures fall into standard patterns of demanding significant front end public support and private capital investment.

There is no way to evaluate any start up attempt with any certainty. Failures outnumber successes by a large margin. In part this is due to the lack of secondary expertise in essential areas that are not well regarded by those people obsessively pursuing their ideas. Any mentoring and business skills support services we can muster will help in overcoming this problem.

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The business community has a special opportunity and obligation to contribute to this plan. Some of the projects will be the dreams of relatively young entrepreneurs with high technical skills in the area of their dream but little or no experience in operating a business. Entrepreneurial start-ups face their greatest challenge after their initial technical problems are solved in the transition to viable business plans and management policies. These challenges are so well-known that they have their own names: the “first valley of death” and the “second valley of death.” In general the first is the failure to construct viable business plans and the second is crossing the gap between an abstract success and constructing a marketable product. A Google search on these keywords with the quotes will provide more details and insight. A community organized in part to provide guidance in overcoming these two failure modes will increase the success rate of the projects it welcomes and increase our attractiveness to new projects.

The low initial cost of implementing this idea for any one specific proposal means that several can be running at once. Success rates on an individual project can be low, new projects will replace those that fail but only a few need to succeed, and none need to stay, to have a major impact on our economic well-being in terms of wealth and job creation far in excess of what would be expected from more ordinary development ideas. If a success outgrows the resources we can offer and a successful enterprise moves on then we give them a nice going away party because our pipeline will be full and there will be another sufficiently successful project to continue the benefits. There also will be spin-off enterprises that may very well remain locally.

One or two initial projects will point the way to expansion. The payoff potential is large but it requires an initial commitment to an entirely different way of looking at development that does not rely on competitive searches for more ordinary interchangeable enterprises using standard approaches that demand significant front-end public funding.

Many of those we attract through implementing the ideas expressed in this proposal will come with the expectation of returning to their larger world once started on their path to success. In part that is because their projects may need rapid access to auxiliary services and products we may not be able to supply. As we discover what these needs are we may find or develop them here in Wisconsin. In a sense we are proposing to offer initial angel investing or seed money for start ups although as in-kind contributions, stress relief and comfort for themselves and their families, but not as cash, so as to stretch the financial reserves they bring with them. Access to angel or venture capital as the next step in bringing a dream to fruition may be an issue and Wisconsin is taking steps to provide that. We may be able to find it in our local region but it does not need to be a public goal or use public money although it could be done privately.

The fact that there may be an expectation of eventually moving on is not a problem to be overcome with a retention program. The perception that we hope to capture the projects as permanent features of the city would have negative impact and would distort our procedures. We should embrace the idea that successful enterprises may move on and offer help in facilitating it as part of what makes us attractive in the first place and as an important part of the reputation we hope to develop as our marketing progresses. Some

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projects that result in high value added results can be at home here as well as anywhere and our role in the success of those projects and in maximizing the attractiveness of the city as a place to work and live will do the retention job for us by itself.

Our goal is not to attract some few new businesses that stay but to fill a pipeline stretching into the future with the fledgling versions of new Fortune 500 enterprises that pass through here on their path. It is a bonus if some stay but they typically come with hundreds of thousands of dollars and more of their own or seed development money which they will spend in the city and region. They should be thought of as in the same beneficial category as concentrated tourist dollars that will be spent on more than meals, lodging, recreation and entertainment.

Marketing:

The project requires few ongoing proposals for success and the potential pool of prospects is large but our audience is not usually addressed in these terms with these goals. We would offer a package of opportunities for entrepreneurs to extend the life of the seed money they will bring in a community that values what they do and welcomes their families.

Constructing our own public seed money pool as an inducement could be a mistake. It would put us in the position of judging and attempting to predict potential success. It would encourage less well considered projects with a higher risk of early abandonment; a well known consequence of risking other people's money and a public pool involves public money. A pool of private money operating under its own policies is a different matter and is not addressed here although we would hope for a shared vision and ongoing interaction. Risking one's own resources to pursue a dream increases motivation to persevere through setbacks. A critical difference is that we can offer a variety of support help in a place with a high quality of life where resources can be stretched. We will need to attempt to get articles published in select magazines such as *Wired* and *Make* plus a few others that attract our target audience. They are heavily invested in all forms of social media and exploitation of those channels will be necessary.

Marketing materials must also include the recreational and creative aspects of Baraboo and the region. Devil's Lake may be the best known of the former but it is not alone. The arts do not get the same publicity as the park but they are a contributor to the economy and draw numbers of people from a wide area. Recognition of the economic contribution of the arts in general to the entire county is growing. The Fall Art Tour in our region is just one of many around the nation. For Wisconsin tours, a Google search on the keywords "economic value", "art tour" and Wisconsin will provide some insight.

A less well-known feature of our region is the Badger Area Technical Society (BATS) which is an association of a number of small independent custom manufacturing and design enterprises. BATS may turn out to be an important addition to our value to the individuals we hope to attract.

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The Past:

All forms of previous standard mainstream development are the focus of intense and increasing competition from other communities and are commonly tied to demands for initial capital, tax incentives, property discounts or other forms of public funding that are in short supply everywhere. Those demands are indicators that such standard developments are not sufficiently viable to stand on their own or are simply attempts to leverage public resources to increase personal benefits. They indicate that previously established patterns of thought about development remain unchanged. All that is fine but none of it will serve to set us on a new path to economic health in a new economic world.

Location:

The primary location goal is the city of Baraboo but this is not an exclusive goal although it may be easier to organize the necessary resources within the city. The neighboring municipalities and townships are certainly possible locations and location decisions should be left to those who come. It is more important to match existing inexpensive empty spaces to the needs of the proposed incoming projects wherever they locate.

We may need to re-visit and revise city zoning laws on home businesses.

Competition:

We do not know of any full competitors to this new view of a basic path to economic development. More and more communities are heavily promoting their schools and natural attractiveness to potential developers but they have not stepped away from traditional thinking to implement a new plan. There are few communities with our variety of attractions in a wider setting of quality attractions. Success will generate competition in ways not presently foreseen.

The concept of the entrepreneurial community “incubator” has grown considerably in recent years and projects under that title are common but they all seem to share one limitation. The incubator is thought of as a specific space in a specific location in a community with a specific individual or small group as their point-of-contact with the community in the context of their project. Our proposal sees the entire city as the incubator with the working spaces anywhere they can find a location consistent with zoning rules and with most of our entire community as the support network.

A Possible Future Addition:

There is a fine line between the initial use of money to attract new ventures and the addition of an investment fund to provide additional support in later stages for projects that have been here for some time. Such a fund may turn out to be a useful addition but it requires careful evaluation.

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Details need to be worked out but the typical venture capital requirement of actual control must be avoided. A near to trivial ownership percentage in one highly successful project should provide a sufficient return and allow for increases in the support fund. It is entirely appropriate to construct any such fund as a project of the Community Development Authority which has a legal structure that should be adaptable to the task. Contributions to the fund may be tax-deductible donations.

Long term benefits depend on attracting people because of the quality of life here, our hospitality, and the in-kind support we offer. A monetary inducement may attract those with only that goal in mind. It will be easier to avoid this from the beginning than to try to construct rules to prevent its abuse. This must be very carefully evaluated before it is incorporated in any final plan.

Claim and Disclaimer:

The new book *That Used to Be Us* by Thomas Friedman and Michael Mandelbaum expands on all of this in considerable and better documented detail. We are not claiming any form of priority on that work but one of us (ER) is claiming a considerable degree of prior independent thought. Earlier drafts of this paper were in circulation before that book was published. Many of these ideas were discussed over past years with Ed Geick, the Baraboo City Administrator, City Councilperson Brett Topham, Gene Dalhoff, then Director of the Baraboo Area Chamber of Commerce and now Executive Director of the Sauk County Development Commission, Members of the SCDC Board and others.

The Book:

That Used to Us deals with the current crises facing the US on a national scale in an international setting but they also note that local actions can have wide consequences. One message from that book seems very clear to us. The long period of generalized growth as a driver of economic value in and of itself is over and done. What now counts is the growth in creativity, innovation, value-added and things not yet described. The city is not the producer of any of that but we can provide a home for it and receive the benefits of the cascading local secondary effects it will generate.

Technicalities:

Recessions commonly come from cycles in the availability of capital to meet the need and the demand for it but there is also something known as a structural recession. We think that is our current situation. More could be included here but Google searches on “cyclic recessions” and “structural recessions” will provide more details, discussions and arguments on the topic. There is some discussion of this in *That Used To Be Us* which argues that the way out of recessions like that is driven by creativity, innovation and invention.

We wrote this proposal out of our concern that we are undergoing basic permanent changes in the nature of domestic and world markets. As commodity manufacturing was

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moved around the world in pursuit of minimum costs the US tried to replace it with an information processing base, then the service industry base which also moved as they pursued minimal cost locations. That was followed by an attempt at a home construction base which also collapsed for a number of reasons.

There is a high level of uncertainty about the nature of the foundations of future economic values. That uncertainty is the root of a structural recession and our recovery from it cannot be generated by top-down mechanisms.

Our recovery will be a bottom-up process and will follow from the creativity and innovation that generates many new things that are utterly unpredictable in advance. Afterwards there will be an epidemic of head slapping “duhs” about their retrospective obviousness

The first aim of this proposal is to capture a large and very unfair share of the people and their projects that will turn their dreams into some of the new things that will take us out of this recession. Our second aim is to find a path to economic development that removes us from the competition to use public tax dollars to subsidize a repetition of past common development proposals

Nothing in this is guaranteed other than the certainty that doing nothing will leave us in the dust amid choruses of "if only".

Respectfully submitted for consideration by the City of Baraboo Common Council,

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