"Mangaung Local Municipality:
Learning from LED practices in Virginia Beach- USA"

A. Exchange visit

1. Background

With USAID financial support and guidance, International Counties & Municipalities Association (ICMA) and South Africa Cities Network (SACN) entered into a partnership to help strengthen the capacity of municipalities in South Africa to promote local economic development (LED). This partnership called for a series of exchange visits between the staff of three South African municipalities and the LED staff of Virginia Beach in the USA that has an outstanding record in terms of LED programming. The purpose of the first visit by the USA counterparts to SA was to produce a diagnostic of local conditions and to identify needs and priorities. This visit was then followed by two visits to Virginia Beach (VB) where the South African LED counterparts were exposed to their LED best practices.

During the first trip to South Africa in February 2005, the USA counterparts were introduced to the Mangaung Local Municipality's LED goals, programmes and priorities. These include *inter alia:*

- □ Industrial Development
- □ Commercial corridor planning
- □ Tourism development
- □ Agriculture business promotion
- □ Existing business growth and retention
- □ Small and micro-business development. and support

Based on these priorities and those of the other two municipalities, the ICMA and the SACN agreed that the following principle would underpin the city-to-city exchanges, namely that each exchange visit should focus on of the each the top common priorities of the 3 municipalities

The top common priorities shared by the 3 municipalities included:

- □ Industrial Development (business attraction & retention)
- □ Tourism
- □ LED planning and implementation.

During the two visits, the participating municipalities were exposed to the processes, practices, and structures that the city of Virginia Beach uses to support its LED programmes. Virginia Beach also presented their plans and the successes it has achieved. The SA municipalities were provided with

opportunities to test their ideas and assumptions of LED with veteran LED professionals associated with Virginia Beach, including neighbouring cities and volunteer consultants and private partners. The aim was to tailor an experience that would help each participating SA municipality to improve their performance and effectiveness in LED.

The first visit to Virginia Beach by the SA municipalities included technical presentations, site visits, review of technical documents, group encounters with key staff and private partners, and observations of meetings.

2. Content of the exchange programme

(a) Virginia Beach - City Development Strategy:

The key pillars of the Virginia Beach City Development Strategy are Governance, Management and Service Delivery. The City Development strategy is a 3-year plan and it has 7 focus areas, namely Economic Vitality, Family and Youth opportunities, Safe Community, Quality physical environment, Quality education, Cultural and Recreational opportunities. The city has also set a number of preferred outcomes against which the city's progress in terms of the CDS implementation is measured. These include, Economic diversity, Increase in per capita income, increase in work opportunities, upward mobility and positive city image. Virginia Beach also sets targets in terms of economic development, which are reviewed annually. The city also monitors and tracks trends in the local economy. Some of the issues that are tracked include the trends in the different industries; a survey of employers to see how the locational factors were utilised; use and demand for land. Research is regularly conducted to inform the city's interventions

KEY LESSONS:

- The MLM IDP has similar broad development objectives as the CDS.
- MLM has similar locational advantages and it needs to promote these.
- Realistic targets need to be set and reviewed annually
- Linkages between business development and tourism are important (e.g. trade shows, conventions etc).
- The outcomes describe in the CDS are similar to those described in the MLM IDP objectives
- Need to have a holistic view of job creation: For Virginia Beach the basis is education. A skilled workforce ensures business development that will result in an array of different types of jobs.
- The types of job are linked to income level which is linked to housing, type of retail, which in turn generates revenues for the city
- Know who the jobs are being created for
- Identify specific sites for development
- Develop leads for investment and link with capacity (land, workforce)

- Develop internal capacity
- Facilitate the location of the business
- Know why companies are relocating
- Understand the current reality and map the desired outcome

(b) Virginia Beach- Strategic Plan for 2020.

Vision 2020 aims to grow Virginia Beach into the leading city in Virginia with a wide economic, social and cultural diversity. Virginia Beach has also identified itself as a leading tourist destination. Goals have been set for 2010 and for 2020. Each of these goals has specific objectives and action plans that are articulated on an annual basis.

The City also manages a working relationship between the State and Federal government. The different roles of the different spheres of government were described. The city is actively involved in Public-Private partnerships (PPPs). Virginia Beach is noted worldwide as being a benchmark city in this regard. In the case of PPPs, the city will usually provide the general infrastructure so that the public can access the facilities.

KEY LESSONS:

- There are significant synergies between this process and South African cities' Integrated Development Planning process.
- The importance of safety as a positive contributor to the tourism sector was iterated. This assists in improving the city's bonding rating
- The importance of the marketing the reality of the product – ensure quality
- The domestic tourism market is important to recognise
- Need to ensure that tourism developments fits into overall development of the city
- Need to find a balance between tourism offerings and basic recreational needs of the citizens
- Importance of different funding streams to support the various tourism programmes
- Biggest asset to the city is developing skills across the different economic sectors

(c) Tourism in Virginia Beach

The structure and operations of the Tourism, Conventions and Bureaus department of Virginia Beach ensure that tourism development & promotion happens in an efficient and effective manner. The department has 5 divisions, namely: Convention Centre, Tourism & Marketing, Business services (include visitor centres), Resort Programmes, Communications and Administration. The primary focus of the city's tourism strategy is to promote the city as an all year round tourism destination. It was noted that they have made strides in this regard where they are now seeing at least 55% of the

visitors to the area coming during the off-peak season. The city is currently diversifying its tourism base and they are also trying to link this with the demographic profile of the area. Virginia Beach also uses its geographical attributes in the types of events and conferences they attract to the city, for example, the large presence of the military in the area allows them to attract socio-military type conferences. In essence, the city is evolving in terms of tourism so that it is more than just tourism is more than just the ocean and leisure.

The total budget for the Tourism/Conventions department was US$ 35 million and that US$ 8 million of this budget was used for advertising and promotion. Some of the programmes that the department run include, Convention Centre packages, eco-tourism, group tours, events and festivals (which amount to US$ 2million) and Sports marketing (specifically the amateur market). A brief description was provided of their new Convention Centre, which is a large capital project that was tackled through a public-private partnership. The total cost for the new convention centre was US$ 202 million.

Some of the challenges facing Virginia Beach in terms of tourism were also highlighted, including amongst other the lack of transportation and the traffic congestion. The increase in the traffic congestion gridlock impacts negatively on visitation to the area. A mass transit system is required. A further concern is the fragmentation of the tourism industry. They are therefore exploring co-operation with neighbouring cities along certain tourism programmes.

KEY LESSON/S:

- The quality of the product that the city develops in terms of tourism is key in terms of its competitive advantages.
- The need for a dedicated funding source for tourism development and promotion is important.
- Virginia Beach has managed to develop a Tourism fund from a "consumer tax" which the restaurants and hotels in the area pay and which is then utilised for the upgrading and maintenance of infrastructure. A portion of this Tourism fund is also used for advertising and marketing.
- A further lesson was the importance of understanding your tourism market and to explore new market segments.
- The importance of a tourism strategy that has a specific brand was emphasised. There is a move away from just marketing and advertising but to have an "emotional connection" with the tourist through the branding of the tourism experience in the city.
- Some of the techniques the city of Virginia Beach used included: getting the private sector to write promotional articles on the city, focus their promotions on new visitors, measure impact of tourism (based on a return on investment model).
- Other tools used by the city internally in support of tourism included focussing on improving workforce skills, technological improvements and leadership.

- The importance of inter-departmental linkages was also stressed. For example, departments such as Safety & security, Planning and Public Works are key in terms of tourism development.
- Staffing and competencies of staff in key positions in the tourism department was noted as important. The tourism department also employs both full time (75) and part time/volunteer staff (200).
- The importance of the website was emphasised as key to the implementation of the Virginia Beach tourism strategy.

(d) Virginia Beach Visitors Centre

The main visitor Centre and two smaller information kiosks have both full time and part-time staff. The budget for the Centre is paid from the Tourism fund. Some of the functions of the visitors centre was described which includes providing services and information to not only visitors but to product owners in the industry as well. Some of the projects that the Visitors' Centre undertakes include bringing the local and national travel press together on an annual basis and arranging tours of the city for the in exchange for a report in their respective publications. They also have a tourism week and month award, to acknowledge employees in the tourism industry. The Centre uses a telephone system to provide information on weather, tours, etc. The Centre also deals with complaints about the hotels and B&Bs.

KEY LESSONS:

- Dedicated and passionate staff at these Visitor Centres
- Staff must have extensive local knowledge
- Centre is open 11hrs a day
- Objective referral system (for accommodation, restaurants etc)

(e) Marketing & Sales- Conventions Division:

Virginia Beach recently launched its new convention centre and the MICE market was a key focus area in terms tourism development. Different staff are assigned to market the city and find niche conferences and conventions. The staff have taken into account the regional aspects of marketing the city. The importance of the internet and the website was iterated, as this is the world's window on the city.

KEY LESSONS:

- Understand your niche market and explore new markets
- Tourism packages are important
- Transportation within the city is key (shuttles, taxis etc)

(f) Measuring the impact of tourism

The city of Virginia Beach also ensures that it measures the impact of tourism on the local economy. A number of key indicators have been developed to measure performance of the sector. A comparative analysis is also done to benchmark the city's performance in relation to other cities. The city also conducts a study to investigate who are the people who are not visiting the area, to inform their interventions.

KEY LESSONS:

- Benchmark performance against that of other cities
- Clarify your customer/market profile
- Evaluate performance so as to improve on interventions

(g) Virginia Beach marketing plan

KEY LESSONS:

- Align the message of tourism to that of broader economic development
- Set clear objectives in terms of marketing.
- Measure these objectives (eg. Increase revenue, increase in number of jobs, increase length of stay in city, increase in number of visitors.
- Run a core branding campaign over a set time period (newspaper- travel sections, television, internet, banners, magazines)
- Linkages with neighbouring cities or countries may prove useful
- Establish a good relationship with product owners to develop packages, which the city can assist in marketing as part of overall marketing
- Adapt marketing material for the international market (translate materials etc)
- Greater marketing impact through partnerships
- Explore the possibility of group tours
- Every two years the city arranges a familiarisation tour for tour operators to ensure that there is a common understanding of the local area.
- For sports marketing ensure that there are appropriate facilities
- For sports marketing consider looking at the participants more than the spectators (target schools, amateur leagues etc)
- Establish a grant committee to evaluate events (feasible to host or not)

(h) Developing and maintaining the Virginia Beach brand

KEY LESSONS:

- The litmus test for a brand is the number of inquiries that the city gets – the website becomes crucial in monitoring this
- Evaluate the merits of spot television advertising versus inquiry related advertising
- Ensure that there are an array of adverts with the key messages of the brand
- Measure the impact of the brand

(i) Regional approach to Tourism

The Virginia Tourism Corporation is responsible for marketing and tourism for the entire State of Virginia.   The Federal government provides support to the city in terms of tourism development and marketing.

KEY LESSONS:

- Importance of data in order to measure progress and impact- published as Tourism Monitor
- Importance of the website
- Website divided into two: one for visitors and one for the product owners
- Tools: Calendar of events, electronic newsletter, travel guide
- Key focus is on how to get visitors to stay little longer
- Improve the Welcome/Visitors Centre- entry point into a city/province
- Get private sector to pay to place their brochures in the Centre
- Federal state assist the smaller cities in leveraging funds for advertising
- Encourage co-operation between product owners. They will get a bigger market share if they advertise as a group and provide group offerings
- Encourage and promote regional offerings to visitors.
- Plan for advertising opportunities at least 18 months in advance.
- Have 6month recall period – look at all enquiries made and follow through on what happened to these
- Know where and who to advertise to.
- Do no underestimate the importance of good public relations.
- Develop a destination competitiveness model.

(j) Business Development & Marketing

The Virginia Beach Business Development and Marketing department have a well-defined structure and their approach. The department's structure includes 4 divisions, namely Strategy and Co-ordination; Workforce Development, Projects, Business Development. The importance of promoting the locational advantages of the city was highlighted. Some of the locational advantages that were highlighted included:

- ☐ Accessibility to the area
- ☐ Availability of labour
- ☐ Lifestyle
- ☐ Availability of land and buildings
- ☐ Cost of living and doing business
- ☐ Low crime rate
- ☐ Leadership

One of the strategies used by Virginia Beach to attract new business was to target those industries that have higher/capita jobs. A set of criteria is set by the city in terms of the types of industries that want to have in their area. Some of the criteria includes; number of jobs, higher income/salary averages, capital investment, return on investment/taxes. The attraction of industries is targeted and not ad hoc. The businesses that are targeted are looked at in terms of prospects and projects, economic sectors, geographic regions and human resource development. The investment promotions process is an ongoing day-to-day process. The city of Virginia Beach however, ensures that these prospects are measured. The business message that Virginia Beach provides to new and existing business in based on six key elements, namely up-to date statistics, education , demographics, beach lifestyle, high technology, business testimonials and workforce development. Some of the tools that the city uses in terms of target marketing includes: workforce promotion, special events, trade shows, networking, materials development and support services (eg. brochures, statistics). Virginia Beach has a calendar for all important trade shows and trade missions. Selected magazines (±8) are used to market the city to investors. Even if a prospect is not received from an advert, at least there is a general awareness of the city. The city also runs a programme where local businesses are recognized and appreciated – Platinum Awards.

In terms of business attraction, the city works on the basis of: prospect –project- location. The leads and sources for new businesses is obtained from realtors, brokers, regional agencies, attorneys, residents and existing business.

KEY LESSONS:

- Develop a set of criteria for business attraction
- Measure the impact of promotion process
- Attract high end jobs that will result in lower end jobs being created
- Creation of high-paying jobs result in an increase in per capita income
- Targeted investor marketing – best use of limited resources
- Use advertising campaigns, trade shows, exhibitions
- Existing database on existing and vacant industrial space
- Market locational advantages (eg. labour, lifestyle, cost of doing business, etc)
- Use existing business to sell to new business
- Regular meetings with existing businesses
- Local business recognition and appreciation
- Sell the full potential of the area

(k) Development Authority

The city of Virginia Beach has Development Authority which was created by the state and consists of 11 citizens (Board) appointed by the City Council and is accountable to the city. 2 dedicated staff members from the city's Economic Development department manage the day-to-day running of the Development Authority. The Development Authority is responsible for the buying and selling of land on behalf of the city; develop land; take up bonds etc. Development Authority recommends to the City Council on the viability of new developments. Development Authority signs legal agreements directly with the private sector.   The Development Authority looks at the best use for land in the area. The Development Authority oversees all development in the city in terms of all the city's protective provisions. The Development Authority works closely with the Department of Economic Development. The design criteria for each new development are approved by the Development Authority (eg. landscaping, architectural design, no. of parking spaces etc). The Development Authority takes over once the marketing and investment promotion section has successful brought in a new investor. The project development team deals with the location of the investor and the business process for project development. The Development Authority authorises the project and allocates funds to it. The Development Authority is also responsible for the maintenance of the new developments.

The Development Authority is appointed by the Council and reports to the Council. Two dedicated person appointed by Council to liaise with Development Authority.   The Development Authority has a Capital Investment Programme (mostly funded from local taxes). This is a six-year plan and involves citywide projects.

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KEY LESSONS:

- Development Authority allows for quick decision-making on day-day operations; selling and acquisition of land
- Dedicated funds for financing of projects (usually through additional taxes by private sector)
- In terms of PPPs, the city provides bulk infrastructure for a private development and maintains the infrastructure through additional taxes invested in a dedicated fund (TIF).

(I) Workforce Development

The focus of the Workforce development division is on the importance of a workforce with relevant skills. The city of Virginia Beach plays the role of facilitator/co-ordinator when it comes to skills development. The city's interventions are at different levels, namely state level, regional level, community colleges and independent companies. The Workforce division assists businesses in identifying their training gaps. Linkages are then set up with the business and the local schools/colleges and training institutions. Virginia Beach also has an Innovation training Centre where sector-related training takes place.

KEY LESSONS:

- Educational institutions are important in terms of providing relevant skills for the local economy.
- Programme on re-training of graduates- align to needs of local economy
- Regular survey of skills- identify the gap within key sectors

(m) Economic Vitality Projects

Virginia Beach's key economic vitality projects include among others, the town centre development and the beachfront upgrade. The underlying theme to each of these projects is that there were successfully conducted through PPPs.

KEY LESSONS:

- The city provides the roads, infrastructure etc and the private sector provides the new development (office block/hotel/retail etc).
- The funding used by the city for these projects come from taxes generated by the new developments.

- The city is able to maintain this infrastructure through fund, which is derived from an added portion to the real estate (property) tax. For example, a new development will pay an additional 57c in conjunction to the normal property tax that they pay. The additional portion is kept in an investment fund. These projects therefore generate funds that sustain it.
- This tax is reviewed every five years
- In order to kickstart the development the city often has to put money upfront and this is done through bonds.
- Development Authority is key role-player in implementation of economic vitality projects
- Economic Development grant- funds form the State used to incentivise developers.
- The city of Virginia Beach in guiding development strategically, purchased a large portion of land and started developing it in terms of different PPPs. Facilities that came about because of this include, a golf course, amphitheatre, technology centre

(n) Regional approach to economic development

Virginia Beach is part of a 13-city alliance called the Hampton Roads Region. These cities co-operate in terms of economic development. Virginia Beach is the largest city in the region. The Hampton Roads Economic Development Agency markets the region in terms of economic development. New business attraction is one of their focus areas. HREDA arranges trade missions for cities.

KEY LESSONS:

- Importance of cities in a region co-operating around economic development
- Dedicated agency that assists cities in a region with targeting relevant economic sectors

(0) Safety and Security

Virginia Beach regards safety and security as key for economic development. The role of the city police and the state police was highlighted. The Virginia Beach police also co-operate with neighbouring cities – regional approach to crime prevention. The local police support the growing tourism industry, noting that safety and security is a key element. The

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3. Conclusion

The exchange visits were useful with regards to lessons learnt from LED practice in Virginia Beach. It provided an opportunity for the participating cities like Mangaung Local Municipality and even Virginia Beach to reflect on some of their LED processes and identify areas that could be enhanced. It further established relationships that could be accessed for further discussions even beyond the completion of this exchange programme funded by USAID. The lessons learnt could be particularly useful considering that the processes and principles followed by Virginia Beach and the South African Cities are generally the same, with a few exceptions. The challenges are often how to maximise efficiency in some instances. A further challenge is also that the cities operate in different legislative and regulatory environments. For the SA cities, it was found that there are often too many restrictions that complicate the facilitation of LED for local authorities.

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B. Project Development

During the exchange, extensive discussions were held regarding the structural framework of South African cities to provide for economic development strategies. The framework begins with the adoption of each city's "Integrated Development Plan" (IDP) in which economic development is included as an integral function of the city's overall planning strategy. The IDP is mandated by the national Municipal Systems Act. However, it was agreed by all that while LED is clearly established as a priority in the IDP, what is lacking is targeted action planning and implementation of specific project activity.

The participating cities requested assistance in the development and implementation steps necessary to ensure success on a project-by- project basis. These include identification and prioritization of development sites, and assembly, infrastructure planning, formulation of public-private financial strategies, and the recruitment of appropriate private sector partners for development of specific projects. The following project ideas were identified.

- Development of a visitor center model
- N8 Corridor / single node development plan;
- Design and development of a model public-private partnership package;
- Development of a model regional economic development program;
- Workforce/skills development model program;
- Development of a project development/implementation model
- Design and implementation of a new model of integrated financial management linking economic development activity to all city finances

The cities received assistance from ICMA on how to develop and implement city-specific projects. Hands-on technical assistance was provided by experts appointed by ICMA.

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Mangaung identified an activity node along the N8 Development Corridor – one of the economic development projects. The selected node was the Botshabelo industrial area- a struggling economic area. An action plan was developed for this node by the ICMA consultant who spent 3 weeks in Mangaung and interacted with public and private sector stakeholders.