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Cities can work together or apart to lure business

By CHRISTOPHER DINSMORE, The Virginian-Pilot

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Cover story

When Johnson & Wales University announced in June that it would move its Norfolk culinary school to Charlotte by 2006, it wasn't for lack of trying by Virginia Beach to keep it here.

And that's the problem.

Norfolk officials say that as they worked to find a downtown location as Johnson & Wales requested, Virginia Beach tried to lure the school away. Beach officials say they were trying to retain a Hampton Roads business with Norfolk's consent.

Despite great strides toward cooperation on many fronts, including an agreement not to poach from each other, the cities and counties of Hampton Roads still compete vigorously for economic development. The competition can bring good results for the region, but it also can leave outsiders puzzled.

Typically, the fangs come out when municipalities are wrestling over a new company from outside the region, but when the economy is slow, as it is now, hungry stomachs begin eyeing neighbors' plates.

A Norfolk official, who did not want to be identified, concedes Johnson & Wales is a petty example, but such spats do occur.

"Everybody thinks this is unique to our region, but it's not," said C. Jones Hooks, president of the Hampton Roads Economic Development Alliance. "There's the same competitiveness and regional issues everywhere. The proximity of our cities just enhances the awareness."

Otis White assesses Hampton Roads from Atlanta, where he's president of Civic Strategies Inc., a public policy consulting firm.

"Businesses look at places regionally," White



Illustration by John Earle / The Virginian-Pilot.

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The complete 2002 Business Almanac is available in The Virginian-Pilot of Sunday, Aug. 18. The 14-page almanac features stories and data on all facets of the Hampton Roads economy. Portions of the almanac will be available in the Business channel of Pilot

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said. "They want the market and they want the work force. They understand that employees can come across borders effortlessly.

"That's why marketing as a region works best."

Hampton Roads, however, has two main agencies trying to market a region whose name tends to elicit blank stares from the rest of the country.

The Hampton Roads Economic Development Alliance markets the five Southside cities and Isle of Wight County. The Peninsula Alliance for Economic Development markets the seven cities and counties there.

The HREDA focuses on the Hampton Roads name. The Peninsula Alliance primarily uses the name Virginia Peninsula.

Both alliances are funded by municipalities and local business to woo prospective companies and arrange visits. They also coordinate visits by prospects brought down by the Virginia Economic Development Partnership.

It's a simple system. The state hands off to the regions and the regions hand off to the municipalities.

City and county economic developers take over to introduce the prospect to the real estate and do the deals.

"We sell the state of Virginia first, the Hampton Roads region second and our individual municipalities third," said Thomas O'Grady, Suffolk's economic development director. "Unless Virginia makes sense, No. 1, and Hampton Roads makes sense, No. 2, the cities and counties are not in the hunt."

For the most part, the system has worked. The region ranked second behind only Orlando last year in a recent economic development survey of major Southern metropolitan markets by the magazine Southern Business & Development.

The region fared better than Charlotte, Memphis, Richmond, Jacksonville and other competitors, according to the survey.

The competition within makes Hampton Roads more competitive outside the region too, O'Grady said.

When Suffolk and Isle of Wight County sparred for the new Target distribution center earlier this year, they competed with each other and other southeastern port communities. Target settled on Suffolk.

"The system, as it's in place today, works pretty well," O'Grady said.

But there's room for improvement. Many local economic developers question the need for two regional marketing organizations in what is supposed to be one region.

Patrick Small, Isle of Wight County's economic development director, is bluntest.

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“Get rid of the two regional organizations and merge them,” Small said. “It’s counterproductive to market the region with two separate organizations.”

Neither HREDA nor the Peninsula Alliance crosses the James River. Hampton Roads may stretch from Virginia Beach to Williamsburg, but the wide river has been a political and business boundary for centuries. Even the region’s two newspapers hardly cross it.

But those barriers have been falling in recent years. First the ports combined under the Virginia Port Authority. The bus systems recently merged into Hampton Roads Transit.

The Hampton Roads Partnership, made up of business and political leaders focused on making the region a better place to live, involves every city and county from Virginia Beach to Gloucester County, 17 in all. But the Partnership’s reach and effect has been limited.

Prospects certainly see Hampton Roads as one region.

“Clients don’t see the borders between communities,” said Warren Harris, Chesapeake’s economic development director. “They see us as one marketplace. We market ourselves as one region.”

So why have two alliances?

“Obviously it doesn’t make sense,” White said. “I don’t know why you have two, but I’m sure it has something to do with political sensitivities on the two sides of the river. Clearly one is better than two.”

Mark Kilduff, executive director of the Virginia Economic Development Partnership, said prospects don’t understand political boundaries.

“You need to look at it from the eyes of the prospects. And the more the two alliances do that, the more they’ll see the need to work together,” he said.

Don Maxwell, Virginia Beach economic development director, said that for some time his city has been urging that the agencies combine.

“It’s difficult to be out there marketing both the Southside and the Peninsula separately,” Maxwell said. “It’s confusing to prospects, especially international ones.”

Said Keith Taylor, James City County’s economic development director, “You have a much better story if you are able to speak with one voice.”

A merged marketing entity is a “desirable goal,” said Paul Miller, who retired in July as Newport News’ director of planning and development, but it’s “easier said than done. There’s a lot of history and water to be overcome.”

The president of the Peninsula Alliance, Richard Weigel, does not favor a merger.

“We have seven cities and counties, each looking to get their money’s worth out of our efforts,” Weigel said. “If you expanded that to 14 communities, then you would have one heck of a geographic reach. I think it would be too much of a stretch.”

One of the greatest issues is a wariness that one side of the river might dominate a merged alliance.

“There is paranoia on both sides of the water that one side or the other might be favored,” said one economic developer.

“Some say it's personal, some say it's financial issues,” Small said. “The real reason the merger hasn't happened is people aren't trying hard enough.”

Both are public-private initiatives, but they raise money differently, Hooks said. And while the HREDA focuses exclusively on marketing, the Peninsula Alliance also manages work-force development and operates two lending bodies.

Weigel also suggested that the Peninsula's most logical partner isn't necessarily the Southside but the counties farther up the Peninsula toward Richmond.

“We're very different from the Southside alliance,” Weigel said. “Maybe it's better off left alone.”

For the past four years, the two alliances have been working together on marketing and trade missions. Their leaders speak regularly by phone.

“The good news is the two alliances are working together more than people know,” Weigel said.

Working together, municipal officials throughout the region agreed a few years ago not to poach businesses from each other. They recognized the tactic merely shifts jobs and tax revenue within the region.

This isn't a gentleman's agreement sealed with a handshake, Hooks said. The agreements are signed and notarized documents, approved by economic development authorities, city councils and county boards of supervisors. They are essentially binding contracts, he said.

Still, nearly all of the region's economic developers can think of instances of poaching since the agreements.

The subject is taboo. No one really wants to discuss it or give specific examples. The Norfolk official who described the Johnson & Wales situation didn't want to be identified.

He also conceded that it's a petty example for two reasons. First, Norfolk and Virginia Beach didn't have a shot in the end because neither likely would have wanted to compete with the banquet of incentives Charlotte put on the table. Second, Norfolk didn't see Virginia Beach as a real competitor because it doesn't have a downtown, which Johnson & Wales was seeking.

Robert Ruhl, Virginia Beach's economic development manager, said the city tried to keep Johnson & Wales in Hampton Roads, but with Norfolk's concurrence.

A Norfolk official said he doesn't recall conceding to Virginia Beach's pursuit.

“It's frustrating that we all sit in a room and say that kind of stuff, then go out and do something different,” the Norfolk official said.

But competition is a fact of life.

``As long as there are 10 to 15 political subdivisions down there, there's going to be competition, there's going to be rivalries," Kilduff said.

And he sees a benefit to the competition: ``From a greedy standpoint, the more folks out there marketing Virginia, making calls and meeting people, the better for all of Virginia."

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