

Turnaround towns: How Orlando and Phoenix are making a comeback

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Architectural rendering of the Creative Village in Orlando, Fla. The facility which will begin vertical construction in 2014 will be on a 68 acre site where the Amway Stadium once stood.

For a while in the early 2000s, soaring house prices and prosperity in Phoenix and Orlando were as reliable as the sunny weather. Then it all stopped.

The Great Recession jolted the two snowbird sanctuaries like a roller coaster at one of Orlando's theme parks, taking them on a hair-raising ride straight from the top to the bottom. Like some other battered American cities, they could have languished there. Instead, the cities found ways not only to climb back, but used the

downturn as an opportunity to strengthen the resilience of their economies and promote future growth.

The two cities' recoveries have much in common, including an emphasis on technology and renewed focus on education, quality of life, environment-friendly policies and incentives, infrastructure and civic involvement. But none of it would have worked without leaders who were willing to make bold investments in the future, craft inventive strategies, and collaborate—with the private sector and other municipalities — to find solutions to the complex challenges their communities faced.

Orlando bets on clustering

The recession dragged down Orlando's tourism by 4.7 percent and sent housing tumbling; median prices dropped below \$100,000 in 2010 after peaking at almost \$265,000 in 2007. Unemployment also reached its worse level, 11.9 percent, in 2010.

“When the two big pieces of your economic pie cease to exist,” said Orlando's mayor, Buddy Dyer, “you recognize dramatically the need for diversification.”

For Orlando, that meant building on its strengths by creating mixed-use clusters around existing industries such as digital media and biosciences to generate jobs, further education and attract talent. Already home to 400 digital media companies, the city is developing its newest cluster, Creative Village, downtown.

Video-game maker Entertainment Arts' studio and the University of Central Florida's School of Emerging Media are both established there, and more digital media ventures, retail, housing, parks and cultural spaces are planned, with the city offering job-creation incentives to high-wage employers and local financial-match dollars for federal grants. “That next generation of smart people are looking for more than just year-round sun and no income tax,” said Dyer.

In southeastern Orlando, the city has expanded on its strong health-care base. In the past few years, more than \$2 billion in active onsite construction by the public and private sector has taken place expanding the life sciences facilities at Lake Nona, a 7,000-acre research and residential cluster being developed by private investment organization Tavistock Group.

The community's Medical City includes two research centers and three hospitals, more facilities on the way. Lake Nona, which has been praised by Harvard Business School for its innovation and collaborative process, is projected to create \$7.6 billion in economic impact, including 30,000 jobs, by 2017.

As the nation has recovered from the recession, tourists have returned to Orlando, with 59 million of them expected this year. The city boosted its housing industry by offering several initiatives, including some designed to help spur construction by expediting bid, permitting and planning-review processes.

In the years since, Orlando has whittled down its unemployment rate to 6.6 percent.

“In the Orlando community, we’re open to new ideas that can make a big impact,” said Thad Seymour, senior vice president at Lake Nona and president of its non-profit Lake Nona Institute, which devises creative ways to build healthful, educated and sustainable communities. “Nothing holds us back.”

Transformational Progress

Innovation has also been an economic driver out West, where the pummeled housing market took the Phoenix metropolitan area from the top tiers of U.S. job production to 49th in the nation. “We knew we had to deal with our current situation and prepare for prosperity,” said Scott Smith, mayor of Phoenix-adjacent Mesa and president of the U.S Conference of Mayors.

Mesa restructured and cut costs, successfully recruited five new private colleges and bolstered infrastructure by expanding its light rail system and investing in airport improvements. It offered a variety of incentives including lease-back partnerships and the use of incremental revenue generated from projects to help fund job training for locating companies. Since 2011, Mesa’s Office of Economic Development has garnered \$370 million of private investment.

But Smith also saw a chance to empower the community and create “transformational progress” with technology, so the city set up iMesa online, a cyber-town hall where citizens post ideas, discuss and vote on them, and actually direct policy.

“There’s not a city around who’d say, ‘Let’s go build some parks in the middle of the Great Recession,’ but that’s what people wanted,” Smith said. A \$70 million bond issue for parks development passed easily in 2012. “When citizens truly believe it’s their voice, they will invest their money in things that are important to the community.”

Smith sees quality of life as integral to Mesa’s plan for the future; “Everything is interrelated,” he said. “I can solve a lot of community issues if I can solve my business issues.”

Getting strategic at home and abroad

Phoenix is also “thinking much more holistically now,” says its mayor, Greg Stanton, after the recession and housing crisis brought its unemployment levels up to a high of 10.6 percent in 2010. To right itself and thrive, the city has built on the gains in health-care jobs the city continued to experience even through the recession by investing in its biosciences sector and higher education.

The city has partnered with the Mayo Clinic and the Arizona State University on a new hub that will allow medical research and patient care to expand and commercialize. It has also established sustainability as a priority, and put its weight behind global trade.

“We’re trying to use a strategic lens to advance the city and region,” explained Colin Tetrault, the mayor’s

senior policy advisor on sustainability, who explains that projects to reduce waste and transform vacant land parcels trigger cascading effects. Addressing the city's empty spaces, for example, increases surrounding property values and attracts development and cultural amenities.

“And increasing green spaces decreases diabetes and obesity per capita; when we keep people healthy, our costs go down, we create better jobs,” Tetrault said.

The region has also “redoubled our efforts on foreign direct investment,” said Barry Broome, president and CEO of the Greater Phoenix Economic Council, establishing strong partnerships with China with metals exports and solar projects. Of all businesses moving to or expanding in the area in fiscal year 2013, 16 percent are international, and international companies represent 15 percent of the region's prospect pipeline.

Future prospects

“We've recovered about 50 percent of our jobs, the housing market is back, and we're doing great with small businesses and start-ups,” said Phoenix's Broome. More than 11,000 new companies are estimated to have emerged during 2010 and 2011 alone.

Apple recently announced plans to open a new manufacturing plant in Mesa that could add an estimated 2,000 jobs.

The city's rise, as Mayor Stanton pointed out, has a lot to do with how far it fell in the recession. The plentiful foreclosure bargains produced by the downturn, for example, is one factor in housing's impressive recovery. And a little cooperation between local pols of different stripes didn't hurt.

“As mayors, we judge ourselves not on whether we scored political points, but did we get things done,” said Greg Stanton. “That's all the city cares about, not who you worked with.”

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