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OEDA Basic Economic Development Course

Capitalizing on 2018 Economic Development Trends

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- Montrose Group
- 2018 Economic Trends
 - Automation & Artificial Intelligence
 - Re-urbanization
 - Capital Crunch
 - Skilled Labor Crisis
- Capitalizing on Trends

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The Montrose Group Wrote the Book on Economic Development

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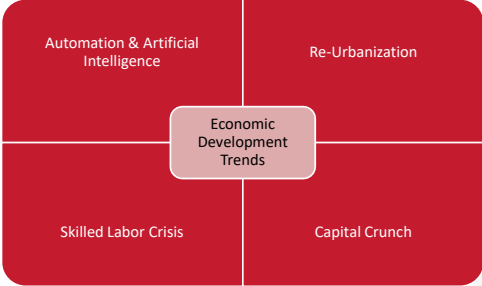


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Age of Big Data

541,000 Amazon workers v. 180,000 GM workers

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Automation is Changing American Industry

American Industry Sectors Projected 2006-2026

Industry Sector	2006	2026
Mining	~1.0	~1.0
Construction	~4.0	~5.0
Manufacturing	~8.0	~12.0
Utilities	~4.0	~4.0
Wholesale trade	~4.0	~2.0
Retail trade	~4.0	~2.0
Transportation and warehousing	~4.0	~10.0
Information	~2.0	~4.0
Financial activities	~4.0	~6.0
Professional and business services	~4.0	~10.0
Health care and social assistance	~2.0	~4.0
Educational services	~4.0	~6.0
Leisure and hospitality	~4.0	~10.0
Other services	~4.0	~6.0
Intergovernmental	~2.0	~2.0
State and local government	~2.0	~2.0
Federal government	~2.0	~2.0
Agriculture, forestry and fishing	~2.0	~2.0
Real estate and rental/leasing	~2.0	~4.0
Nonprofit sector	~2.0	~2.0

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Automation and the Future of Work

Top Occupations Replaced by Automation

- Insurance Underwriters and Claims Representatives
- Bank Tellers
- Financial Analysts
- Construction Workers
- Inventory Managers
- Farmers
- Taxi Drivers
- Manufacturing Workers
- Movie Stars
- Journalists

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Automation Impact 47% of all US jobs will be at risk by 2035 due to automation

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Wage Loss Impact of Automation on Major Ohio Cities

City	Mean Annual Wage Total	Mean Annual Automation Wage Loss
Youngstown	20,000,000	8,000,000
Canton	18,000,000	7,000,000
Dayton	27,000,000	9,000,000
Akron	26,000,000	9,000,000
Cincinnati	34,000,000	13,000,000
Cleveland	32,000,000	12,000,000
Columbus	34,000,000	12,000,000

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Capital Crunch

- Banks hold 117% more cash and 493% more securities in 2015 than in 2010 due to federal regulations

Source: US Treasury Department

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Capital Crunch

- Fourth District Federal Reserve Banks Held \$69.5B in cash and \$79.5B in securities in 2015 compared to \$32.1 B in cash and \$79.5B in securities 2010

Source: US Treasury Department

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Capital Crunch

- Private Loan Growth up only 25% in current recovery compared to 64%, 30%, and 87% in 2001, 1990-91 and 1981-82 recession recoveries



Source: US Treasury Department

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Minority-Owned Firms Are Less Likely To Receive Loans than Non-Minority Firms

- Among small firms, 23 % of non-minority firms received loans compared to 17 percent of minority firms
- Among larger firms, 52 % of non-minority firms received loans compared with 41 % of minority firms

Minority-Owned Firms Receive Lower Loan Amounts than Non-Minority Firms

- Average loan amount for all high sales minority firms was \$149,000 and non-minority average was more than twice this amount at \$310,000
- Average loan received by high sales minority firms was \$363,000 compared with \$592,000 for non-minority firms

Source: US Treasury Department

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Rural Capital Access Conclusions

- Most small businesses have found a lack of capital to be a problem and a barrier to future growth, yet remain optimistic about their future growth
- A frequent consequence of a lack of capital is the inability of companies to grow or expand their operations
- If capital were more available to companies, greater job creation would result
- Lack of capital is a particularly pervasive problem for young companies that have fewer resources and less financial flexibility with which to endure the Great Recession and its lingering aftermath
- Young companies more frequently than mature companies indicated they would hire additional employees if they were able to obtain capital

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Re-urbanization

- Beginning in 2011, city populations in major metropolitan areas grew faster than their respective suburban populations for the first time since the 1920s, reversing a 90-year trend of suburbanization

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Population Growth 2000-10

Area	Population Growth 2000-10
Non-Urban Areas	~9.00%
Urban Areas	~12.00%

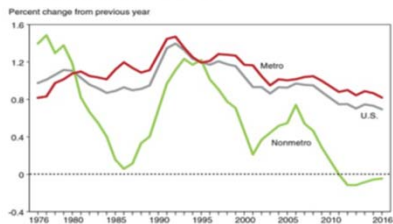
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Nonmetro population loss continues for sixth year



Note: Metro status changed for some counties in 1980, 1990, 2000, and 2010.
Source: USDA, Economic Research Service using data from the U.S. Census Bureau.



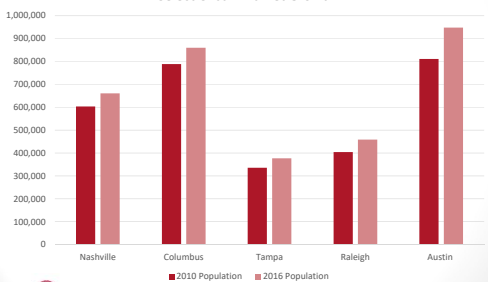
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Select Urban Market Growth



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Skilled Labor Crisis

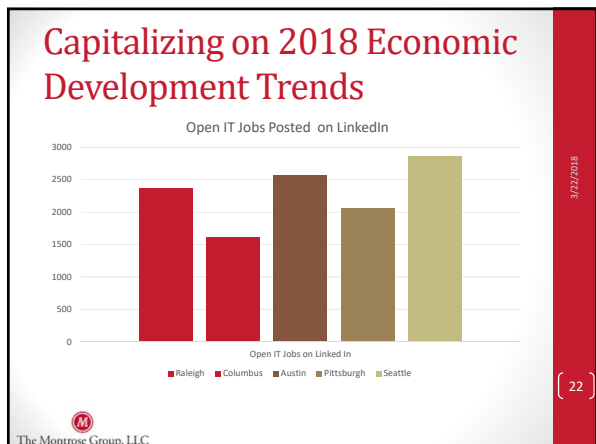
- Commercial Construction Index - 60% of contractors in US having trouble finding skilled Labor
- American Trucking Association needs 1M workers over next 6 years
- Job Openings in the US increased to an all-time high of 6.3M in Jan 2018
- Manufacturing had 427,000 openings, 360,000 hires and 352,000 separations
- Trade, transportation and utilities had 1.235M openings, 1.078 hires and 1.057M separations

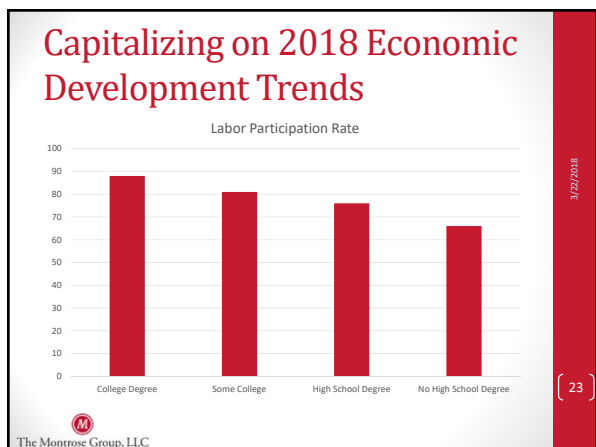


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Automation & Artificial Intelligence <ul style="list-style-type: none">• Embrace Technology• Workforce Development	Capital Crunch <ul style="list-style-type: none">• Opportunity Zones
Re-Urbanization <ul style="list-style-type: none">• Downtown Redevelopment Districts	Skilled Workforce Crisis <ul style="list-style-type: none">• Occupational Marketing

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Community Automation Strategies

- Economic Development Plan Based upon the Future of Work
- Build Smart Cities
- Focus on Redevelopment
- Recruit Fulfillment Centers
- Create STEM Workers
- Redefine the Workforce Development Customer
- Focus Incentives on Workforce

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Federal Opportunity Zones

- Federal tax reform legislation
- Up to 25% of a state's low wealth census tracts and 5% of non-low wealth census tracts contiguous to low wealth districts
- Deferral of capital gains tax



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Regional Community Fund Case Study Example

- Region underserved by traditional capital markets
- Economic development leadership coordinates development of a regional Opportunity Zone Fund
 - Corporate organization of a regional Community Investment Fund
 - Creation of regional community investment fund Steering Committee to oversee operation
- Investor Recruitment from foundations, local government, individual investors, and banks
- Development of regional investment fund policies, procedures and investment guidelines
- Investment Policy to determine eligible borrowers, project focus, matching funding requirements.
- Business and Credit Analysis thru review of financials, credit, and business plan of applicants
- Determine types of Financing such as unsecured loans, subordinated loans, convertible debt, royalty finance, warrants and options, investor returns
- Regional community investment fund marketing to companies thru social media, website, traditional media, partner presentations

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Ohio Downtown Redevelopment Districts

- Historic Preservation Redevelopment
 - Capture property tax gain in a 10 acre district continuous to a certified historic structure preparing for redevelopment
- DRD Funding used for
 - Historic structure redevelopment
 - Funding for historic preservation CIC
 - Public infrastructure
 - Tech Corridors
- Must have an economic development plan for DRD
- Legislation enacted by a municipality

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Occupational Marketing Campaigns

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Conclusions	Thoughts
Questions	Contact <ul style="list-style-type: none">drobinson@montrosegroupllc.comngreen@montrosegroupllc.com

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