



# Project Pinewood: Impact of Creative Clustering



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## Forward

For a community like Project Pinewood to effectively compete, and ultimately prosper in the Creative Age, the ability to attract and retain a concentration of creative and innovative workers with top-rate skills will be a defining issue. Creative clusters and concentrations increase a community's ability to increase the flow and sharing of knowledge, leading to higher rates of innovation, business formation, job creation, and economic growth.

In today's competitive global marketplace, creative capital is no longer solely focused on selecting a place to live based on a job alone. **Today's creative workers realize the place they choose to live is one of the most important and driving decisions they will make.** For Project Pinewood developers, this is a critical principle. Now, more than ever, creative and innovative people expect to live in a place which offers not only viable economic opportunities, but also an authentic community with quality of place inclusive of parks and green space. Amenities such as restaurants, cultural and arts organizations, as well as a vibrant street scene are also just as appealing as safe neighborhoods.

For Project Pinewood to be an effective anchor for the creative industries, the community must be designed and developed with an effort toward encouraging creative firms and individuals to have an open and committed discussion with one another. Moreover, Pinewood must be positioned as a one-of-a-kind live, work, and play community that is appealing to creative workers because of its authentic neighborhoods and quality of place.

In the following report, our team provides a review of the latest literature and best practices about economic clustering and its importance, an analysis of four studies showcasing successful creative clusters, and an evaluation of Pinewood's potential impact on the UK's creative economy.



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## Executive Summary

**The Pinewood Project** is well-suited to accelerate a creative cluster and is an excellent candidate for government support and relief under the “very special circumstances” for development in the Green Belt. The project is attractive based on the following criteria:

It builds on an existing base of creative industries.

It will generate a great amount of economic activity for the region.

It will generate a high quality of life for the residents of the housing units.

It supports government policy of “Digital Britain.”

It will defend against foreign competition within the film industry.

Creativity has replaced natural resources and human labor as the world’s most important economic resource. The “Creative Class” is the group of people driving this change; an influential cohort that in some parts of the developed world account for a third or more of the workforce and half of all wages.

technology, institutions, and organizations – must exist for them to leverage their full potential.

Concentration of creative people accelerate innovation as ideas flow more freely, individual and aggregate talents increase exponentially, and the end result amounts to much more than the sum of the parts. Creative clusters

focus their talents and launch into a new venture.

Economic opportunity is a necessary but not sufficient draw for the most desirable creative talent. Quality of life, including the environment and the arts as well as a general sense of openness and diversity, encourages people to choose a cluster in which to work, live, and play.



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## Introduction: The UK and the Rise of the Creative Economy

The world's economy is in the midst of a significant economic transformation. That transformation is being significantly accelerated by the current economic downturn. No longer are natural resources and human labor the sole drivers of economic output in the 21st century. Human creativity has become the ultimate economic resource. The ability to develop new ideas and better ways of doing things is ultimately what raises productivity. In the United States and across Northern Europe and Scandinavia, the Creative Class accounts for a third or more of the workforce and half of all wages.

In his international best-selling book *The Rise of the Creative Class*, Richard Florida defined creative workers as those paid to think for a living. This is in contrast to blue-collar workers who are paid for their labor and service-sector employees who are paid for their provision of services. More concretely, Florida describes these workers – the driving force behind future economic productivity and prosperity – as the “Creative Class.”

The Creative Class is comprised of scientists, engineers, techies, innovators, and researchers – the traditional knowledge-sector workers. Just as important and extremely critical are the Super Creatives – artists, designers, those working in film and media, writers, musicians, and educators. Together, the Creative Class and Super Creatives encompass roughly 40 million individuals in the U.S. and approximately seven million in the UK, 33 percent of the total workforce.

With the rise of the creative economy, the ability to compete and prosper in the global economy no longer

depends on access to natural resources, raw materials, or flows of capital. It is the ability to create that fosters innovation and sustainable economic growth. It is this power to create that lies in the hands of individuals. Whether creating new ideas, business models, cultural forms, technologies, or whole new industries, creative capital is driving the world economy.

The notion of place is the key economic and social organizing unit of the creative age. Places provide the ecosystems that harness human creativity and turn it into economic value. Creative individuals cannot exist in a vacuum. Creative clusters and communities – a combination of technology, institutions, and organizations – must exist for them to leverage their full potential. In *The Rise of the Creative Class*, Florida demonstrated that in today's global economy, growth and prosperity turn on the “Three T's of Economic Development:” Technology, Talent, and Tolerance.

**Technology** – measured by innovation and high-technology industry concentration – is a critical element for any creative cluster to thrive. Increasingly, a high-technology base is both a necessary condition

for and a result of a place having a strong creative economy. As the notion of the creative clustering and concentration dictates, being known as a high-tech cluster helps to attract more of the creative workforce, who, in turn, generate new technologies that make the area even more high-tech. Moreover, high-tech and innovative firms concentrate in places that have a reputation for being high-tech.

Not surprisingly, a handful of places are driving technological innovation. The technology part of the equation is largely settled in the UK's favor, with its rising digital cluster and commitment to broadband access. Among the top 20 countries, the UK ranks 13th on the overall technology index, a measure of technological research and development and production. In addition, the UK ranks 15th on our innovation index, a global ranking of patents granted worldwide.

Moreover, digital technology and innovation accounts for more than eight percent of the UK's GDP! →



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PINEWOOD

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Introduction



## Introduction

The driving force behind any effective economic strategy is talented people. **Talent** is the second T – not “human capital” as usually measured (by numbers of people holding higher education credentials) but creative capital, which is talent measured functionally by the number of people in creative occupations. Creative capital is even more important to regional growth than human capital or high-tech industries, since both are shaped by it. Because we live in a more mobile age than ever before, a cluster’s ability to attract and retain top talent is a critical predictor of success in the creative age.

In terms of talent, the UK is reasonably well-positioned, ranking ninth on the Human Capital Index, which measures the percentage of skilled workers, and 13th on the Scientific Talent Index, which examines the number of researchers per capita. The UK has nearly seven million Creative Class workers – or 33 percent of the workforce, compared to 30 percent for the U.S. or 47 percent for the Netherlands which ranks first. According to the UK Trade and Investment, the UK’s creative workforce has increased significantly with the largest growth in software, computer games, and electronic publishing. These three sectors of the UK creative economy account for 31 percent of the creative workforce.

Technology and Talent have been recognized as fundamental bases for development but **Tolerance** – a place’s openness to new people and new ideas – is also critical in generating the underlying social and cultural conditions that form the “ecosystem characteristics” of a truly successful creative economy. Economic prosperity relies on cultural, entrepreneurial, civic, scientific, and artistic creativity. Creative workers with these talents need com-



munities, organizations, and peers that are open to new ideas and different people. Places that are open and tolerant have an edge in attracting different kinds of people and generating new ideas.

The overall tolerance index measures the degree to which a place is open to new ideas and ways of thinking. On this index, the UK ranks 10th out of 45 countries, significantly ahead of the United States, France, or Spain. Sweden ranked first. For the Self-Express index, a measure of people’s attitudes regarding the right to publicly espouse alternatives and individual choices that run against the grain or prevailing opinion, the UK ranks 11th.

Since the publishing of *The Rise of the Creative Class*, the Creative Class Group has added a fourth T – Territory Assets. Now, more than ever, place matters. **Territory Assets** are the natural, built, and psychological settings of the community. It is the distinct “vibe” that makes and distinguishes one community from another. Five values

underpin a person’s happiness with their community: opportunity (both economic and social), basic services (good schools, clean streets, safe neighborhoods), leadership, values, and aesthetics.

These four elements are crucial to economic success in the creative economy, and they will be critical evaluation lenses as Project Pinewood is developed and fully incorporated into the economic development strategy for the UK’s creative industries. It is the stock and flow of the four T’s that determine where creative and talented people choose to locate. To be truly effective and have the economic impact leaders are hoping Project Pinewood will have on the UK’s creative economy, the development, through its design, mix of residents, and broader outreach, must cultivate a diverse climate which nurtures and leverages creativity in all forms. This is achieved by ensuring that technology, talent, and tolerance (inclusiveness) are all part of their economic outlook and strategies.



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## Pinewood Project in Context / Benefits of the Project

Project Pinewood is well-suited to become an attractive location to live, work, and play. The infrastructure alone will bring economic benefit through increased filming capacity at new performance venues and studios. The balanced and varied creative community will have spinoff advantages through education and training facilities that support the creative industries as well as incubate start-up ancillary businesses. The vibrant and exciting residential development will attract a creative workforce.

Specific advantages of the project are as follows:

CRITERIA	PROJECT PINEWOOD	
<b>Macro-Economic Impact on Region</b>	✓	<ul style="list-style-type: none"> <li>- Contributes to the Government's objective of making the UK the world's creative hub as described in "Digital Britain"<sup>1</sup> report presented to Parliament in January 2009.</li> <li>- Creation of 630 full-time equivalent positions, of which 450 will be in the creative industries.</li> <li>- Additional filming activity will contribute 24.2 million to the Gross National Product of the UK; with the total increasing to 60.4 million when economic multipliers are added.</li> </ul>
<b>Economic Efficiency for Productions</b>	✓	<ul style="list-style-type: none"> <li>- Pinewood streetscapes' proximity to the existing soundstages offer greater flexibility to productions and allow them to avoid delays by altering shooting schedules to adjust to inclement weather or availability of key cast and crew members.</li> <li>- Reduction of fees payable inherent in location shooting, such as official fees and other local payments brought about when the production does not have authority over the surrounding area.</li> <li>- Reduction of travel, visa, and security costs by clustering filming activity to a single location.</li> <li>- Stationary, flexible sets and an abundance of skilled professionals allow smaller productions (including video games and television) to film at Pinewood in a commercially viable manner.</li> </ul>
<b>Encourages the Development of Auxiliary Industries</b>	✓	<ul style="list-style-type: none"> <li>- Industry entrepreneurs and retailers are offered floor space and captive demand to develop new ventures.</li> <li>- Technological advances made in film-making are quickly adapted by other industries such as video games and television.</li> </ul>
<b>Supports Education</b>	✓	<ul style="list-style-type: none"> <li>- The Screen Crafts Academy will educate (and provide co-op work opportunities) for 20 craft assistants and 120 students per year.</li> </ul>
<b>Leverages Existing Infrastructure</b>	✓	<ul style="list-style-type: none"> <li>- Builds on Pinewood's strong international reputation.</li> <li>- Well-served by motorways (M25, M3, M4, and M40) and airports (Heathrow, Gatwick, and Northolt).</li> <li>- Super-fast broadband cabling and a well-organized power system allow film equipment to operate in an efficient, non-intrusive manner.</li> </ul>
<b>Contributes to a High Quality of Life</b>	✓	<ul style="list-style-type: none"> <li>- Residential units all within a five-minute walk of high quality and frequent public transportation.</li> <li>- Open-air theater, green space, and formal recreational areas including sports pitches and footpaths available for community use.</li> <li>- Primary school, a multi-purpose community center, and retail space contribute to the liveability of the complex.</li> <li>- Building construction designed to enable healthy, energy-efficient living; residents will be able to generate a lower carbon footprint.</li> </ul>



## Effect of Clustering on the Region

The UK government has specifically identified policy to encourage the development of creative hubs that will concentrate talent, skills, learning, employment, and cooperation between people and industries. The Pinewood vision completely meets the criteria to establish such a hub.

Indeed, the Pinewood project will help develop the creative cluster in the region. As illustrated in the case studies below, locating creative people close to each other enables an exchange of ideas and talent and fosters innovation. The proximity of the Shepperton Studios has already contributed to the gravitas of the cluster. The southeast already has the most impressive base of film and television craftsmen in the UK. Most of these skilled employees operate as independent contractors and will self-select to locate close to where films are being made.

There will be a spillover effect into the UK video game industry. The most successful entertainment projects in the 21st century on a revenue basis are video games. For example, Grand Theft Auto IV, a video game released in 2008, sold 3.7 million units on its first day of release and grossed more than \$500 million in revenue in the first week, selling an estimated six million units worldwide. In comparison, only nine feature films released in 2008 grossed more than \$500 million during their entire theatrical runs. Production budgets of blockbuster video games are growing as well; GTA IV was estimated to have cost more than \$100 million.

The Buckinghamshire area is already represented in the creative industries with an estimated 90,000 people em-



ployed as of 2007.<sup>2</sup> Assuming that the growth rate continues at that of the last decade, an additional 33,500 people from the area will be employed in the creative industries by 2022.

Overall, the creative industries nearly doubled in size between 1997 and 2005. With a current economic value of approximately £61 billion – nearly seven percent of UK Gross Value Added – they are growing faster than the UK economy.<sup>3</sup>

Creative industries are especially well suited to the formation of clusters since they are served by highly skilled labor and deploy networking as a matter of course (crews come together and disperse only to re-congregate in a different combination for another film). Crew members

will work with each other many times on many different projects over their careers.

Seventy-eight percent of creative industry businesses are classified as “innovation active,” higher than the other industries.<sup>4</sup> The creative industries workforce is highly skilled; 49 percent of employees have at least a degree-level qualification versus 31 percent across the economy. Approximately 30 percent of businesses operating in the creative industries report that they are involved in a cooperation partnership or network, compared with an economy-wide average of 13 percent.



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## Important Takeaways and Implications for Project Pinewood

Project Pinewood is well-suited to accelerate a creative cluster and is an excellent candidate for government support and relief under the “Very Special Circumstances” for Development in the Green Belt. The project is attractive based on the following criteria:

**It builds on an existing base of creative industries.** The southeast of England already has in place a healthy concentration of creative industry professionals and is well-established in the film industry due to the existing Pinewood facilities and nearby Shepperton and Teddington Studios as well other UK studios such as Leavesden and Three Mills. The close proximity of so many artistic people will accelerate innovation and creativity. Project Pinewood will build on this existing base of activity to create a true, vibrant creative cluster.

**It will generate a great amount of economic activity for the region.** Outside of the direct economic benefits, the Pinewood project will produce significant business for service and other ancillary businesses. This benefit is especially important as creative industries in general and the film business in particular are relatively recession-proof.

**It will generate a high quality of life for the residents of the housing units.** A thoughtfully planned community that incorporates green space, cultural and sporting facilities, as well as access to quality, frequent public transit will encourage people to choose Pinewood as a work, live, and play location.

**It fulfills government policy.** “Digital Britain,” a report created for the Department for Culture, Media and Sport and the Department for Business, Enterprise and Regulatory Reform, describes how the digital economy underpins Britain’s economy and builds national competitiveness. Project Pinewood, which will accelerate technological innovation, is the type of project that will support the mission of “Digital Britain”.

**It will defend against foreign competition.** Other clusters have developed in Europe, including Hungary which hosted big-budget films such as *Evita*, *Spy Game*, and *Hellboy 2*. Moves to lower-cost Eastern European locations have been accelerated by sophisticated digital technology that allows production to become more portable and versatile – clever CGI can disguise a movie set’s true location. Australia has also become a hub for filmmaking. The Fox Sydney Studios offers eight studios and more than 14,000 square meters of stage space and has attracted films like the *Star Wars*, *Matrix*, and *Mission Impossible* franchises.



## Importance of Creative Clustering

Jane Jacobs, a Canadian urbanist, writer, and activist, described in her groundbreaking book *The Death and Life of Great American Cities* the importance of the external effects of human capital. Her thesis included a critique of modernist urban-planning policies that separated residential, industrial, and commercial spaces. She felt that having a strong residential core breathed life into a city, encouraged local culture and the arts, and increased the economic value of the area.

She was an active force in urban planning for Toronto and the city has greatly benefited from her vision. While many American cities have suffered from suburban flight and decaying inner cities, most neighborhoods in Toronto are vibrant and flourishing. In fact, Rosedale, one of Toronto's toniest neighborhoods, is only minutes from Yonge and Bloor, considered one of the main intersections of the city.

Jacob's definition of expansion does not merely refer to routine economic growth but the accelerated growth enabled by innovation. When people – especially talented and creative ones – come together, ideas flow more freely and, as a result, individual and aggregate talents increase exponentially: the end result amounts to much more than the sum of the parts.<sup>5</sup> Basically, when people congregate, the exchange of ideas add value to everyone and this value re-circulates and amplifies, making the attractiveness of the entire area skyrocket. The concept of "live, work, and play" reinforces the benefit of a single geographic area welcoming all three activities.

In fact, Creative Class Group research shows that the correlation between population growth and characteris-



tics such as innovation, patent activity, number of super creative people, wages, and GDP was greater than one. That is, a doubling of population resulted in more than two times the creative and economic output.<sup>6</sup> As creative people self-select to locate in an area, more of their ilk follow them, and creative and economic activity accelerate. We see this phenomenon in the film business as members of a movie crew regularly disband and rejoin for new projects; the same people working with each other multiple times over their careers.

Nobel-winning economist Robert Lucas points out that "if we postulate using only the usual list of economic

forces, cities should fall apart." Since land is always far cheaper outside cities than inside, why don't companies move out to the country? He then answered his question with another observation: "What can people be paying Manhattan or downtown Chicago rents for, if not to be around other people?"<sup>7</sup> What Lucas is cleverly stating is that place is of utmost importance to people. He identified the underlying economic power of the cluster force – the clustering of people and productivity, creative skills, and talents that power economic growth.



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## Importance of Clustering



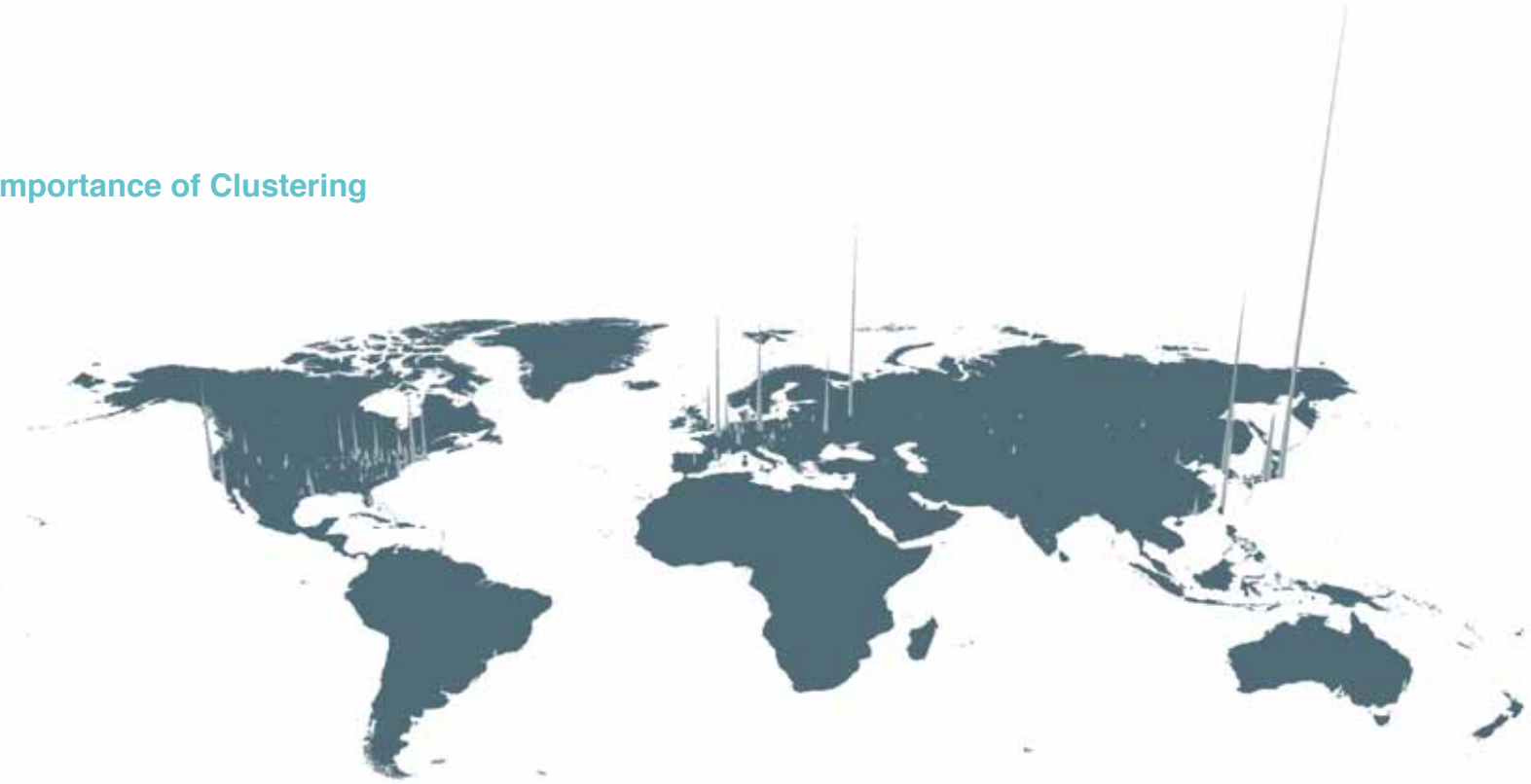
**Figure 1: Economic Activity in a “Spiky World”**

The world today is “spiky” in that economic activity and innovation are concentrated. Investigate the map on this page and the next. The first shows economic production (we used the concentration of light during the night indicating energy use as a proxy) spiked in relatively few geographic areas. Specifically, it is highest in the United States, the United Kingdom, Europe, Japan, and Southeast Asia.

WWW.WHOSYOURCITY.COM - SOURCE: U.S. DEFENSE METEOROLOGICAL SATELLITE PROGRAM - MAP BY TIM GULDEN



## Importance of Clustering



**Figure 2: Innovation in a “Spiky World”**

This map illustrating innovation centers is even more striking, both in reduced frequency of the spikes, but also in their increased amplitude. Timothy Gulden, a researcher at the University of Maryland’s Center for International and Security Studies created this map based on the geographic location of every single inventor who filed a patent in the United States. To ensure that there was not a bias toward U.S. inventors, he complemented the study with data from the World Intellectual Property Organization to create accurate estimates for every location in the world.<sup>8</sup> While this method reflects the quantity not quality of the patents granted, it still presents a reasonable representation of where innovation happens. The implication is that the world’s innovation (as represented by the number of patents granted) is concentrated in relatively few, but highly productive, locations.

Creative Class Group research shows that openness and diversity are key characteristics of places that leverage and enhance clustering. Openness is a desirable trait because creative people are drawn to and thrive in places where they are more likely to easily be themselves. Ronald Inglehart, a political scientist at the University of Michigan and director of the World Values Survey, found evidence in his research in more than 40 countries that this value of individual expression is a defining element of today’s society.<sup>9</sup>

WWW.WHOSYOURCITY.COM - SOURCE: THE WORLD INTELLECTUAL PROPERTY ORGANIZATION; UNITED STATES PATENT AND TRADEMARK OFFICE - MAP BY TIM GULDEN



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## Origins of Clustering Theory

While place and the spikiness of human capital are now the most important drivers of clusters, they originally developed because of firms in the same industry locating in close proximity to each other.

Alfred Marshall wrote in his book *Principles of Economics* (originally published in 1890) about the concept of agglomeration. This theory states that, rather than firms gaining competitive advantage by growing larger and gaining economies of scale, they can gain benefit by locating close to each other (more explanation will be provided in the next section of this report). This concept explains the resilience of Italy's high fashion district (Armani, Prada, Gucci, and their ilk) to competition from lower-cost centers such as India and China. The physical proximity allows for more efficient commerce and information exchange between suppliers, users, and customers. This phenomenon has played out in other industries and regions including film-making in Hollywood, California and Bollywood in Mumbai, in Hartford, Connecticut, entertainment and casinos in Las Vegas, and publishing in New York City.

Clusters also develop in industries where the importance of physical input is less critical. Medical research in Boston and software in Silicon Valley developed not because of the availability of raw materials and rail lines, but because of the dense concentration of smart, educated, entrepreneurial people. Academics Joseph Cortright and Heike Mayer conducted a detailed study in 2001 that determined that three-quarters of all biotech firms that were founded in the 1990s were located in just



nine regions.<sup>10</sup> Compared with others, those nine regions boasted eight times as much biotech research, 10 times as many biotech companies, and 30 times more biotech venture capital. It is worth noting that many venture capitalists choose not to fund companies that are too geographically distant to closely mentor (and monitor).

Close proximity enables sharing of information, even among fierce competitors, as a cluster of similar businesses in a geographic area allows for employees to switch firms without having to relocate. As they do so, they bring industry knowledge and organizational knowledge with them, accelerating overall innovation by leveraging common assets. In her study of the high-tech

industry in Silicon Valley and the greater Boston area, AnnaLee Saxenian found that the superior performance of Silicon Valley firms during the 1990s was based on the adaptive capabilities of the region's decentralized but potent networks of entrepreneurs, venture capitalists, technologists, and recent university graduates.<sup>11</sup>

Education is an important component in a creative cluster. In fact, Berkeley and Stanford Universities played large roles in the development of the software hub in Silicon Valley. In fact, Google was founded by Larry Page and Sergey Brin when they were both Stanford students. The Pinewood project will add its own version of embedded education through the Screen Crafts Academy.



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## Origins of Clustering Theory

Michael Porter, in his *Harvard Business Review* article "Clusters and the New Economics of Competition," defined clusters as:

"...geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition. They include, for example, suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure. Clusters also extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs. Finally, many clusters include governmental and other institutions – such as universities, standards-setting agencies, think tanks, vocational training providers, and trade associations – that provide specialized training, education, information, research, and technical support."<sup>12</sup>

According to Porter, the main positive effects of clusters on productivity are better access to employees and suppliers, access to specialized information, complementarities (for example, by-products in a goods economy or the fact that a buyer can visit multiple suppliers in a single visit to a geographical area), access to institutions and public goods, and better motivation and measurement (the positive effect of local business rivalries).

Porter builds on his theory in his 1999 book titled *On Competition* and reinforces the role that a government can play with respect to attracting and expanding economic clusters. He states:

"The sophistication and productivity with which companies compete in a location is strongly influenced by the quality of the business environment. Firms cannot employ advanced logistical techniques, for example, unless a high-quality transportation infrastructure is available. Firms cannot compete using high-service strategies unless they can access well-educated people... All of these situations consume resources and management time without contributing to customer value."<sup>13</sup>

Other studies reinforce that clusters are most effective if they are developed in a location that already has an effective and welcoming business environment. A detailed study of more than 250 cluster initiatives (Solvell and Ketels 2003) suggests that a shared conceptual framework of competitiveness and access to a small operational budget to finance an office with a dedicated cluster facilitator was a key success factor. The Pinewood Project could be such a leader. Still, a location needs to stand on its own merits (beyond governmental subsidies) to become viable in the long-term: firms need to self-select to locate in the area.<sup>14</sup>



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## Methodologies of Clustering Theory

Many academics have studied the concept of economic clustering using different methodologies but, in most cases, identify factors similar to those referenced by Porter. Gordon and McCann identified in their paper, "Industrial Clusters: Complexes, Agglomerations and/or Social Networks," three analytically distinct forms of spatial industrial clustering, each of them subject to logic of its own.<sup>15</sup> The attributes are illustrated below. In addition to quality of life attributes, the Pinewood Project provides for each of these working attributes:



PROJECT PINWOOD / ATTRIBUTE	
✓	<b>The classical model</b> of pure agglomeration, referring to job matching opportunities and service economies of scale and scope, where externalities arise via the local market and local spillovers. Labor acquisition cost is reduced because attractive employees self-select the region as a strategic place to live. For the same reason, the quality of the labor pool increases.
✓	<b>The industrial-complex model</b> , referring to explicit links of sales and purchases between firms leading to reduced transaction costs. Typically, this refers to the reduced costs derived from the close proximity of input suppliers who locate close to the cluster due to increased demand.
✓	<b>The club model</b> , also referred to as the social network model, which focuses on social ties and trust facilitating cooperation and innovation. For example, employees that shift firms bring knowledge with them which accelerates the innovation process even if the overall atmosphere of the cluster is one of intense competition.



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## Development of Auxiliary Industries

Auxiliary industries are an interesting by-product of economic clusters. That is, innovations from one industry repurposed in another in such a way that complementary clusters develop in the same geographic area. San Diego, for example, has a golf equipment cluster which has roots in the local aerospace industry. Materials such as titanium, whose strength-to-mass ratio proved

revolutionary for spacecraft, also proved innovative for fairway irons. When the U.S. Air Force Strategic Air Command located in Nebraska, the fiber-optic cables that were installed to support it enabled the burgeoning telecommunication industry (although, as Michael Porter points out, the central time zone location and the easy-to-understand local accent also played a part in the

attractiveness of the region).<sup>16</sup> This applies to London, on the Greenwich Meridian, equidistant between east and west and at the centre of the world's time zones. Based at Project Pinewood, you can call Japan in the morning and Los Angeles in the evening the same day.

## Quality of Life

Amenities of a location are also an important fact to consider with respect to economic clusters, especially since quality of life plays an important role in attracting highly regarded, creative employees. Edward Glaeser was the lead author of a white paper titled "Clusters of Entrepre-

neurship" that modeled the viability of various centers for clusters based on inputs such as access to educated human capital and cost of real estate. He and his team argue that entrepreneurship is higher when fixed costs are lower and the labor pool self-selects migration to

an area with high entrepreneurial activity.<sup>17</sup> In essence, the greater quality of life offered by a region, the more likely it is that highly regarded creative professionals will choose to live there and companies will locate there to engage the creative workforce.



## Creative Clusters

Creative industries offer an especially vibrant opportunity for development growth. Author John Howkins writes, "People with ideas... become more powerful than people who own machines," therefore "the creative economy will be the dominant economic form in the 21st century." Scholar Shalini Venturelli writes, "Wealth creation is dependent upon the capacity of a nation to continually create content... In short, a nation without a vibrant creative labor force of artists, writers, designers, scriptwriters, playwrights, painters, musicians, film producers, directors, actors, dancers, choreographers, not to mention engineers, scientists, researchers, and intellectuals does not possess the knowledge base to succeed in the Information Economy, and must depend on ideas produced elsewhere."<sup>18</sup>

Brooklyn College Professor Sharon Zukin states the

Creative Class concept is crucial for the competitiveness of European industry. She states that "as cities grapple with the potentially explosive nature of their societies, they must remember to nurture creativity."<sup>19</sup> A creative city, she argues, is one that has learned how to use its cultural capital to attract innovative businesses and services as well as members of the mobile Creative Class.<sup>20</sup> A vibrant creative cluster leads to spinoff value in the tourism industry, both from experience-seeking travelers and members of the Creative Class themselves. Many Creative Class members, particularly in the film business, are well-paid and, although they work long hours during production, the project nature of the business allows them the flexibility to take extended vacation. Researchers Greg Richards and Julie Wilson have identified some advantages of "creative tourism" over "traditional" cultural tourism.<sup>21</sup>

Creativity can potentially add value more easily because of its **scarcity**. Creativity is an attribute supposedly possessed by relatively few people whereas, thanks to the broadening concept of "culture," traditional cultural products are ubiquitous.

Creativity allows destinations to **innovate new products** relatively rapidly, giving them a competitive advantage over other locations.

Because creativity is a **process**, creative resources are generally **more sustainable** than tangible cultural products. Whereas physical cultural resources, such as museums and monuments, may wear out over time and become degraded, creative resources are arguably infinitely renewable. The growth of festivals drawing on creativity bases in recent years underlines this fact.

Creativity is generally **more mobile than tangible** cultural products. Where cultural consumption is dependent on a concentration of cultural resources, creativity can become extremely mobile – arts performances and artworks can today be produced virtually anywhere, without the need for much infrastructure. However, this also creates one of the major challenges for the development of creative tourism, namely the need to anchor "footloose" creative resources in a destination.

Creativity involves not just value creation (economic wealth) but also the **creation of values**. Unlike the role of traditional "factories of meaning," such as museums, creative processes allow for the more rapid generation of new values. Creative people are busy searching for the enchantment necessary to fuel the new cathedrals of consumption.

creative class group



17  
Importance of  
Clustering

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## Creative Clusters

Firms that co-locate with others in their industry can create competitive advantage due to reduced travel and other costs that make it more efficient for suppliers, employees, and customers.  
Pinewood will be building on its existing brand and infrastructure.

Concentration of creative people accelerate innovation as ideas flow more freely, individual and aggregate talents increase exponentially, and the end result amounts to much more than the sum of the parts.  
The nature of film and television workers as both creative and freelance make the Pinewood Project well-positioned to benefit from location-based information flow.

Auxiliary businesses evolve around existing clusters, leveraging talent and innovation to new applications.  
Within the entertainment milieu there is direct spinoff from Project Pinewood including state-of-the-art infrastructure as well as technological innovation. As well, many secondary and tertiary businesses will be supported.



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Importance of  
Clustering



## Case Studies



Stuart Seeger

In order to examine the best practices associated with creative clustering, the Creative Class Group has selected four case studies for review.



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Case Studies

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## Montreal and Cirque du Soleil

Montreal is a dynamic cultural metropolitan area that holds creativity, innovation, and emerging technology in high esteem. The Montreal region's creative economy accounts for about one in three jobs (33 percent of the workforce) in the region, encompassing more than 630,000 workers. Montreal has the second-highest concentration of super-creative workers – artists, techies, entrepreneurs, and scientists – in North America. Montreal is also considered one of Canada's leading academic R&D centers with more than 160,000 college and university students in the region.<sup>22</sup>

Montreal's storied history has built a diverse and tolerant society. The role of diversity in attracting and retaining creative talent is well established. Montreal's concentration of gay and lesbian couples is double the Canadian average, and over 53 percent of the country is bilingual, speaking both French and English fluently.<sup>23</sup> Creative types prefer places that are tolerant and open to new ideas, where anyone can fit in and get ahead. Not surprisingly, the area ranks fourth in North America for job density in high-tech sectors and has developed an international reputation in information technology, biosciences, aerospace, and telecommunications.

With its diverse population, significant concentration of creative capitals, and authentic streetscapes, Montreal has also solidified itself as of the world's leading entertainment technology clusters and a premier destination for film and production. In fact, the region boasts the most square-footage of set and sound stages in North America. Moreover, Montreal's concentration



Stuart Seeger

**Creative clustering has a significant impact on regional economic prosperity.** Anchor institutions such as Cirque du Soleil, and potentially Project Pinewood, can help regions form new industry segments and companies, as well as create thousands of new jobs. In less than 25 years, Cirque grew from a company with less than 100 employees to one with over 4,000 employees, helping Montreal to become a leading center for entertainment technology.

of bohemians and artists is nearly one and a half times the Canadian average. Montreal, often referred to as the "ville de festivals," provides a showcase for experimental work of all kinds of artists. Likewise, these various festivals create significant opportunities of interactions via temporary density and concentrations of people from across all sectors.

The Montreal region presents an excellent opportunity to examine convergence between the creative arts and technology cluster. By pushing the limits of technology, artists use new materials and new media in ways unseen

by their predecessors. These types of interactions between different fields often trigger the formation of new businesses in interdisciplinary niches such as entertainment, nanotechnology, and advance manufacturing. Innovation and technology growth tend to be driven more and more by the interfaces among multiple disciplines. Montreal's Cirque du Soleil is an excellent example of the potential economic development impact driven by the convergence of the arts and technology. Cirque's international headquarters has become the anchor for the region's entertainment cluster. →



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Case Studies



## Montreal and Cirque du Soleil

Established in 1984, Cirque du Soleil located in the inner-city area of Saint-Michel and was founded by two street performers, Guy Laliberte and Daniel Gauthier. The company began as a traveling performing troupe that experienced difficult financial obstacles until the organization received a grant from the Canadian government to participate in the 450th anniversary celebration of Jacques Cartier's discovery of Canada. After securing the governmental funding, Laliberte hired Guy Caron to help build the organization into a "proper circus." After much work and evaluation, Caron then helped to transform Cirque into a modern performance organization characterized by its emphasis on the convergence of artistic theatrics and technology.<sup>24</sup>

Today, Cirque no longer views itself as a circus company, but rather as a "creative content provider." The organization employs more than 4,000 employees worldwide and retains its headquarters in Montreal because of the strength of the region's creative and entertainment technology cluster.<sup>25</sup> Although "the performer is always the primary focus," Cirque du Soleil pushes the technology envelope as much as any traditional "high tech" company with its own major R&D center. This is why the access to a significant concentration of technology workers in Montreal is so important to the company.

According to a recent article in *Business 2.0*, Cirque employs more engineers than performers in the Montreal region. Moreover, the article reported that more than 40 percent of Cirque's profits are reinvested into its "creative think tank." Cirque's basic R&D is conducted in three areas: biomechanical, rigging, and general performance. All development is done within the company with con-

struction being the only production element that is outsourced. The R&D division within Cirque completes nearly 40 percent of the development of any new technology and then presents all new ideas to the new show's creative director.<sup>26</sup> If the creative director selects a particular technology, item, or technique, it is fully developed and produced in-house, drawing on the creative and technology expertise of Cirque's R&D team.

In addition to emphasis on R&D, Cirque du Soleil expends a significant amount of resources on development and training programs for the future. Before joining a show, all artists hired by Cirque du Soleil must come to Montreal for a preparatory training session which may last anywhere from a few weeks to a few months. The organization has also invested millions of dollars into "Tohu," a new circus arts complex and the non-profit organization. According to Cirque, Tohu's main mission is to make Montreal an international circus arts capital known for its leadership in circus arts training, creation, production, and performance.<sup>27</sup> On top of Tohu, Cirque also partakes in the Fonds Ville-Marie's "Classes Affaires Project," a program that invites high school students from around Montreal to take part in training activities in various departments of the company. The idea behind this program is to get the next generation of performers and technology workers interested in the company.<sup>28</sup>



John Hritz

**The three T's of economic development – technology, talent, and tolerance – matter.** Because of its creative and diverse community, Montreal provided Cirque du Soleil the opportunity to manifest and grow into one of the world's leading "creative content" providers. Creative workers look for areas that are open and diverse and full with other creative people. Project Pinewood has been developed and positioned as a community that is committed to providing an environment that is built upon the three pillars of the creative economy.

**The convergence of arts and technology is a game-changer.** Much of Cirque du Soleil's success can be attributed back to the company's ability to capitalize on both Montreal's technology and artistic clusters. Innovation, scientific discovery, and technology innovation tend to be driven more and repeatedly by the convergence of multiple industries and disciplines. In order to have the impact that developers and economic development officials are hoping Project Pinewood will have on the region, the development should seek to fill their space with companies representing a wide-range of creative industries – information technology, entertainment technology, biosciences, and arts and culture – and create spaces that encourage collaboration among the development's tenants (and users).

creative class group

PINEWOOD

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Case Studies



## Washington, D.C. and Discovery Communications



John from Live in DC

Alika Christian

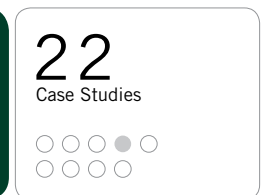
The revitalization of the Washington, D.C. region is considered one of the greatest economic development success stories for the United States in the last 20 years. From its beginnings as a small government town plagued with crime and dilapidated neighborhoods, the greater Washington, D.C. region has become a leading center for information technology, aerospace, biosciences, and digital media. The region now boasts the fourth-largest gross regional product in the U.S. – \$454 billion, according to Global Insight.<sup>29</sup> With the highest concentration of Creative Class workers in the U.S. – approximately 43 percent of the workforce; more than 1.3 million workers in all – the region has become a go-to place for companies seeking direct and immediate access to one of the largest creative human clusters in the world.

From a three-T perspective, greater Washington is quite competitive. Surprising for many, greater Washington, D.C. is the largest high technology and digital media market in the U.S. The region’s technology cluster has the highest concentration of computer programmers and administrators in the U.S.<sup>30</sup> Moreover, as a percentage of total workers, the Washington, D.C. area features the second-highest proportion of computer and science occupations in North America, just behind Ottawa, Canada.<sup>31</sup>

Many credit greater Washington’s diverse metropolitan make-up for its success as a technology center. With more than 25 percent of its residents hailing from a foreign country, the Washington, D.C. area is appealing to a wide range of individuals and companies representing an array of ethnic backgrounds. In fact, the region’s Montgomery County (home to National Institutes for Health, Discovery Communications, and Medlummue)

and Fairfax County (home to AOL, Volkswagen, IBM, and Lockheed Martin) boast higher foreign-born concentrations than New York’s Manhattan.<sup>32</sup> The region also has a thriving gay and lesbian community with the area’s GLBT population almost two times the U.S. average.<sup>33</sup>

Given the region’s significant talent base, reputation as a technology center, and diverse population, Discovery Communications – a privately held, diversified media company whose assets include the Discovery Channel, online services, and retail services – announced in 1998 that it would build its headquarters in Silver Spring, Maryland in Montgomery County, just outside the District of Columbia. In addition to the Discovery Channel, Discovery Communications oversees three major U.S. channels: The Learning Channel (TLC), Animal Planet, and the Travel Channel. Discovery executives announced the development would have two major impacts on the region: help serve as the



## Washington, D.C. and Discovery Communications

catalyst of the revitalization of downtown Silver Spring and make the Washington, D.C. region the “principal center for content creation in the Information Age.”<sup>34</sup>

Discovery’s decision to build its headquarters – a \$150 million complex – in Silver Spring, along with the county’s decision to develop a town center project around the American Film Institute, helped to turn a struggling, crime-ridden business district into a world-class center for entertainment and communications. Following Discovery’s lead, new shops and businesses started sprouting from the development in downtown. National retailers such as Whole Foods, Borders, Ann Taylor, and Pier 1 Imports opened stores alongside a variety of locally owned shops and restaurants.<sup>35</sup> In addition to new shops, condo developers and apartment complexes began breaking ground on new residences.<sup>36</sup> In June 2007, *The New York Times* reported that downtown Silver Spring was “enjoying a renaissance, a result of public involvement and private investment that is turning it into an arts and entertainment center.”

In addition to the impact on the development of downtown Silver Spring, Discovery’s presence has helped to position the

greater Washington, D.C. area as one of the strongest digital new media centers in the U.S. Before Discovery’s announcement, the region’s digital media cluster was

only comprised of small media companies, bureaus, and outposts. Today, Discovery anchors a media cluster that has grown to include XM Radio, National Public Radio, and Black Enterprise Television (BET), as well as every major U.S. and international broadcast news outlet.<sup>37</sup> Countless smaller digital media companies have located to the greater Washington area to be closer to Discovery and the region’s growing media and information workforce. More than 38,000 workers (both commercially and self-employed) make up the area’s informa-

### A major company like Discovery Communications can anchor the growth of a regional creative cluster.

Before Discovery’s location to downtown Silver Spring, the digital media cluster in the Washington, D.C. area was small and lacking a major digital communication company headquarters. With Discovery, the region was able to attract and retain a number of other major media companies, creating one of the country’s major media centers. Like Discovery, the Pinewood Project (and Pinewood Studios) is primed to anchor the UK’s digital media cluster. The Pinewood Project will present smaller production and film companies with significant cost savings for location filming production.

A major anchor development like Discovery’s headquarters location in downtown Silver Spring can catalyze a significant revitalization. Discovery’s announcement to build its facility in Silver Spring helped to create one of the premier live, work, and play communities in the Washington, D.C. region. It has become a model for other urban developments throughout the region, as well as throughout the U.S. Similar to Discovery’s impact, Project Pinewood can build off the rich production and film history of Pinewood Studios to create a spectacular live, work, and play community.

tion workforce, according to an analysis of data from the Bureau of Labor Statistics. In addition, while U.S. media and information workforce across the country has experienced an average decrease of one percent since 1999, greater Washington’s respective workforce has grown over five percent each year.<sup>38</sup>

The location of Discovery Communications in Silver Spring during a rough economic time for the downtown area is a terrific urban revitalization achievement. Both public and private sector leaders came together to have a significant impact on an area of the region that needed an economic development jumpstart. To assist Discovery with its expansion and relocation, economic development officials helped to develop an incentives pack, including tax credits for job creation.

Working together, the private and public sector can have a significant impact on job creation. Working with Discovery Communications, economic development officials in Montgomery County and the Washington, D.C. region were able to create a significant number of jobs in downtown Silver Spring. Project Pinewood has the same potential. Early estimates suggest the new Pinewood Project development will create 630 new jobs.



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## Austin, TX and South by Southwest

Two decades ago, Austin, Texas wouldn't have made anyone's list of high-tech places. Now, as the self-proclaimed "Live Music Capital of the World," Austin, Texas is one of the most admired creative and high-tech centers in the U.S. Known for its "cosmopolitan atmosphere without the big-city hassle" and reasonable cost of living, Austin ranks among the premier places to live in the U.S.<sup>39</sup> In fact, *Money Magazine* ranked the city among the top three "best places to live" in the U.S. for 2009.

Given the area's quality of life and high marks for recreation, it's no surprise the city has become a haven for the Creative Class. Today, more than 260,000 Creative Class members – 37 percent of the workforce – call Austin home. How did it all happen? Austin worked to develop all three T's of its economic development strategy and used programs and festivals such as Austin City Music and South by Southwest

**A project like South by Southwest can be used to effectively promote a region's assets.** Austin's economic development leaders have been successful in utilizing South by Southwest to market the region's competitive cluster strengths. Not only should Project Pinewood be positioned as a world-class community, the development should be used to market and promote the UK's strengths in film and production.



Veronica Luna

to showcase the region's emerging technologies, creative capabilities, and open, tolerant atmosphere.

Since the late 1990s, Austin has emerged from a sleepy college town into a high technology center. Many of Austin's largest employers now include technology giants such as Dell, Apple, Hewlett-Packard, Google, Applied Materials, Samsung Group, and Silicon Laboratories.<sup>40</sup> The proliferation of technology companies has led to a nickname similar to San Jose's moniker, "Silicon Hills," and spurred development and growth across the

region. In addition to the region's information technology cluster, Austin is home to an emerging pharmaceutical and biotechnology cluster. With more than 85 companies from this sector, the Milken Institute ranked Austin as the 12th-largest biotechnology and life science center in the U.S.<sup>41</sup> Austin is also home to some of the country's leading advertising firms, including GSD&M Idea City, Lain Works, and WPP Group.<sup>42</sup>

From a talent perspective, Austin already has a leg up on the competition. The city is home to the University of Texas at Austin, one of largest universities and research



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## Austin, TX and South by Southwest



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centers in the U.S. While a lot of college towns cannot keep enough of its graduates to fuel their talent pipelines (think Pittsburgh, Cleveland, or Detroit), Austin has no trouble retaining a majority of its graduates. Every year, computer science and engineering graduates from the University of Texas provide a steady source of creative capital to fuel the region's technology sector. Many of the graduates, including creative types across the country, are attracted to Austin's fabled, tolerant lifestyle. The area's "Keep Austin Weird" campaign has helped to preserve a unique and tolerant spirit in the city. Austin continually ranks among the most open and tolerant communities in the U.S.

The Austin region has a sweet spot for innovation and inclusion, and area leaders and economic development officials recognize this. According to former Austin Mayor Kirk Watson, "Austin benefited from the convergence between technology and our laid-back, creative lifestyle and music scene."<sup>43</sup> In addition to its traditional business development

efforts, Austin also used some of the city's storied festivals and programs to promote the region's lifestyle and technology cluster.

One of those festivals, South by Southwest, has become a critical economic development promotion tool.

South by Southwest (SXSW) is a set of interactive, film, and music festivals and conferences that began in 1987.<sup>44</sup> Despite the fact that Austin was not among the top 20 major media markets at the time, the background and character of the city made it a perfect location for the festival.<sup>45</sup> The SXSW music conference has grown into one of the largest music festivals in the U.S., with more than 1,400 performers playing over 80 venues.<sup>46</sup> In addition to the opportunity to showcase the region's assets, the city also experiences a

**The convergence between technology and tolerance can create a competitive advantage.** One of the most appealing attributes about Austin is its fabled tolerant atmosphere, as embodied by the city's "Keep Austin Weird" campaign. This "spirit" is the reason many high-tech companies have selected Austin over San Jose, California or Denver, Colorado. Creative types seek to be in communities and environments that are innovative and tolerant. Project Pinewood should look to Austin's best practices as a model for its community.

**Working together, the private and public sector can have a significant impact on job creation.** Working with Discovery Communications, economic development officials in Montgomery County and the Washington, D.C. region were able to create a significant number of jobs in downtown Silver Spring. Project Pinewood has the same potential. Early estimates suggest the new Pinewood Project development will create 630 new jobs.



Steve Hopson

significant economic impact from the festival. SXSW is the highest revenue-producing special event for the greater Austin economy, an estimated economic impact of \$110 million in 2008.<sup>47</sup>

SXSW Film has also become one of the world's premier film festivals in the U.S., focusing on new directing talent. Likewise, SXSW has become popular among web creators, programmers, and entrepreneurs, earning the festival a reputation as a breeding ground for new creative and innovative technologies. In fact, the widely popular social networking site Twitter launched at SXSW Interactive in 2007.<sup>48</sup>

Overall, the South by Southwest festival serves as an ideal metaphor for a city that values innovation and inclusion – a supportive form is open and tolerant, as well as equally accommodating to all forms of creativity and technology advancement.



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## Sunshine Coast, Queensland, Australia and Noosa Civic



Australia's Sunshine Coast is considered by many to be one of the most remarkable places in the world to live. Located in Southeast Queensland, approximately a two hour drive north of Brisbane, the Sunshine Coast is home to an estimated 315,000 residents and sees more than 60,000 visitors annually who venture to the area to enjoy the region's spectacular beaches.<sup>49</sup>

Like the visitors attracted to the area, many of the Sunshine Coast residents call the region home because of

the area's vibrant quality of place, assets, and unparalleled lifestyle. Highlighting its popularity as a desirable place to live, the Sunshine Coast's population growth over the past few years has double the national average for Australia.<sup>50</sup>

Known for its entrepreneurial environment and flexibility, the Sunshine Coast has become a hotbed for a different type of Creative Class worker – the barefoot executive, a creative talent who is more inclined to be self-employed or work for a small, innovative company. With more than 13,000 Creative Class workers (approximately 40 percent

of the region's workforce), the Sunshine Coast's creative workforce is one of the fastest growing creative workforces in Australia.<sup>51</sup> In addition, the region has been one of the most successful areas in the country at overall talent attraction and retention – a feat that has been a critical factor at attracting investment and new companies to the region. On average, the Sunshine Coast is 21 percent more effective at attracting and retaining talent than other Australian regions its size.<sup>52</sup>

Understanding the region's attractiveness to the →



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## Sunshine Coast, Queensland, Australia and Noosa Civic



Creative Class and the need for the region to have a place where small creative companies could locate and work, Stockwell Development, a Queensland-based private development company, designed and began the development of the Noosa Civic Business Park. When it is fully completed, Noosa Civic will span more than 150,000 square meters and include space for retail, commercial, and business space and serve as a catalyst for the “economic development of the region.”<sup>53</sup> Working with the economic development officials on the Sunshine Coast, Stockwell has targeted and attracted an array of creative businesses for development – software development, fashion, surf development, new media, and film and production.<sup>54</sup> Each of these industries represents a significant strength for the Coast, according to a recent strategy report released

by the Sunshine Regional Council, and need a place to locate and operate daily. The Noosa Civic development is helping fill a need for the region: desirable commercial space that is appealing to innovative and forward-thinking companies. Outside of developments like Noosa Civic, the region has very few developments that offer commercial space that can be customized and fashioned to meet the needs of the area’s growing creative sector.

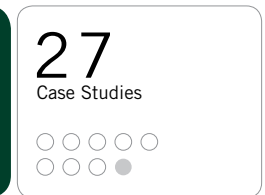
In addition to serving as a catalyst for business development efforts in the area, the Noosa Civic Park project has been successful at creating a community that is also focused on “live and play.” The development is home to an array of specialty shops and outlets providing the products necessary for basic everyday living. The development

**A development centered on a region’s cluster base can be an effective catalyst for economic development.** Noosa Civic has had a significant impact on the region’s economic development strategy because it targeted business sectors that were in line with the Sunshine Coast’s industry strengths: computer software, design, digital media, and surf development. Also, many companies in the sectors tend to be small businesses – another strength for the Sunshine Coast.

**Quality of place matters, and developments must build off a region’s ethos.** The Sunshine Coast is one of the most remarkable places to live in the world. The area attracts individuals who are drawn to the region because of its quality of life, lifestyle, and ethos. Not only was Noosa Civic designed and developed with the region’s environmental legacy in mind, the development is appealing for those looking for a location that will allow them to keep the “barefoot executive” work-live lifestyle.

has been especially successful at creating a community that builds on the Sunshine Coast’s natural beauty and environmental legacy. Moreover, the development was the catalyst and center for the Sunshine Coast Creative Alliance, a community-based effort to create sustainable initiatives to improve the quality of life and business environment in the region.

Overall, the Noosa Civic has created a community and commercial development that fits with the lifestyle and ethos of the Sunshine Coast. The development is providing an opportunity for the region to grow its creative sector and retain its smaller and rising small businesses as they mature and need an innovative business environment to thrive.



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