

10. ECONOMIC DEVELOPMENT

Introduction

Economic development encompasses activities aimed to attract and retain businesses that provide jobs, expand the local property tax base, and educate and train residents for employment. With a competitive economic development climate both in the United States and globally, government and other organizations undertake planning. These entities may provide land, buildings, infrastructure, financing, tax abatements, job training assistance, and other incentives to encourage industrial and commercial development that offers employment. A successful local economy also provides a strong property tax base, which can deliver an attractive mix of lower tax rates and higher quality public services to businesses and residents. An educated and trained workforce draws research, technology, and other highly skilled industries, well-compensated employment, and money into the regional economy.

Process

Civic Alliance members reviewed public feedback on community issues and then met with or surveyed a number of key stakeholders in the community. After further research and discussion they decided on the following as key issues for this topic area. City staff provided technical support.

Statement 1

The City of South Bend has not developed a comprehensive strategy to draw more market-rate housing and broad commercial development to strengthen its downtown.

Facts and Supporting Information

- The City of South Bend does not have a current downtown land use and development plan or a comprehensive downtown housing marketing analysis.
- With the exception of apartment units, downtown has had limited market-rate housing development, either new construction or revitalization, in downtown over the last twenty years. “Niche” units, such as lofts, condominiums, and villas, could be developed to further housing choices (*Source: Research for City of South Bend Housing Analysis. 2004*).
- The number of housing units downtown fell from approximately 2,100 in 1970 to 1,563 in 1990, before rebounding to 1,764 in 2000 (*Source: Census [based on Tracts 9, 17, and 18]*).
- Commercial development, especially in the retail sector, usually follows residential development.
- Convention center expansion and additional downtown hotel rooms can draw more commercial activity there (*Source: South Bend/Mishawaka Convention and Visitors Bureau*).

Strengths and Opportunities

- Cultural opportunities located downtown
- Attraction and views of St. Joseph River
- Current availability of buildings and land for housing, office, and retail development
- Unique character of downtown neighborhoods, including East Race area
- Downtown housing developments such as Central High School, The Pointe at St. Joseph, Robertson’s Apartments, and Stephenson Mills maintain high occupancy rates
- City-funded studies concerning downtown parking and one-way streets underway

Benefits of Addressing the Issue

- Increased population downtown will support retail development and vibrancy
- With certainty about future City plans, businesses are more willing to invest
- Developed sites will raise property tax revenues
- Identifiable downtown
- More momentum toward revitalizing surrounding neighborhoods

Stakeholders

The following stakeholders were consulted:

- AJ Wright
- AM General
- Barnes & Thornburg
- Chamber of Commerce
- Crowe Chizek
- 1st Source Bank
- Grubb & Ellis Cressy & Everett
- Holladay Properties
- Honeywell
- Indiana University South Bend
- Ivy Tech State College
- JobWorks
- MFB

- Project Future
- St. Joseph Regional Medical Center
- St. Joseph Valley Building and Construction Trades Council
- South Bend Department of Community & Economic Development
- South Bend/Mishawaka Convention and Visitors Bureau
- Teachers Credit Union
- University of Notre Dame
- Wells Fargo Bank
- WSBT-TV
- Ziolkowski Construction

General stakeholder reaction:

All stakeholders agreed that downtown should be further developed. In particular, most stakeholders believed that market-rate housing, including upscale units, was a priority for the City to pursue. Several said a downtown planning strategy must be better determined.

Statement 2

The competition and provincialism of jurisdictions in St. Joseph County impede efforts to create a better regional economy.

Facts and Supporting Information

- The economic healthiness of the City and of the region, here referring to St. Joseph County, are highly interdependent.
- St. Joseph County has a County government, nine city or town governments, and thirteen township governments, with varying levels of economic development procedures and plans.
- While some studies show that government consolidation has a weak correlation to economic expansion, regional collaboration has simplified planning and created successful outcomes benefiting the economies of both city and suburban areas (*Source: University of Wisconsin-Milwaukee. 2002. Creating Metropolitan/Regional Government*).
- The portion of St. Joseph County residents living within the City of South Bend fell from 57% in 1950 to 41% in 2000. During that same time period, the proportion of residents living in unincorporated areas of the County rose from 24% to 39% (*Source: Census*).
- Movement of businesses or institutions within the region may create no net gain for the region, but can create costs for the jurisdiction they have left.
- According to stakeholders responding to the Community Building Panel's survey, most agree or strongly agree with the need for regional cooperation; percent agreeing or strongly agreeing to the following statements: "It is important that there be cooperation within the region," 96.5%; "The working relationship between the City and County governments could be improved," 92.7%; "We need to think regionally," 92.3%; "The city is in competition with surrounding communities and suburbs," 84.5% (*Source: Community Building / Public Health & Safety Panel. 2004. Stakeholder Survey*).

Strengths and Opportunities

- Project Future provides a unified approach to economic development in St. Joseph County and acts as a catalyst between the community and prospective businesses; many other counties do not have this type of organization or approach
- Several other economic development organizations currently promote business at the County level and are making efforts to work at a multi-County level
- Some government units, such as the Building Department, already operate as joint City-County services
- Strong regional housing and retail environment
- Courts striking down of special legislation that created obstacles to annexation by St. Joseph County municipalities

Benefits of Addressing the Issue

- Stronger cooperation among governments and private organizations creates efficiencies in enticing new or expanded businesses
- Rather than spending money to compete with other communities within the same economic region, area communities will be working to bring money into the region
- All communities in the region equitably share the costs and benefits of changes in regional economic development
- Avoiding mismatch between those paying for services and those benefiting from them

Stakeholders

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General stakeholder reaction:

Most stakeholders felt that more regional cooperation among communities is necessary because local economies are interdependent. Many stakeholders noted that outside investors do not place much emphasis on political geography when making location decisions. However, when municipalities make development decisions, they often focus only on the effects within their boundaries. Several stakeholders pushed for more aggressive annexation policies or a consolidation of government services as a means to bring about more cooperation and better planning concerning regional issues.

Statement 3

The City of South Bend's land use decisions are ineffective in maximizing property tax revenues.

Facts and Supporting Information

- The City of South Bend has no formal land use policy.
- Tax-exempt properties comprise 37.6% of the land area in downtown South Bend (*Source: City of South Bend GIS analysis. 2004*).
- A concentration of non-profit facilities that do not pay property taxes is located in downtown South Bend and adjacent areas. Places such as educational institutions, hospitals, and other social service providers serve the population of an area larger than the city limits of South Bend, though South Bend taxpayers are responsible for the entire property tax burden.
- About 3,700 of the City's 48,000 parcels are tax exempt. These parcels comprise approximately 31 percent of South Bend's land area (*Source: City of South Bend GIS analysis. 2004*).
- A large segment of the City's housing stock does not fit the needs or desires of current households (*Source: City of South Bend Housing Analysis. 2004*), which means that market value and the residential property tax base are limited unless large-scale redevelopment, such as that completed in the Southeast neighborhood, is undertaken.
- Because of real or perceived contamination, brownfield sites in the city are not being redeveloped. Potential brownfields comprise 12% of the land area within the City (*Source: City of South Bend. Brownfields database*).

Strengths and Opportunities

- When sited properly, non-profit facilities can induce revitalization and development of surrounding area; for example, the presence of Ivy Tech's campus assisted in the marketability of nearby new housing
- Like many for-profit facilities, non-profit facilities can be major employers and serve to bring people into the city
- Availability of developable sites
- City's experience with redeveloping larger industrial and residential sites
- Practice of payment-in-lieu-of-taxes, such as at Leighton Plaza

Benefits of Addressing the Issue

- Lower tax burdens for property owners in tax district
- Larger overall taxable revenues
- Ability to better fund public services or development activities
- Non-profit facilities will not occupy prime land that could otherwise be available for taxable development

Stakeholders

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General stakeholder reaction:

Several stakeholders felt that the concentration of non-profit facilities within the City, and especially downtown, raises the tax burden on all other property owners. Some pointed out that redeveloping relatively unproductive land into better, for-profit land uses will improve the overall tax base.

Statement 4

Perceived unassertiveness by City leadership and a cumbersome and underdefined development process slow decision making concerning development.

Facts and Supporting Information

- Boards and commissions involved in the development and redevelopment processes usually meet only monthly, possibly delaying decisions by weeks; for example, given filing deadlines, the minimum time necessary to receive all approvals for a rezoning is about ten weeks (*Source: Area Plan Commission schedule. 2004*).
- South Bend, like Fort Wayne and Evansville, has only one Plan Commission meeting monthly; however, some other Midwestern cities, including Mishawaka, Grand Rapids, Ann Arbor, and Urbana, have these meetings twice monthly (*Source: Plan Commission schedules of each city. 2004*).
- The City lags other places in technology and development initiatives, such as establishing a state-certified technology park (*Source: Jeff Parrott. October 26, 2004. Tech Park Discussions Under Way. South Bend Tribune*).

Strengths and Opportunities

- New City Zoning Ordinance clearer, more user friendly
- Revamping of City's Economic Development project management system
- Speed of completion for projects, including AJ Wright
- City Plan process

Benefits of Addressing the Issue

- Predictability of processes can lower developers' costs
- Investors or developers, new or existing, will not bear additional costs of lengthy approvals process
- Employment gains through redevelopment realized more quickly
- With certainty about development plans for specific locations in the City, businesses more willing to invest
- Stronger local economic development

Stakeholders

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General stakeholder reaction:

The stakeholders generally consider administrative decision making and redevelopment activities of the City government to be slow. City leadership has been unwilling to take risks and to actively promote a vision of a successful city. City government is fairly risk averse, is not easy to work with, and does not exhibit enough of a can-do attitude to promote economic development. Several stakeholders said businesses generally feel that the City has not done a fully effective job of communicating its development processes or its plans, whether for housing, one-way streets, or other matters. Some stakeholders said that the development approvals process took too long, though others said the approvals process was appropriate and did not provide a real obstacle.

Statement 5

Business leadership has not been effective in communicating and establishing relationships with government to advocate for a more successful economic development environment.

Facts and Supporting Information

- Not a high profile of business leaders at government meetings.
- Chamber of Commerce acknowledges that it should take on a larger leadership role than it has in the past (*Source: Chamber of Commerce at City Plan stakeholder meeting. 2004*).
- Among the priorities given in the Chamber of Commerce's new strategic plan are to identify key factors influencing the business community and to increase opportunities for women and minorities (*Source: Chamber of Commerce. 2004*).

Strengths and Opportunities

- Existing collaborations between and among government, economic development stakeholder groups, and neighborhood residents (e.g., state-certified technology park, MetroNet, SR 23 expansion on northeast side)
- Commercial corridor business groups working with City government to bring about economic development and physical revitalization
- Business-government collaborations such as the Business Development Corporation, the Corporation for Entrepreneurial Development, and the Urban Enterprise Association
- Chamber of Commerce's efforts to cultivate leadership and be more willing to take risks
- Chamber of Commerce's recently completed strategic plan
- Volunteer efforts of organizations like the Rotary or Kiwanis

Benefits of Addressing the Issue

- Business entity pushing for new technological and other economic growth
- Government will better understand needs of business
- Stronger outcomes when businesses and community work together on new development
- Development process not slowed by community opposition arising when businesses do not communicate intentions
- Stronger growth of minority- and women-owned businesses

Stakeholders

The following stakeholders were consulted:

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General stakeholder reaction:

Stakeholders said leadership is always important and the business community needs to take on a larger role in pushing an economic development vision. Some stakeholders said there are few visible and active civic leaders in the business community.

Statement 6

The performance (graduation rates and ISTEP test scores) of grades K-12 public schools in South Bend dissuades many people from locating in the school district.

Facts and Supporting Information

- Schools and public safety are the prime reasons why non-South Bend residents choose to live outside the City (*Source: St. Joseph County Area Plan Commission. 1999. IUPUI telephone survey of St. Joseph County residents as part of process for Comprehensive Plan for South Bend and St. Joseph County, Indiana*).
- To ensure the availability of skilled workers, businesses increasingly locate in places with a high quality of life, partly defined by public school performance (*Source: KnowledgeWorks Foundation. 2004. Public Schools and Economic Development: What the Research Shows*).
- South Bend Community School Corporation's 2003-04 ISTEP pass rate of 41% (both English and Math, all grades) is lowest among school corporations in St. Joseph County, including Penn-Harris-Madison School Corporation (77%) and the School City of Mishawaka (56%), and is below the statewide average of 62% (*Source: Indiana Department of Education*).
- South Bend Community School Corporation's 2002-03 high school graduation rate of 71.2% is lowest among school corporations in St. Joseph County, including Penn-Harris-Madison School Corporation (87.4%) and the School City of Mishawaka (93.4%), and is below the statewide average of 91.2% (*Source: Indiana Department of Education*).
- South Bend Community School Corporation's graduation rate ranks it among the lowest 30 out of 319 school districts, public and private, in the state (*Source: Indiana Department of Education*).

Strengths and Opportunities

- Improving of South Bend Community School Corporation's ISTEP pass rate since 2000
- South Bend Community School Corporation's efforts, such as Plan Z, to improve school performance
- Five teachers in the South Bend Community School Corporation have been selected as Indiana Teacher of the Year

Benefits of Addressing the Issue

- Larger investment in local economy as more money is spent here
- Larger populations in South Bend school district
- Higher demand for South Bend housing and real estate
- Lower South Bend property tax rates

Stakeholders

The following stakeholders were consulted:

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General stakeholder reaction:

Several stakeholders said that because of concern over school performance, people - especially professionals - who have school-age children and are new to the community choose to live outside the South Bend school district.

Statement 7

The job skills of the current and emerging workforce do not match what will be necessary for the future workforce of South Bend.

Facts and Supporting Information

- Core 40, the state's recommended high school curriculum, is regarded as the best preparatory curriculum for college and workforce success. The percentage of students earning a Core 40 diploma in South Bend's four public high schools ranged from 54% (Clay) to 63% (Adams) for the 2003-04 year. Statewide, 65% of students earned a Core 40 diploma in that year (*Source: Indiana Department of Education*).
- Only 2.4% of South Bend Community School Corporation students took vocational training classes in 2002-03. Statewide, 4.4% of students had vocational training (*Source: Indiana Department of Education*).
- South Bend Community School Corporation's 2002-03 high school graduation rate is 71.2%, lowest among school corporations in St. Joseph County and below the statewide average of 91.2% (*Source: Indiana Department of Education*).

Strengths and Opportunities

- Present skills of workforce
- Abundance of educational institutions
- Recent expansions of educational and private research facilities
- Vocational programs, including those offered through high schools, Ivy Tech, Union training, and other organizations
- Ability to link college students with internships in their field
- St. Joseph County Public Library system ranked nation's 4th best public library in its population category

Benefits of Addressing the Issue

- Lower unemployment with better match of skills between workforce and locally available jobs
- Higher personal incomes
- Employers of high-skilled positions, such as those in technology, research, and healthcare, drawn to the area

Stakeholders

The following stakeholders were consulted:

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General stakeholder reaction:

Most stakeholders believed that employers could find skilled employees locally now, but the educational system is not preparing people for the desired highly skilled workforce of the future.

Statement 8

The absence of an interstate-grade highway connection from South Bend to Indianapolis hampers economic development.

Facts and Supporting Information

- Upgrading of the corridor would result in \$1.5 billion in travel time savings, lower vehicle operating costs, and reduced accident costs, and \$1.3 billion in economic impact over the corridor (*Source: Indiana Department of Transportation. 1998. US 31 Major Investment Study*).
- Upgrading US 31 to freeway standards would result in a 35-minute travel time reduction between South Bend and Indianapolis (*Source: Indiana Department of Transportation. 1998. US 31 Major Investment Study*).
- Average speed on the US 31 corridor from South Bend to Indianapolis is about 50 miles per hour, and it will drop 9% by the year 2020 if no improvements are made (*Source: Indiana Department of Transportation. 1998. US 31 Major Investment Study*).

Strengths and Opportunities

- Some infrastructure for upgraded US 31 already in place
- Many roads that would connect into US 31 upgrade are adequate
- Growing momentum among business and government leaders for interstate-grade highway
- Studies and route selection underway or completed for portions of US 31 corridor
- Additional growth on South Bend's south side induced by US 31 upgrade

Benefits of Addressing the Issue

- Lower transportation costs
- Transportation costs more competitive with places located on a north-south interstate highway
- Decreased travel time and costs encourage development and visitors

Stakeholders

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General stakeholder reaction:

Nearly all of the stakeholders thought that an upgraded US 31 was vital for economic development of the South Bend region.

Statement 9

Communication and promotion efforts are not sufficient to share successes, present assets, and dispel inaccurate negative perceptions about South Bend.

Facts and Supporting Information

- Organizations responsible for marketing South Bend’s image include the City of South Bend, Project Future, the Chamber of Commerce, and Downtown South Bend, Inc.
- Many residents of the region express views of the city as a place of relatively high crime, little development, underperforming schools, and poor infrastructure (*Source: for examples, see Comprehensive Plan for South Bend and St. Joseph County, Indiana. 2002*) without regard to actual circumstances or acknowledgment of improvements.
- Tourism can bring additional revenue to the community; however, the South Bend/Mishawaka Convention and Visitors Bureau has a smaller budget than most surrounding and comparable communities. The South Bend/Mishawaka CVB, which markets all of St. Joseph County (population 266,000), has an annual budget of about \$800,000, compared to Elkhart County (population of 183,000), at \$1.3 million, and LaPorte County (population 110,000), at \$1.6 million (*Source: South Bend/Mishawaka Convention and Visitors Bureau*).
- South Bend attractions, especially those clustered downtown, do not do much shared marketing, which could increase visitors and cut costs (*Source: South Bend/Mishawaka Convention and Visitors Bureau*).
- 63.7% of stakeholders responding to the Community Building Panel’s survey agree or strongly agree with the statement “South Bend does a poor job of marketing its strengths” (*Source: Community Building / Public Health & Safety Panel. 2004. Stakeholder Survey*).
- Young, educated professionals have not been attracted to living in South Bend. In South Bend, 4.8% of the adult population is aged 25-34 and holds a bachelor’s degree or higher. This percentage is better than the statewide figure of 4.3%, but it lags the 5.2% nationwide (*Source: Census. 2000*).

Strengths and Opportunities

- Existing marketing efforts of Chamber of Commerce, City of South Bend, Convention and Visitors Bureau, Downtown South Bend, and Project Future; includes their websites
- Positive stories to market
 - Downtown attractions, including cultural opportunities
 - Business successes
 - Geographic advantages
 - Affordable living
 - Colleges and universities
 - Health care facilities
 - Recreational opportunities
- University of Notre Dame creates positive recognition of South Bend for those living outside of area
- Countywide crime information page in the South Bend Tribune provides some actual crime data

Benefits of Addressing the Issue

- People, having a strong impression of the city, will choose to invest in businesses, buildings, and real estate
- Rising population as people decide to live inside the city
- Convention and tourism business maximized
- More people spending time and money within the local economy
- Money from outside the region brought into South Bend
- Cultural opportunities fully utilized
- Promotion efforts for local attractions improved

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- Ziolkowski Construction

General stakeholder reaction:

Most stakeholders said the community's understanding of itself and its economic development environment could be elevated. Some stakeholders said that people in the region tend to have a negative view of South Bend, but people outside of the region are generally more positive about the city.

Statement 10

South Bend has not fully seized its economic and demographic opportunities to compete successfully in a global economy.

Facts and Supporting Information

- The manufacturing sector accounted for 28.3% of St. Joseph County jobs in 1970 and for 13.6% in 2000. The share of the County's employment in the service industry rose from 22.2% to 35.7% in that thirty year period (*Source: Project Future*).
- Much of the city's physical infrastructure is still suited to the economy of the past. For example, most of the Studebaker Corporation's obsolete factory buildings remain standing, and such potential brownfield sites comprise 12% of the land area within the City (*Source: City of South Bend. Brownfields database*).
- Many buildings suitable for economic development remain vacant in downtown and on commercial corridors.
- Between 1960 and 2000, South Bend's Caucasian population decreased from 119,276 (90% of the City's population) to 71,195 (66%), while the African American population grew from 12,955 (10%) to 26,522 (25%). The Hispanic population within the City rose from 2,594 (2.4% of the City's population) in 1980 to 9,110 (8.5%) in 2000 (*Source: Census*), and it continues to grow.
- Several South Bend businesses and institutions have struggled to find skilled employees with the bilingual ability they desire (*Source: WSJV. 2005. Retail Giants Push to Hire Bilingual Workers*).
- The relatively low achievement, graduation, and vocational training rates in the South Bend Community School Corporation (*Source: for rates, Indiana Department of Education*) indicate that many of its students will not hold the job skills necessary for future employment.
- Young, educated professionals have not been attracted to living in South Bend. In South Bend, 4.8% of the adult population is aged 25-34 and holds a bachelor's degree or higher. This percentage is better than the statewide figure of 4.3%, but it lags the 5.2% nationwide (*Source: Census. 2000*).
- College graduates holding science, engineering, and technology degrees are the most likely to leave the state. Often, they are unable to find local jobs in their fields (*Source: Indiana University South Bend. 2004. Presentation on Lilly Foundation's grant initiative to stem the state's brain drain*).

Strengths and Opportunities

- Ongoing efforts of local economic development organizations to plan for future population, employment, and business
- Increasing recognition of diversity of population
- Initiatives completed or already underway to address economic and demographic transitions, including development of Blackthorn and the Studebaker Corridor industrial sites as places for employment growth, MetroNet and other technology projects, available job skill training, South Bend Community School Corporation's bilingual division and teaching of foreign languages
- Growing of minority-owned businesses

Benefits of Addressing the Issue

- Efforts work to attract the right types of businesses
- Avoiding mismatch between job skills of the population and available jobs
- Meeting the evolving needs of the community
- Lower unemployment rates
- Local economy competitive in the world market

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General stakeholder reaction:

Several stakeholders said many in the community think of South Bend as an industrial town, rather than one of students, academics, and professionals. These stakeholders felt that the region was not forward looking enough to recognize and react to changes in employment patterns and the make-up of the population.