

The Challenges of Our New Year

Jan 2016

2015 was a great year for economic development. It started out with the Switch announcement and ended with more than 30 companies, new and expanding, getting recognized by the community for adding more than 3,000 new jobs. So how do we follow this in 2016? We expect to see continued economic success in 2016, but in the years ahead we need to take on several very real challenges, that if left unchecked, will derail the incredible economic growth that is reshaping our economy.

Let's start by putting in perspective the challenges we are facing and realize that we are fortunate to be in this position and appreciate that economic vitality does not just happen, it is the product of a good plan, well executed by a community team that wants to make things better.

There are many concerns that we as a community must address in the coming year. We are working on several of them and making excellent progress, however, there are a few issues that need to be addressed more aggressively, before it is too late or becomes too painful.

There is every reason to be optimistic about our efforts and progress in the following areas:

Water – At least for the metro area, recent agreements will more than double our storage capacity.

Housing (all kinds of housing, including condos and apartments) – there are many new projects on the books that show significant private sector investment in addressing the coming housing demand.

Brand or image of the region – The top priority of EDawn four years ago. Through the successful efforts of many community believers, countless positive national media stories and the Tesla announcement we are well on our way to succeeding in changing our image.

Downtown revitalization – A focus of our new Mayor and Council, a place where significant private investments are planned and the beginning of a partnership with the University that embraces the potential for a college town environment.

While we are making progress in these areas (and many others) we must continue to work on them if we are to make the most of our economic success in the long run. Unfortunately, there are a few challenges that we will face that we are not as well prepared to address. These challenges are likely to adversely impact on our recent economic success: Funding for school infrastructure, workforce attraction and affordable housing.

School Infrastructure Funding: This is not a new issue, but one we have yet to resolve. There have been several voter initiatives over the years to address this need and most have failed. The result is a school funding stream for capital needs that is not nearly enough to meet the current needs of our 64,000 students. We have several schools over 50 years old, property tax revenue reduced by the real estate bust and constrained from recovery by the 3% cap on real estate. Not to mention our inability to accommodate the growth we know is coming. We are forcing the district to consider, and soon implement, “double sessions” (morning or afternoon classes) two words that will have a significant and adverse impact on our ability to attract quality companies in the future.

Affordable Housing: With 50% of our new growth in advanced manufacturing we are adding quality jobs that pay over \$60,000 a year. However, these new employees will not be able to qualify for a home loan if our median home prices continue to increase, as they have over the past three years, almost doubling from \$140,000 to \$275,000. Currently a median family income of \$75,000 only qualifies, under HUD criteria, for a \$313,000 home. As we work to add housing of all types to the region, affordable

housing must be integrated and available or our desperately needed workforce will be unable to move to the region and our economic engine will stall.

Workforce attraction and development: Up to this point we have been fortunate to be in a position to offer companies, considering our region for relocation, a quality and available workforce. That is about to change. As unemployment continues to drop from 14% to 5.7% now and continuing to go down, fewer and fewer employees will be available and the costs of hiring and training a workforce will go up. Availability of a workforce is the top site selection criteria for most companies. While there is much we can do to get out in front of this challenge, it will take a concerted effort by the entire community to address this issue before it becomes a crisis and shuts down our efforts to attract quality companies, or constrains the ones we have. Workforce development and attraction is one of EDAWN's top priorities in the year ahead and you will be asked to help.

In closing, we are experiencing amazing economic success and as a community making excellent progress on many important issues. However, there are a few looming challenges that will require significant support and engagement by most of the community if we are to continue on this exciting road of economic recovery in the years ahead.