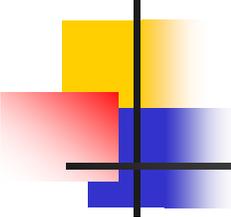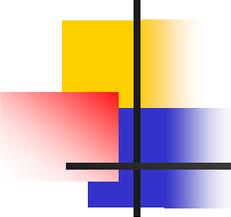# Local Economic Analysis Tools

- Define geography and comparison areas
- Demographic analysis
- Economic performance analysis
- Economic structure analysis
- Retail market analysis
- Real estate market analysis
- Resource base analysis

Economic Data

- Household-Based Data
  - Collected at place of residence
  - Information on area population and workforce
- Data on population, income, poverty rates, educational attainment, unemployment rates, & workforce characteristics are household-based
- Key household-based data sources
  - US Census
  - Current population survey (cps)
  - Population & poverty estimates
  - Local area unemployment statistics (laus)
- Census data is detailed & sub-city but is quickly outdated
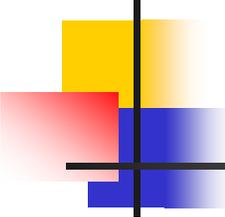
Economic Data

- Establishment-Based Data
  - Collected at place of employment
  - Information on area employers not population or workforce
- Data on number of businesses, employment, payrolls, wage levels, sales
- Key establishment-based data sources
  - ES -202 data series
  - Current Employment Statistics (CES)
  - Economic census
  - County business patterns
  - Bureau of labor statistics occupational data
- Sub city level data is very limited
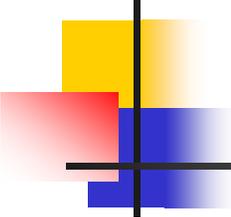
Demographic Analysis

- Population size, characteristics & growth trends
   - Composition by age, race, national origin
    - Stability of residency
    - Education level
- Employment Status
    - Labor force participation rate and size (variations across age, race, gender)
    - Unemployment rates
    - Employment by industry and occupation
- Income levels and sources of income
- Extent of self-employment
- Trends over time and compared to other areas

Economic Performance Analysis
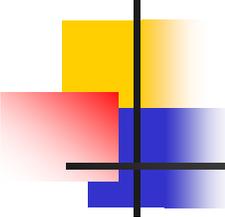
- Addresses Several Questions
  - How is target area economy performing relative to the region?
  - How is it participating in and benefiting from the regional economy?
- Performance Measures
  - Population and employment growth
  - Unemployment rate
  - Earnings and wage levels
  - Income levels and poverty rate
  - Labor force participation
  - Firm births, deaths, and relocations
  - New development and investment
- Analyze trends over time
- Compare local performance to state, metro area, nearby cities
- Overall performance vs. demographic subgroups & sub-areas
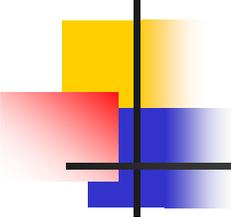
Economic Structure Analysis

- Two Purposes
  - Understand local economic structure
  - Assess development opportunities, needs, & assets
- Key Questions to Address
  - Composition of employment by sector and industry
  - Largest sources of jobs and their wage levels
  - Growing and declining industries
  - How composition and growth compares to region/other areas
  - Occupational composition of largest and growing sectors
  - Industry concentrations and clusters
 - Inter-industry and supply chain relationships
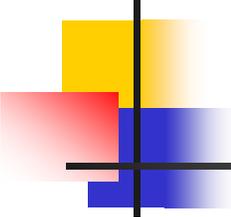
Industry Classification System

- Establishment based data is organized by numerically coded industry categories
- Data is aggregated and reported in a nested system where industry specialty increases with number of digits in code
- Standard Industrial Classification (SIC) system developed in 1930s and used through 1990s
- North American Industry Classification System (NAICS) replaced SIC
  - Two-digit denotes broad sector:
    - 31 to 33 are manufacturing sectors
  - Three-digit denotes industries within broad sector:
    - 316 is leather and allied products
  - Four to six-digit denotes narrower industry segment:
    - 3162 is footwear mfg;
   - 316211 is rubber and plastic footwear

Economic Structure Analysis: Key Steps
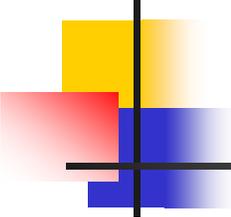
- Determine cross-sectional composition of economy by sector and compare to region, state and nation
  - identifies major economic sectors and how they compare with other areas
- Compare local growth in broad sectors to region, state and nation
  - identifies which local sectors are growing faster and slower than other areas
- Cross-sectional composition and wage levels of largest sectors at two-digit Industry level
  - identifies most important industries within key sectors
  - shows how industry mix varies with that of region
  - determines relative wages of locality's major industries
- Recent trends for two-digit industries at local & regional level
  - determines which industries are fastest growing
  - identifies declining and "at-risk" industries
 - compares local and regional industry growth trends
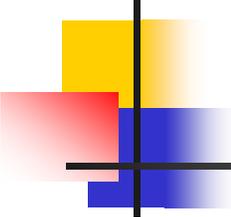
Economic Structure Analysis: Additional Steps

- Analyze three digit industries to better understand industry composition
- Calculate location quotients to assess industry concentration
- Research on critical industries to assess key trends, sources of competitive advantage, specialized needs and location factors
- Strategy implications from economic structure analysis
  - Key industries to retain and support
  - Emerging and fast-growing industries to foster and attract
  - Structural changes shaping economy
  - Determine city's role in regional economy

Retail and Real Estate Market Analysis
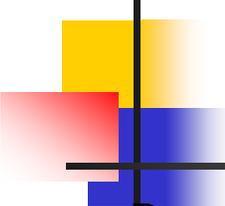
- Purposes:
  - Assess market feasibility for uses and type of development at specific sites
  - Define target businesses to attract to a community or project
  - Determine market potential/recruitment targets for commercial districts
  - Improve understanding of customer markets for existing businesses
- Four Parts:
  - Demand side analysis
  - Supply side analysis
  - Analysis of special conditions, opportunities and market segments
  - Integrate analysis to define target markets, feasible development type, and level of unmet demand
- Critical goal is to identify market gaps to fill
- Demand generators (and analysis) varies by use:
  - Retail demand is driven by local income and spending
  - Office and industrial demand is driven by business and employment growth
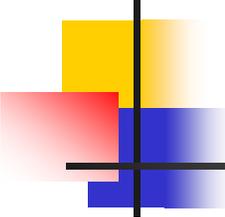
Retail Market Analysis: Demand Side
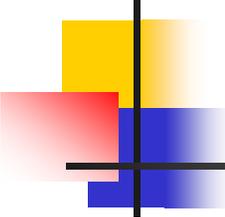
- Define market or trade area
- Determine number of households and total household income (US Census Data, BEA Population & Income Estimates)
- Estimate spending for different product and store categories (Consumer Expenditure Survey)
- Can build more complex spending model tailored to different income and demographic groups
- Adjust for likely market share/capture rate based on competitive differentials (site locations, size and quality of competing centers, and normal leakage).
- Estimate square feet of retail space supportable by resulting sales (Dollars and Cents of Shopping Centers)

Retail Market Analysis: Supply Side

- Identify competing stores in and near trade area
- Assess competitive differences between site and competing stores. Consider store location, access, size, and quality in defining competitiveness.
- Consider planned or potential stores that may enter the market area—national and regional retail trends are important
- Based on this data, estimate the market share of trade area sales that a planned type of store at the site could achieve
- Calculate the dollar value of this market share
- Translate this sales level into supportable square footage. Use industry data on average sales per square foot for comparable stores (Dollars & Cents of Shopping Centers)

Brockton Supermarket Example
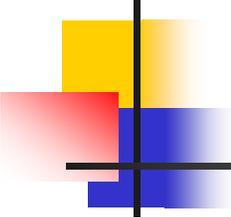
- 1.5 mile primary trade area
- 17,585 households with income of $619.3 mm
- $71.2 mm in supermarket spending (11.5% of income)
- 80% capture rate supports 114,000 to 164,000 square feet
- Competition from 5 stores with 244,000 sq feet
- New store would capture 10 to 15% of market to support 11,000 to 24,000 sq ft-too small for chain
- Independent store 7% capture can support 11,350 sq. ft
- Higher ethnic capture rate could add 2,000 to 2,750 sq. ft.
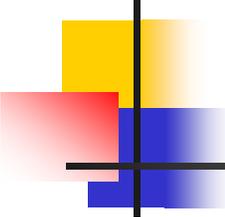
Community Or District-level Sales Gap Analysis

- Analogous method for an entire community or commercial district
- Help identify expansion/recruitment opportunities for overall community, neighborhood or business district
- Collect total retail sales for store types for entire community (US Economic Census) or
- Estimate from an inventory of store square footage and sales/per square foot
- Compare to spending potential to estimate sales gap
- What are potential pitfalls and limitations of this method?
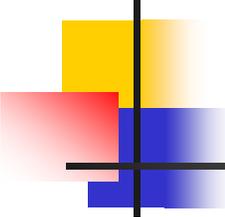
Sample Sales Gap Analysis

Table 8. Brattleboro Sales Gap Analysis

| Store Type	1999 Estimated Total Annual Spending ($000)	1999 Estimated Annual Sales ($000)	Sales Gap ($000)	Spending Capture Rate
Furniture and Home Furnishings	$ 21,156	$ 3,883	$ (17,274)	18%
Electronics and Home Appliances	$ 12,986	$ 8,129	$ (4,857)	63%
Bldg Materials, Garden Equip. & Supplies	$ 16,378	$ 12,824	$ (3,554)	78%
Food and Beverage Stores	$ 98,870	$ 63,878	$ (34,992)	65%
Clothing and Clothing Accessories	$ 28,455	$ 13,628	$ (14,827)	48%
Sporting goods, hobby, book and music	$ 12,856	$ 5,238	$ (7,618)	41%
Services (restaurants)	$ 75,833	$ 26,825	$ (49,008)	35%
Arts, Entertainment and Recreation.	$ 24,867	$ 9,083	$ (15,784)	37%
Suppressed Retail Sales	$ -	$ 31,610		
TOTAL	$ 353,949	$ 175,097	$(178,852)	49%

Source: Consultant calculations from Claritas, US Consumer Expenditure Survey, University of Vermont
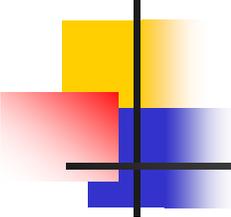
# Retail Market Analysis for Commercial District Planning

- Complex set of factors influence market position and potential for commercial districts:
  - Agglomerations and interactions among stores and uses affect who shops and how people shop
  - District may focus on specific customer/demographic niches
  - Consumer image/perceptions of the district affect its market
  - Developed buildings affect size and type of potential tenants
  - More complex competition for diverse stores, uses and roles
- Tools to Deepen Analysis and Address These Issues
  - Inventory and comparative analysis of retail strengths, niches
  - Link vacant land & building space to requirements by store type
  - Business surveys
  - Customer surveys
  - Focus groups and interviews
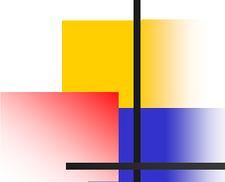
Tailoring Analysis to Urban Neighborhoods

- Is there a need to adjust total households for census undercount or recent population changes?
- Total income may need be adjusted by informal economic activity and remittances
- Informal enterprises may alter achievable market share for some businesses
- Special market niches or demographic groups can increase sales by expanding the market area or market share achieved
- Spending potential may be larger from additional market segments:
    - "Comparison goods" stores, agglomerations (e.g., many restaurants) or destination businesses that attract shoppers from a greater distance
    - "Visitor" component to demand: employees, students, tourism, or other non-residents
    - Avoid double counting employees and students who live in market area
    - Define size and spending potential in "visitor" markets segments for relevant store types: e.g., bookstores, restaurants
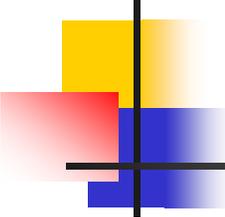
Office/Industrial Market Analysis: Demand Side

- Analyze job growth by major sectors and industries to identify where strongest growth and real estate demand exists
- Review data on absorption of space by type of use
   (Private real estate industry reports, e.g. Spaulding & Syle Report)
- Interview real estate brokers and firms in key industries to identify unique local conditions and location factors
- Interview non-traditional or specialized users that are not covered by conventional secondary data sources and brokers
- Local goals and concerns, site issues and surrounding use are factors in deciding on potential uses and industries to target
- Generate findings on feasible types of space, target industries, and property types/characteristic
- Expected absorption of new space based on historic demand, economic trends, site and community location advantages
- Specialized needs or non-traditional users that can be served
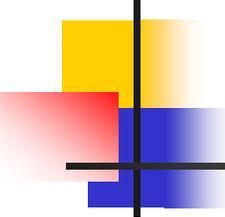
Office/Industrial Market Analysis: Supply Side

- Inventory total space, occupied space, and vacant space by type of use (office, industrial, R&D) from private real estate industry report, directories, and key property owners/brokers
- Collect data from planning officials on projects under construction and proposed projects that will expand supply
- Interview brokers, developers and economic developers to identify recent trends, large blocks of sub-lease space, market supply gaps, and perceived local strengths and weaknesses.
- Compare existing and planned supply to expected demand for each use
- Identify under-served markets and supply gaps that market is not serving
- Integrate supply and demand analysis to assess overall market potential for different uses, target industries or users, property/project characteristics
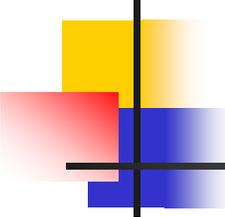
Community Resource Assessment

- Resource Assessment Goals:
  - Identify critical resources and assets
  - Evaluate their potential and current contribution to development goals
  - Define ways to more effectively apply them
- Several basic questions guide the assessment process:
  - What are the key resources? Which one are most important to ED goals? What gaps, constraints or weaknesses exist?
  - How well are resources being utilized and by whom? What are key obstacles to their use? How well are resources being managed and sustained?
  - What are specialized resource needs for key industries, under-served or targeted populations, target areas? How well are these specialized needs being served?
  - How can existing resources be improved, better utilized and targeted to achieve economic development goals? What investments, services, activities, and organizations can address the identified problems?
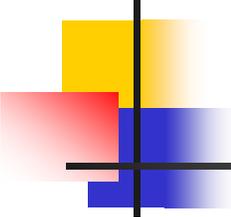
Community Resource Categories

- Land, facilities and infrastructure
- Human capital and labor force resources, including the education and training system.
- Capital resources
- Technology resources
- Organizational capacity and relationships for economic development
- Framework is the same for each category; but research focus, institutions and data sources.
- Refine assessment scope and issues based on:
  - Economic development goals & vision
    - Infrastructure and physical resources are especially important to downtown revitalization
    - Human resources are critical to addressing employment needs of low income residents
  - Understanding of the local economy
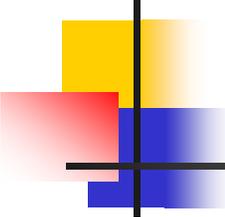
# Human Capital/Employment & Training Resource Analysis

- Demand side analysis:
  - where are job opportunities, what are their requirements, how well do they fit targeted employment groups
  - specialized labor force and skills needs critical to the future growth & competitiveness of key clusters, industries, employers
  - what programs and services are used by employers to hire and train workers, their perception of their effectiveness
- Supply side analysis:
  - education, skills, "quality", cost of local labor force
  - labor force available for key occupations
  - experience and employment obstacles for target groups
- Assess performance of education & training system.
  - What services are provided, their quality and effectiveness
- Identify key gaps, issues and problems in the system for employer and worker needs
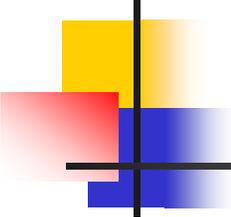
Demand Side Analysis

- Demand for occupations and type of jobs by industry & major employers: areas with existing or future shortages?
- Required skills and competencies by occupation and jobs: e.g., education, experience, certification
- New skills needed for existing workforce
- Job characteristics (wages, benefits, career advancement, etc.) for key occupations, industries, and employers
- Location of jobs by occupation & industry
- How employers recruit & hire employees by job type
- Employer experience with labor force: perceived availability and quality
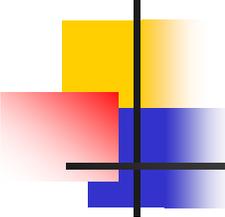
Demand Analysis Examples

- <u>Lawrence Airport Industrial Park</u>:
  - Define target industries by size, regional growth, wages (from ES-202 data analysis)
  - Identify employers in target industries—key informants, directories
  - Interview firms to assess demand, hiring requirements, wages
- <u>Case Western</u>:
  - ES-202 data to define location of employers and industries;
  - Industry/occupation matrix to estimate occupational openings by industry and location;
  - Directory of Occupational Titles to assess job requirements
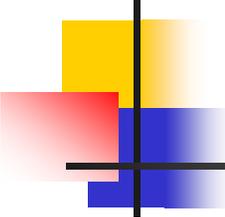
Supply Side Analysis

- Demographic profile of labor force
  - Are there potential employment obstacles?
- Educational attainment of work force
- Work experience by occupation/industry
- Unemployment rates & causes of unemployment for demographic groups
- Profile of unemployed and people out of labor force
- Profiles of workforce in key industries or employers
- Obstacles to employment
- Employee perceptions of key industries, employers, and job opportunities (misperceptions or negative perceptions)
- Non-traditional skills and experience (e.g., entrepreneurial, volunteer work political experience, etc.)
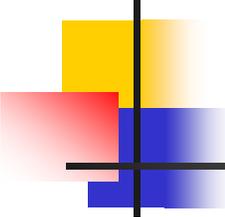
Assessing the education and training system

- Identify key institutions and providers to study
- State and federal mandates & constraints
    - WIA changes, TANF requirements and restrictions
- Training provided by each type of institution/program
- Who is served: numbers, population groups
- Relationship to other providers (are there clear progressions and ladders); formal and informal coordination mechanisms
- Relationships with employers
- How well do programs meet demand? Adapt to changes?
- Do they address key labor force needs and obstacles?
- Linkage\coordination with economic development activities
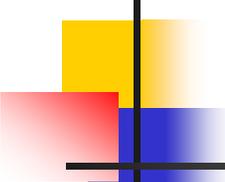
Information Sources

Labor Demand

- Trends in Employment Growth by Industry:
    - ES-202, CES, Economic Census, etc.
- Occupational Structure of Industries:
    - BLS National Industry Staffing Patterns Data
    - Occupational projections by state employment agencies
    - Occupational wage statistics- BLS & state employment agencies
- Industry association data on labor force needs
- Studies by state and regional ET boards
- Survey and interviews with employers

Labor Supply

- Government Secondary Data Sources on Labor Force
    - Dicennial census data, data
    - BLS Local Area Statistics, Current Population Survey, Profile of UI claimants,
- Data from school system and training programs
- Interviews with educational\employment and training staff
- Interviews\surveys of ET clients and unemployed

Education and Training System

- Studies & program evaluations of ET programs
- Agency annual reports, budgets, state and local plans
- Interviews and surveys of education, training, and economic development organizations
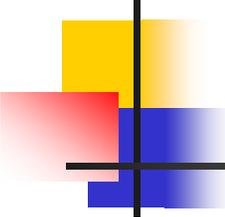
Findings from Hyams Foundation Study

- Weak linkages between neighborhood-based service providers and other actors in workforce development
- Insufficient availability of basic skills training and job readiness training: demand for ABE, ESL and job readiness exceeded supply
- Lack of client-driven case management services
- Low child care availability and quality
- Weak connections between workforce development service providers and employers