



ADVANCE LEXINGTON MARKET ASSESSMENT

Prepared for:



Prepared by:

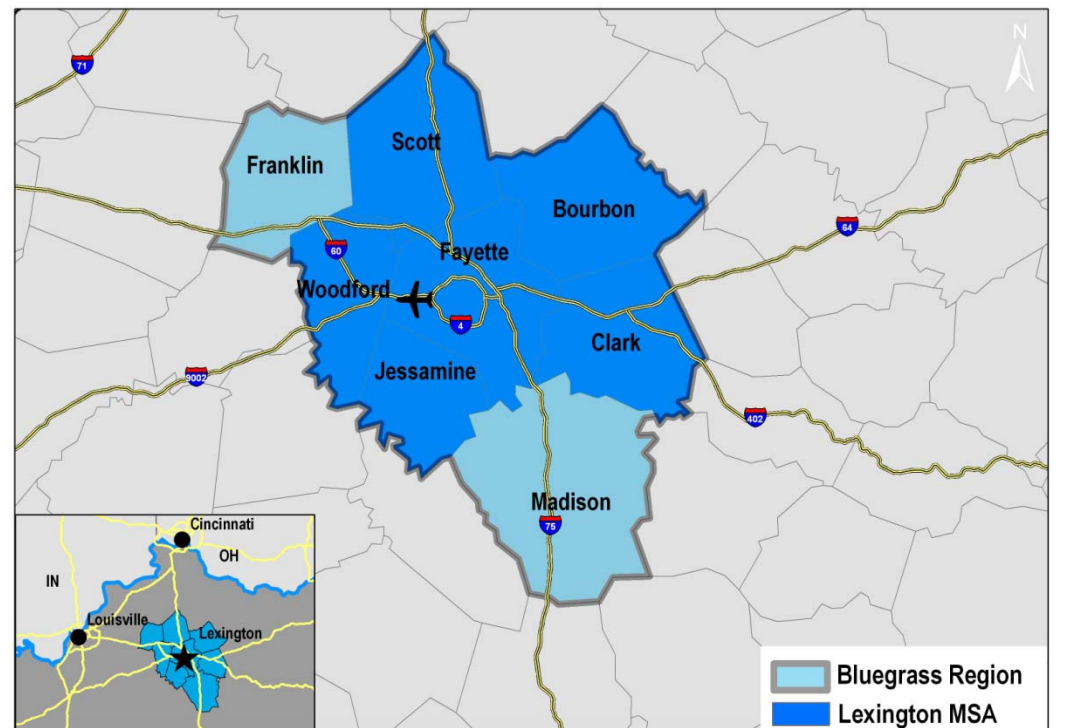


August 2010



Table of Contents

Introduction.....	1
Executive Summary.....	5
SWOT Analysis.....	9
The Economic Downturn.....	11
Regional Connections.....	12
Market Assessment.....	15
<i>How is Lexington Growing?</i>	15
<i>What Drives the Lexington Economy?</i>	24
<i>How Competitive is Lexington's Business Climate?</i>	30
<i>How Well Does Lexington Support Innovation?</i>	36
<i>What is Life Like in Lexington?</i>	42
<i>How Strong is Lexington's Real Estate Market?</i>	48
Workforce Assessment.....	51
Project Next Steps: Target Industry Recommendations...	54
Appendix.....	56



 **Angelou Economics**

0 5 10 20 30 40 Miles



Introduction

In the years since the last economic development planning work was done in 2000, significant changes have occurred both organizationally and in the marketplace. To advance their efforts to the next level, leaders in the Bluegrass Region must ensure that the region's growth is strategic, coordinated, and targeted with its overall economic development goals. Additionally, there must be an understanding of the value of the various facets of economic development, as well as identification and communication of roles and responsibilities.

Creating an economic development strategic plan begins with a critical analysis of assets and challenges. With strong information as a foundation, a community can pinpoint its competitive strengths, recognize and correct weaknesses, and more narrowly define its target audiences for marketing.

This report is the first of four that will be delivered to Commerce Lexington and the Lexington-Fayette Urban County Government. It provides background information to the consulting team and the community and will be used as the research base for the economic development strategic plan.

It is comprised of both qualitative and quantitative information. The qualitative – information gathered through surveys, focus groups and interviews – tells the story of what residents and businesses think about the community in which they live or work. The quantitative – what the statistics show – is often the perspective seen by external businesses and site selection consultants.

Strategic Considerations

The research in this report will support the product improvement and strategic recommendations in future reports. The analysis is primarily focused on addressing the following questions important to economic development:

1. *How is Lexington Growing?*
2. *What Drives the Lexington Economy?*
3. *How Competitive is Lexington's Business Climate?*
4. *How Well Does Lexington Support Innovation?*
5. *What is Life Like in Lexington?*
6. *How Strong is Lexington's Real Estate Market?*



Communities today are operating in an increasingly global and knowledge-based economy. Transnational corporations and area entrepreneurs are driving economic growth, which is fueled by skilled and highly educated employees and innovators. Local economic prosperity is dependent on the extent to which communities can position themselves to compete on this global stage to attract and cultivate both investment and talent.

More and more communities are learning that competitive advantages in this advanced and integrated economy are gained through a “regional” and collaborative approach that transcends city and county boundaries. Communities need to look beyond their local borders to build relationships and combine resources in order to more effectively expand recognition in the marketplace.

Advance Lexington is further cementing collaboration already in existence. This project will build upon existing efforts, identify the economic, infrastructure and workforce assets of Lexington and devise specific strategies that capitalize on these strengths – all through a vision for building the long-term talent pipeline and economic assets, spurring innovation resulting in high quality job creation.

The greater Lexington region brings together a multitude of important assets that, if leveraged appropriately, can position the area for enhanced economic growth. The University of Kentucky (UK), with over 26,000 students, over \$330 million of R&D annually and Coldstream Campus which is focused on enhancing life science research and regional entrepreneurship, will continue to be a major driver of innovation in the region.



The region also has a network of additional 2- and 4-year public and private institutions spread throughout with state-of-the art facilities and a multitude of academic program offerings. Bluegrass Community and Technical College, which services the entire Bluegrass Region across six campuses (and recently announced Newtown Pike Campus), is, in many ways, the regional “common thread” or workforce development connection point.

There are a number of major corporate operations; Lexmark, Toyota, Lockheed Martin, IBM, HP and ACS - a Xerox Company, as well a myriad of smaller high growth firms, all of which employ a significant number of people and engage in important research and testing of new technologies.

However, several underlying economic issues are found in Lexington. The network of entrepreneurship, mentorship, capital, and other resources needs to be further developed in a way that will help the region elevate predominant industry sectors like healthcare, equine, education, and advanced manufacturing, while building a more supportive foundation for emerging value added sectors such as renewable energy and life sciences. Community stakeholders must understand the various facets of economic development and collaboration between economic development partners must be strengthened.

**Throughout the report “Lexington” is used to refer to the consolidated Lexington-Fayette Urban County. Data is presented on this level unless otherwise noted.*

*** The Lexington MSA includes the following 6 counties: Bourbon, Clark, Fayette, Jessamine, Scott, and Woodford.*

****The Bluegrass Region includes the following 8 counties: Bourbon, Clark, Fayette, Franklin, Jessamine, Madison, Scott, and Woodford.*



BENCHMARKS

In order to gauge where Lexington stands relative to other competitor communities, this report assesses its performance against a number of benchmark communities including **Tucson, AZ, Knoxville, TN and Boulder, CO**. The benchmark communities were chosen because they share certain key features with Lexington such as being areas of high growth with a strong technology foundation; they are all mid-sized cities that are home to a university. Additionally, the study benchmarks Lexington against the Bluegrass Region, the State of Kentucky and the U.S.

AT A GLANCE

	Lexington, KY	Bluegrass Region	Tucson, AZ	Knoxville, TN	Boulder, CO	Kentucky	USA
Population (2009 Estimate)	296,545	603,075	529,106	189,081	96,754	4,314,113	307,006,550
Population Growth ('90-'09)	31.6%	34.1%	27.6%	10.1%	11.4%	17.1%	23.4%
Unemployment Rate, Apr 2010*	7.7	8.2	9.0	9.5	6.9	10.2	9.9
Labor Force Growth ('90-'09)	19.1%	24.2%	46.0%	15.2%	21.0%	19.0%	22.5%
Median Household Income (2009)	\$52,173	\$51,084	\$39,171	\$34,436	\$55,201	\$43,083	\$53,684
% Bachelor's Degree + (2009)	40.5%	32.3%	26.2%	29.8%	69.1%	20.2%	28.0%
% in 25-44 Age Group (2009)	30.0%	29.2%	28.0%	26.7%	28.5%	27.0%	27.1%

* Not Seasonally Adjusted

Source: U.S. Census Bureau, Bureau of Labor Statistics, Decision Data Resources



Executive Summary

- **More and more communities are learning that competitive advantages are gained through a “regional” approach that transcends city and county boundaries.** Currently, in the Bluegrass Region there is a scarcity of trust and collaboration. Some progress is being made through the Bluegrass Alliance and their regional marketing initiatives. Many stakeholders recognized the importance of regional collaboration, however, by and large, stakeholders across the region noted that public sector officials still need a significant amount of convincing that regionalism is a worthwhile concept that generates a return on investment.
- **There must be a common understanding of the value of the various facets of economic development, active support of a shared, regional strategic vision as well as identification and communication of roles and responsibilities.** “Silos” within the various facets of economic development was a common term heard throughout the public engagement process. Collaboration is a critical factor in achieving economic development success, in any type of economic environment. Many stakeholders expressed a scarcity of trust, understanding and communication between economic development partners and frequently noted the need for a collective vision.
- **Need to improve the minority business development program.** Commerce Lexington and the Urban League’s recent Economic Inclusion report found a significant gap between minority business owners’ economic activity versus minorities’ percentage of the overall population. Stakeholders interviewed described a significant challenge in finding appropriate resources and mentors when starting or expanding a business.

“The region, at least the contiguous counties to Fayette, must be involved with this process for a new plan to be successful.”

- Business Survey Response



- **Need for a more organized and resourced effort focused on regional external marketing.** Commerce Lexington, Bluegrass Alliance and other economic development partners have made improvements in external marketing. However, for a region the size of the Bluegrass, much more needs to occur, requiring additional resources to spread the word about Lexington and the Bluegrass Region.
- **Commercial redevelopment and additional cultural amenities should be considered as a means to create a dynamic environment to draw and retain young professionals.** Redevelopment and revitalization of older commercial areas is an important component of the city's economic development efforts, especially as a tool to promote small businesses and attract and retain young professionals. As Lexington continues to support and promote Downtown's transition to a destination for the region, other arts and cultural amenities can also ultimately be an important part of the Lexington's economic development efforts. Additional promotion of these factors – especially tying them to more mixed-use development, will be important to draw additional outside visitors as well as ensure that a more dynamic work/live/play quality emerges.
- **High innovation indicators...need to further strengthen programs to capture spin off opportunities.** Although Lexington has a strong technology foundation, availability of capital and other resources for emerging start-ups are limited but growing. Like many areas that are seeking to build a stronger economic base, there is a critical need for better support for developing "home grown" entrepreneurs – including stronger training programs, more robust networks, early stage venture capital funding, and more focus from the public sector on building support for existing small businesses.



- **Need to create a culture of entrepreneurship that celebrates successes and accepts failure.** Many stakeholders described Lexington's undeveloped entrepreneurship culture as a significant barrier to enterprise development and innovation in Lexington. In spite of this challenge, several crucial "innovation drivers" are emerging that will position Lexington and the greater Bluegrass Region to improve entrepreneurship acceptance.
- **Opportunity to drive/connect innovation – if it is targeted to specific industries and accessible to the greater region.** The UK Coldstream campus presents a great opportunity to encourage private entrepreneurs to work with research faculty and expand economic development throughout the region. This strategic plan will identify economic development targets (in the next phase) that are likely to be synergistic with core UK research competencies, such as life sciences. In addition, as the Coldstream campus and other UK research facilities develop, there may be an opportunity to more robustly tie to counties outside of Fayette. During interviews, outlying counties expressed a disconnect with UK from an economic development perspective. This was most often characterized as a lack of awareness of innovations emerging from the university that may have applications for regional firms. As R&D and technology transfer becomes more of a focal point for the university, outlying counties will benefit from gaining a more clear understanding of the match between regional business' core competencies and innovations that are available for licensing or other collaborations.



- **Responsive community college system but limited capacity for generating awareness of customized training services.** The Bluegrass Community and Technical College (BCTC) system has an exceptional reputation for meeting technical training needs in the region but needs to do more to reach directly to the regional business community and early education providers to understand customized training needs and to articulate BCTC's existing training capabilities. BCTC customized training programs appear well linked to dominant and/or growing industries regionally such as health care. However, BCTC does not currently have the resources to conduct additional and targeted outreach.
- **University of Kentucky – all major university components are located in Lexington.** The University of Kentucky (UK), with over 26,000 students, over \$330 million of R&D annually and Coldstream Campus which is focused on enhancing life science research and regional entrepreneurship, will continue to be a major driver of innovation in the region.
- **Transportation (ease of access and commute times) was identified by stakeholders as one of the most pressing quality of life issues for the city.** Many stakeholders cited a growing concern about traffic congestion and the limited public transportation options within Lexington.



SWOT Analysis

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS

This section of the report highlights the strengths, weaknesses, opportunities, and threats for Lexington, as collected through stakeholder discussions, survey information, and quantitative databases. We do not intend for this analysis of issues to be all-inclusive. Rather, we focus on those areas that will have the most direct impact on future economic development efforts of Lexington.

We define the four aspects of “SWOT” in these terms:

- Strengths:** Issues or characteristics that can be built upon to advance current and future economic growth opportunities in Lexington.
- Weaknesses:** Issues or characteristics that, if not addressed effectively, could limit current or future growth opportunities.
- Opportunities:** Assets, events, or trends that offer Lexington the potential for economic growth and attraction of new industry.
- Threats:** Obstacles, events or trends that, if not addressed effectively, could threaten the city’s economic potential and its ability to attract, expand and start up new employers.

SWOT Analysis

<p style="text-align: center;"><u>STRENGTHS</u></p> <ul style="list-style-type: none"> • Highly educated workforce • Significant healthcare and life science assets • Rural landscape surrounding Lexington – unique natural beauty • Significant education cluster • Horse industry center and related services • Transportation access to national interstate infrastructure • Strong regional airport with additional regional flight options • Connections between education and employers (ex: healthcare) • Major tourism events related to equine industry • Unique industry base (thoroughbred, bourbon, etc) • Excellent quality of life • Strong public schools • Vibrant artistic/creative community • Engaged private sector • Family oriented community • Central location close to major U.S. population centers • Low unemployment compared to state and nation 	<p style="text-align: center;"><u>WEAKNESSES</u></p> <ul style="list-style-type: none"> • Need for a common understanding of the value of the various facets of regional economic development • Limited startup capital – start-ups look for funding outside of Lexington • Lack of developable and affordable land in Lexington • Mismatch between talent and job opportunities – losing talent to other cities • Small pool of upper management talent • Permitting process – not streamlined, multiple agencies involved • Low level of trust between the surrounding counties and Lexington-Fayette county • Need more science / math teachers • Not enough engineers being produced statewide to meet demand • Manufacturing workforce – younger generation is not interested, older generation is retiring • Limited community programs to re-train older workers – need transition support • Lack broad based approach to education – more than just 4-year schools, educate about options – kids and parents see 4-year only option • Need for improvements to the minority business development program • Transportation within the city – need more road connectivity and additional public transportation options
<p style="text-align: center;"><u>OPPORTUNITIES</u></p> <ul style="list-style-type: none"> • Enhancing entrepreneurship and innovation support programs (capital, networking and mentorship programs) • Leveraging Lexington’s significant cross-cutting industry opportunities in high growth industry sectors • Better communication of what kinds of jobs are available throughout the region • Improved development review process • Common understanding and vision for economic development • Expanded technical and vocational training programs • Leveraging the region’s significant healthcare and life science assets for continued job creation • Expanded air connections aligned to target markets (especially low-cost carriers) • Elevate the collaborative approach to marketing the entire region • Improved regional, external marketing with additional resources • Improved talent retention / attraction • Career tracking / training - help students identify what they’re good at • Educate graduates about the available resources for finding local jobs 	<p style="text-align: center;"><u>THREATS</u></p> <ul style="list-style-type: none"> • Poor perception of state of Kentucky by site selection professionals • Limited air connectivity and potential expansion of low cost airlines in competing markets • Many of the major roads in Lexington are managed by the state Department of Transportation • Intra-regional distrust • Continued off-shoring of manufacturing • Numerous public sector entities in the region make collaboration a challenge • Tax structure inhibits regionalism on economic development projects



The Economic Downturn

LEXINGTON AND THE RECENT ECONOMIC DOWNTURN

While this report is designed to assess *longer-term* underlying economic, demographic, and labor market trends, it is important to analyze the information within the context of the current national economic crisis and how Lexington has been affected from a labor perspective.

The current economic slowdown has had a definite impact on the Lexington economy, reversing previous years of job and business establishment growth and further diminishing the area's base of manufacturing opportunities following national trends. However, Lexington has fared well compared to many other cities, experiencing relatively low levels of unemployment. A large base of jobs in both education and health care have been a stabilizing force in the local economy. Bolstered by these industries, Lexington was ranked #13 in BusinessWeek's "Best Cities for Riding Out a Recession" list in 2008.

Unemployment rates in Lexington have followed national trends during the recession, reaching peak highs in June of 2009 and February of 2010. However, Lexington has maintained much lower rates of unemployment than the larger Bluegrass Region, the State of Kentucky, and the U.S.

Many jobs have been lost in Lexington and the greater region during the downturn, across various sectors such as manufacturing and retail. Layoffs in Fayette County include Dawahare's of Lexington, LLC, Verizon, Inc., and Dillard's Inc. Surrounding counties have also experienced significant layoffs such as Kuhlman Electric, Wintech, Ainak, Inc., and Jackson Plastics.

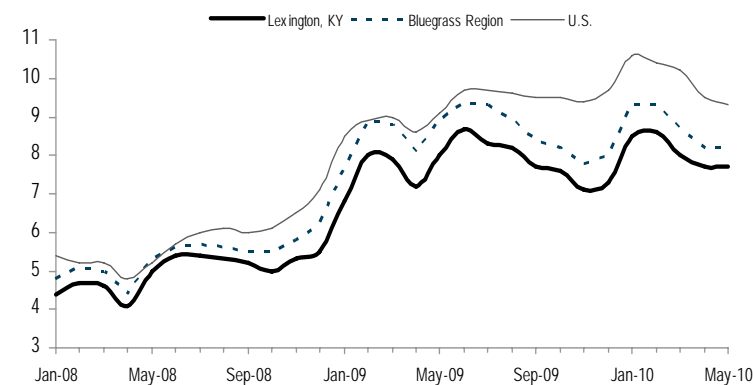
Major Layoffs in Lexington-Fayette County, 2008-Present Layoffs affecting 25+ workers

Company	Workers Affected
Dawahare's of Lexington, LLC	450
Verizon, Inc.	241
Dillard's Inc.	121
Komatsu Reman North America	117
Trane Climate Solutions	70
Ceradyne	65
CHA-Humana	54
ASC	40
Bruce Wholesale Flooring	30
Intranasal Therapeutics	30

Source: Kentucky Office of Training and Employment

UNEMPLOYMENT RATE

MONTHLY UNEMPLOYMENT RATE, JAN 2008-MAY 2010



Source: BLS Local Area Unemployment Statistics



Regional Connections

LEXINGTON AND THE BLUEGRASS REGION

While this study focuses on the Lexington-Fayette Urban County, evidence of intertwined regional economies is revealed by an analysis of Lexington’s labor shed – the counties where those who work in Lexington are coming from – and the commute shed – the counties where Lexington residents are working.

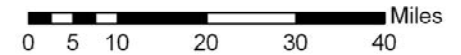
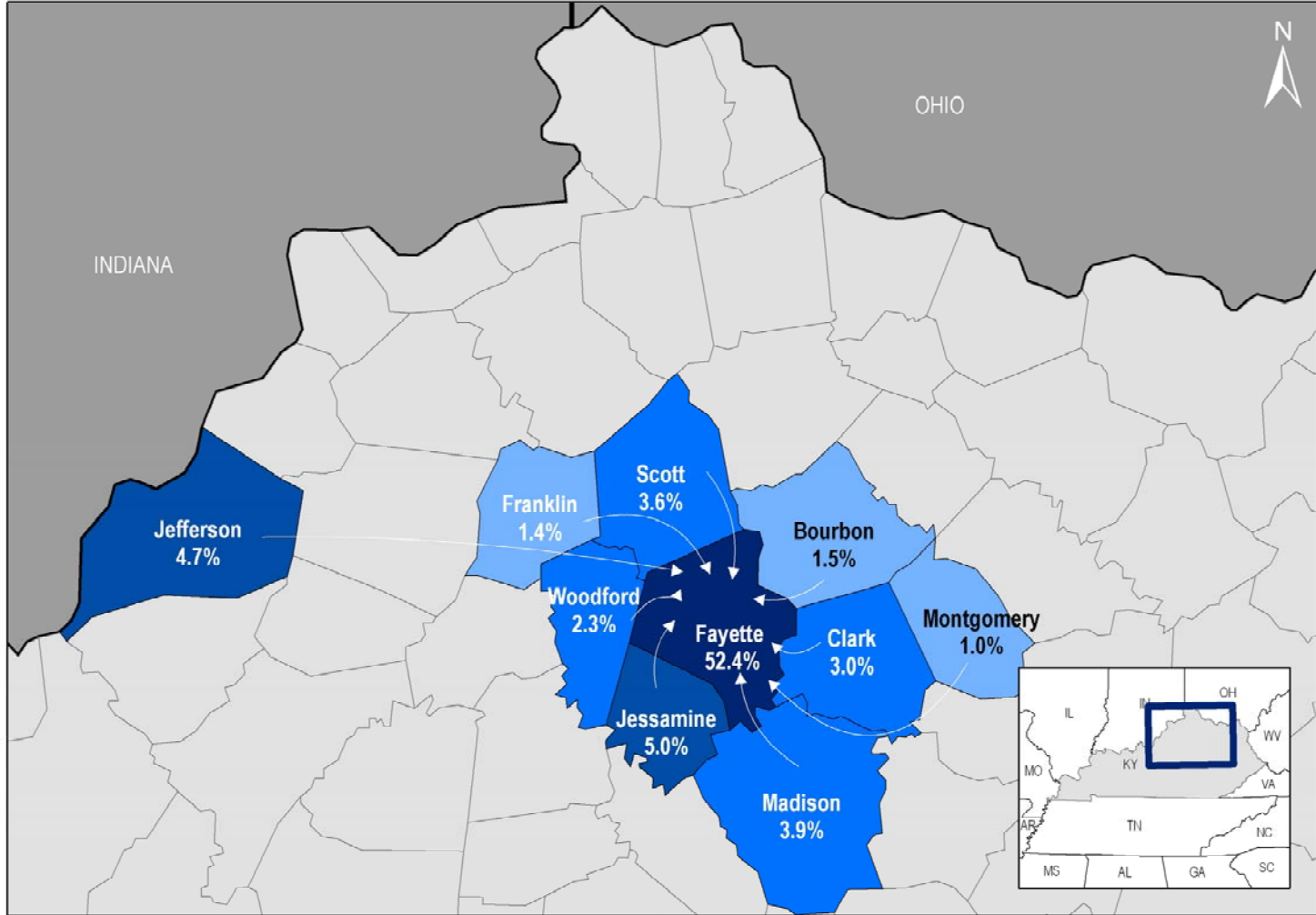
Fayette County is part of both the Lexington MSA (6 counties) and the Bluegrass Region (8 counties). Regional cooperation in any area is a major component to success in economic development. More and more communities are learning that competitive advantages in this advanced and integrated economy are gained through a “regional” approach that transcends county boundaries. Communities need to look beyond their local borders to build relationships and combine resources in order to more effectively expand recognition in the marketplace. Regions, not individual cities, are the locus of competitive advantage in the new economy – an economy where human capital plays a much more important role in company and community prosperity.

Evidence of a Regional Economy

- Nearly 50% of those working in Lexington live outside of Fayette County.
- 25% of the workforce in Fayette County resides in the other seven counties of the Bluegrass Region.
- Of employed Lexington residents, 67% work in Fayette County meaning that over 30% commute to jobs that are located in other counties.
- 7.3% of employed Lexingtonians commute to Jefferson County (part of the Louisville MSA) for work.

LEXINGTON-FAYETTE LABOR SHED

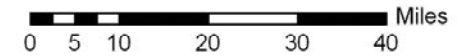
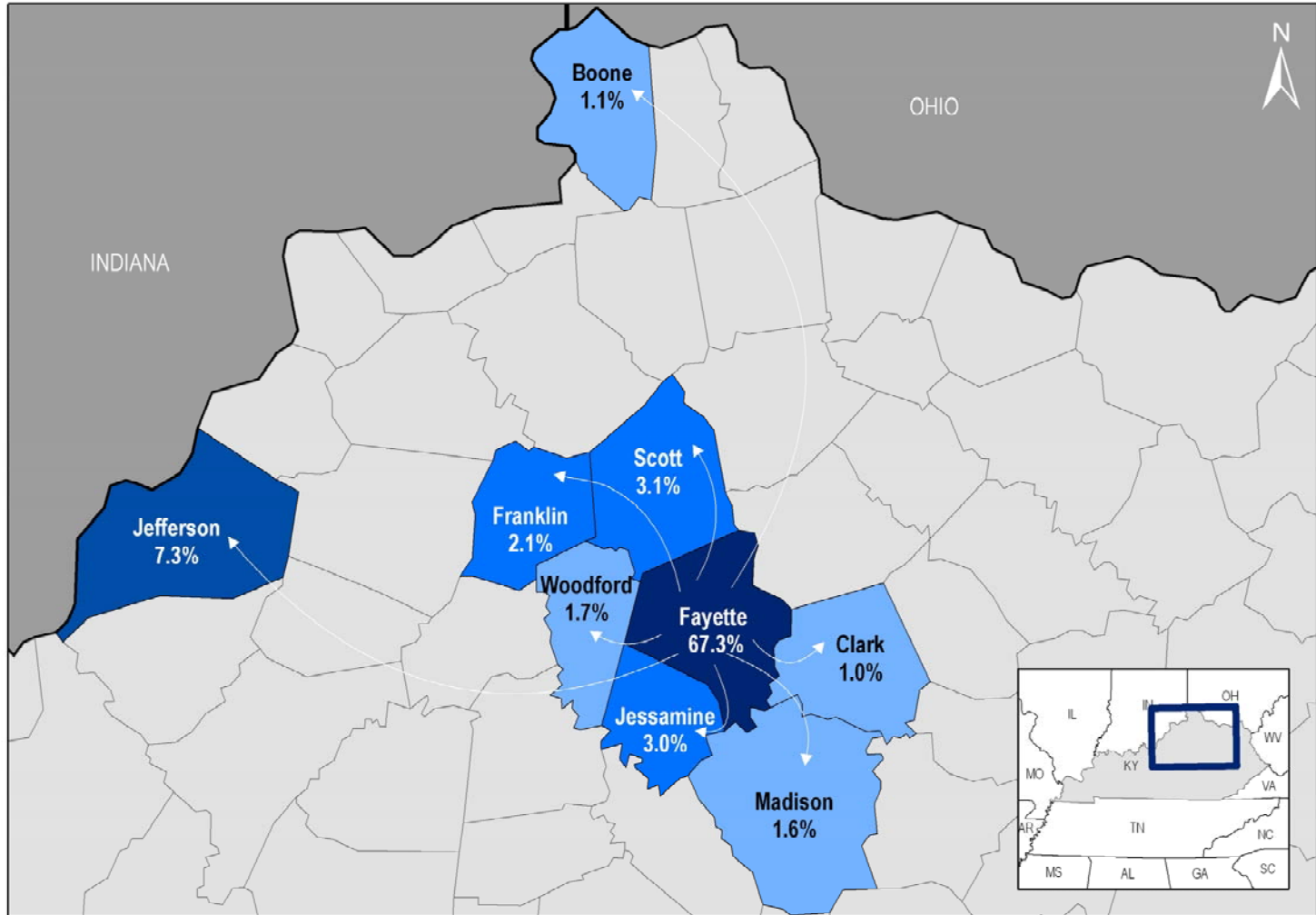
WHERE LEXINGTON WORKERS LIVE




Source: U.S. Census LEHD

LEXINGTON-FAYETTE COMMUTE SHED

WHERE LEXINGTON RESIDENTS WORK



Source: U.S. Census LEHD



How is Lexington Growing?

KEY FINDINGS: DEMOGRAPHIC TRENDS

Lexington has experienced rapid growth over the past 20 years. Unlike Knoxville, one of the benchmark communities, which experienced a boom in population during the '90s, or Boulder which didn't experience much growth until after 2000, Lexington and the entire Bluegrass Area has had sustained growth over the past two decades. This growth both spurs development, in terms of real estate as well as business creation, and creates challenges, such as added traffic congestion.

Lexington is a diverse city in many ways. This diversity is one of the city's strongest assets. Not only is the city racially and ethnically diverse, it is also home to residents of various income levels and ages.

In terms of age, race and income, Lexington's trends are nearly equivalent to those of the U.S. However, when it comes to education, Lexington is set far apart from the rest of the nation because of its exceptional rates of educational attainment, especially in terms of bachelors, masters and other post-secondary degrees. This area is home to many premier institutions such as the University of Kentucky and Transylvania University. The University of Eastern Kentucky in Richmond is less than 25 miles away.

Lexington also has a number of two-year technical schools such as Bluegrass Community and Technical College and the College for Technical Education.

Lexington Demographics

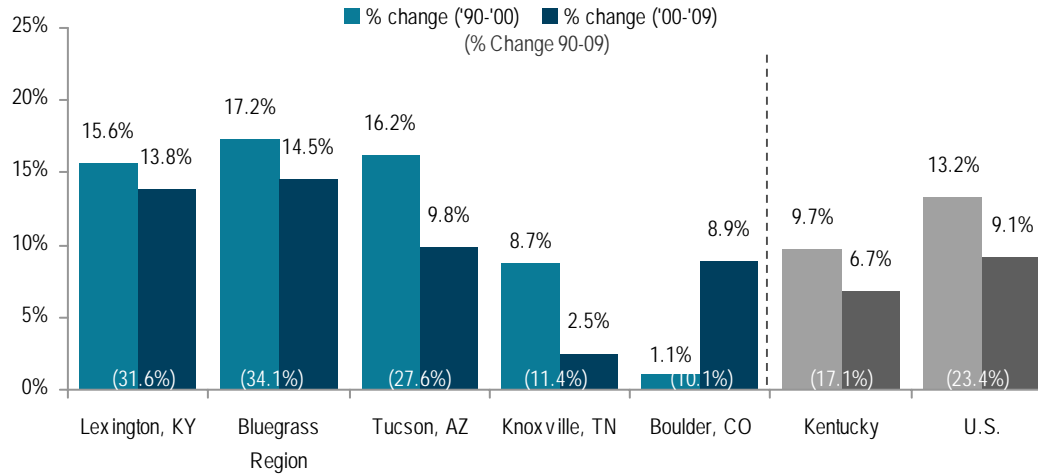
- '09 City/County Population: 296,545
- Population Growth 1990-2009: 31.6%
- '09 MSA Population: 470,849
- '09 Bluegrass Region Population: 603,075
- '09 Median Age: 35.8
- '09 Median Income: \$52,173
- '09 Population Ages 25-44: 30.0%
- '08-'09 Fayette County School District Graduation Rate: 83.6%
- '08-'09 Fayette County School District ACT Score: 22.3
- '09 University of Kentucky Student Population: 26,054

Note: All sources cited in the following section.

Population Growth

POPULATION GROWTH

POPULATION GROWTH, 1990-2009



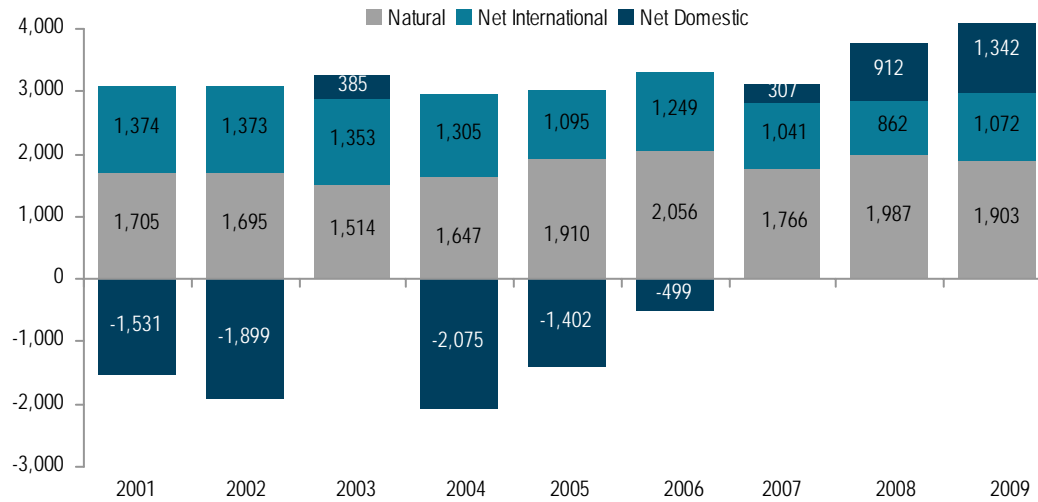
Source: U.S. Census Bureau

Lexington has been growing rapidly in recent years, outpacing both the state and the nation.

- Both Lexington and the larger Bluegrass Region have experienced sustained and rapid growth since 1990.
- Natural birth rates and international migration were the causes of population growth in Lexington prior to 2007.
- Since 2007, Lexington has been experiencing a new and encouraging trend for the area: positive net domestic migration.

POPULATION CHANGE IN LEXINGTON-FAYETTE COUNTY

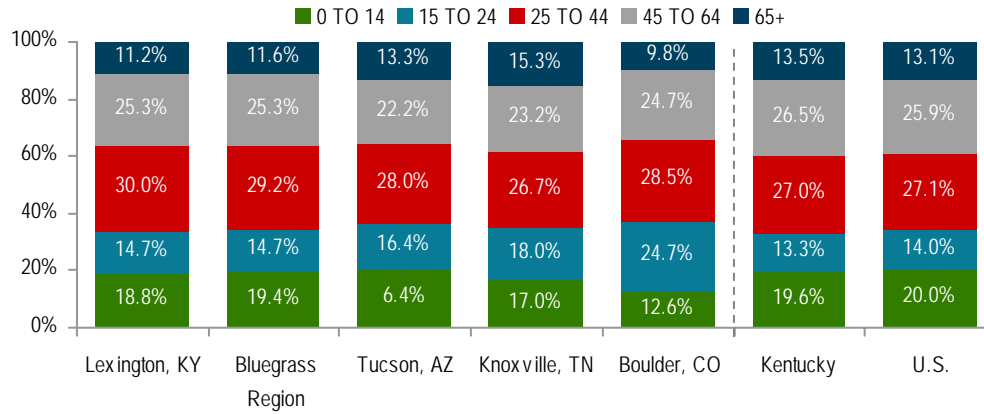
COMPONENTS OF POPULATION CHANGE, 2001-2009



Source: U.S. Census Bureau

Age

AGE DISTRIBUTION 2009



Source: Decision Data Resources

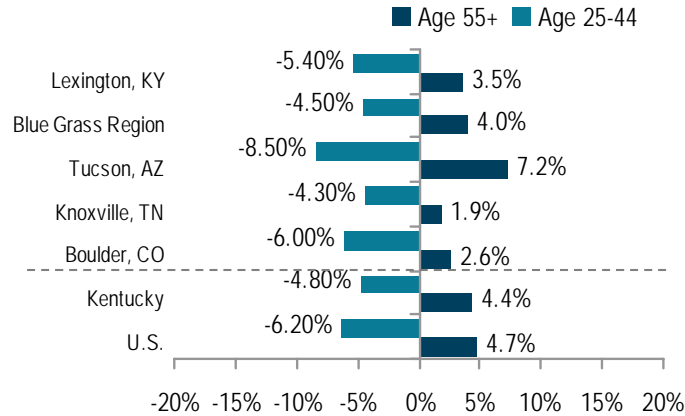
MEDIAN AGE 2009

Boulder, CO	31.5
Tucson, AZ	33.6
Knoxville, TN	35.3
Lexington, KY	35.8
Bluegrass Region	35.8
Kentucky	37.9
U.S.	37.1

Source: Decision Data Resources

AGING POPULATION

GROWTH IN PERSONS AGE 25-44 AND AGE 55+ AS A % OF POP., 1990-2009



Source: Bureau of Labor Statistics

The age distribution of Lexington is largely in line with that of the state and nation.

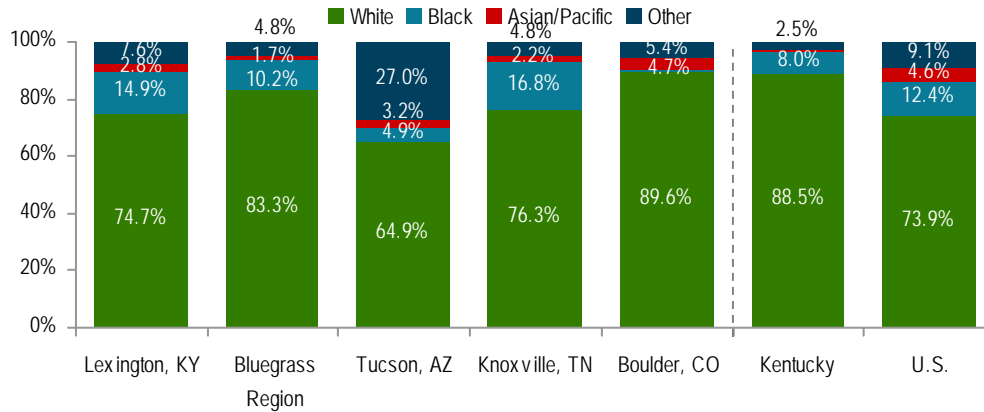
- The young professionals cohort, ages 25-44, is an important group for business creation and innovation. Lexington has a greater percentage of people in the 25-44 age range than the U.S and Kentucky. With 30% of the population in this age group, Lexington has a greater proportion of this group than any of the benchmarks.

- The median age for Lexington is higher than the benchmark communities, but still over a year under the median age for the U.S.

- An aging population is a nation-wide challenge with significant economic and workforce development implications. Lexington has seen less growth in the 55+ population than Kentucky or the U.S.

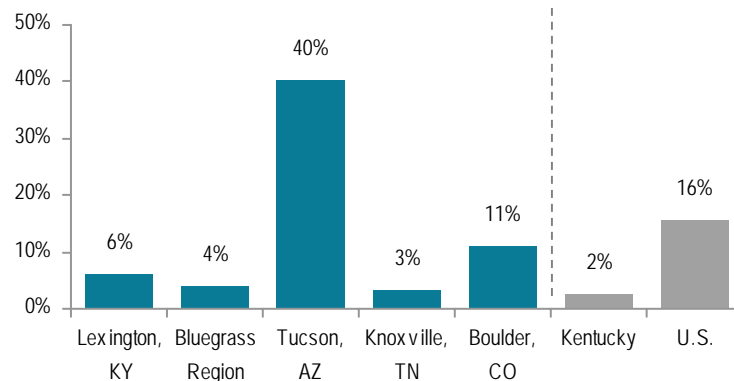
Race and Ethnicity

POPULATION BREAKDOWN 2009



Source: Decision Data Resources

% POPULATION HISPANIC



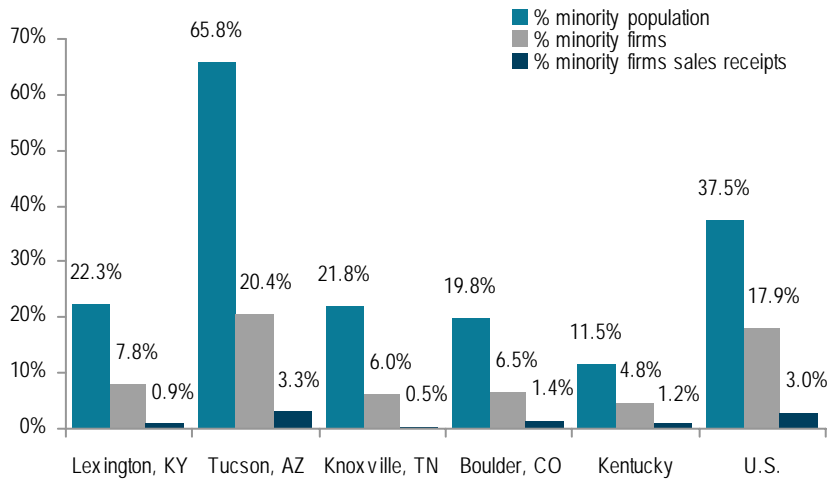
Source: Bureau of Labor Statistics

Lexington is a diverse city; this diversity serves as a great asset for the city.

- Workforce diversity can provide a competitive advantage as creative and innovative firms increasingly seek out locations with pools of diverse, creative people.
- Businesses have found that homogenous communities are less attractive to an innovative and creative workforce.
- The US Census considers Hispanic descent to be an ethnicity rather than a race. This allows survey respondents to claim both race and ethnicity, such as a person reporting to be a white Hispanic. For this reason, Hispanic ethnicity must be examined independently of racial population distribution.
- Lexington has a very small Hispanic population when compared to the rest of the country. However, Kentucky is only 2% Hispanic so Lexington has a higher proportion of Hispanic residents than many other areas in the state.

Minority-Owned Businesses

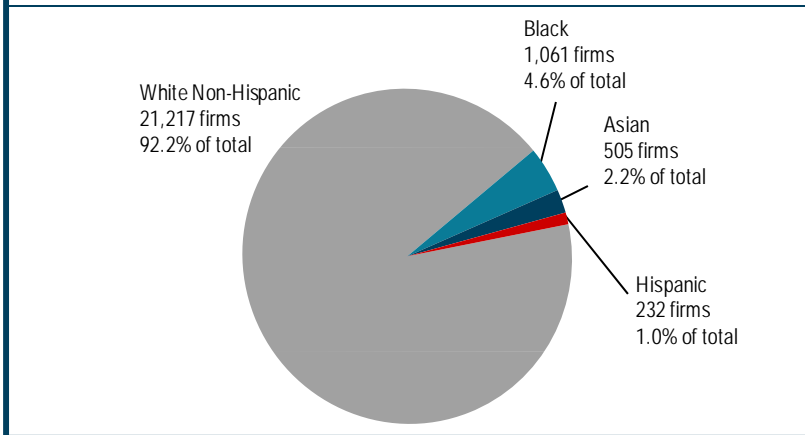
MINORITY ENTREPRENEURSHIP, 2002



*% minority population figure taken from 2000 U.S. Census because annual estimates for race and ethnicity are not available annually at the city level. Source: U.S. Census Bureau Economic Census

MINORITY BUSINESSES IN LEXINGTON

% OF TOTAL NUMBER OF FIRMS, 2002



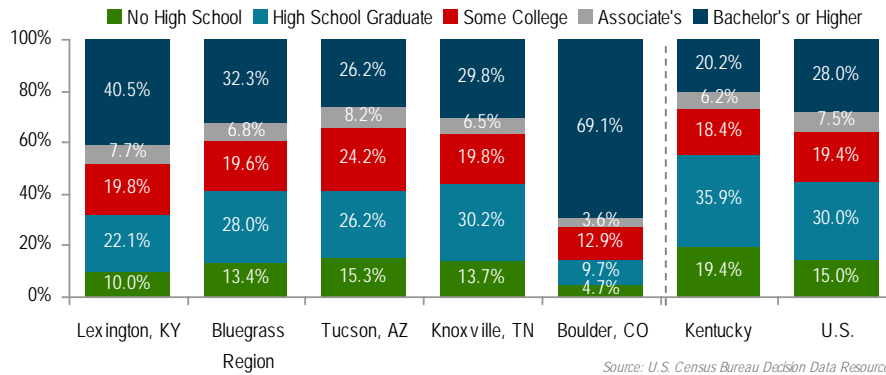
Source: U.S. Census Bureau Economic Census

Minority-owned businesses are an important part of the Lexington economy but there is still a great deal of entrepreneurial disparity.

- 7.8% of businesses in Lexington were minority-owned firms in 2002.
- Comparing the general population, of which minorities made up 22%, to the percentage of small businesses reveals the disparity.
- Even more extreme is the amount of sales receipts, less of 1% of which came from minority businesses.
- This is a nationwide challenge, but the region itself needs to create strategies to tackle this inequity and promote minority-owned businesses.

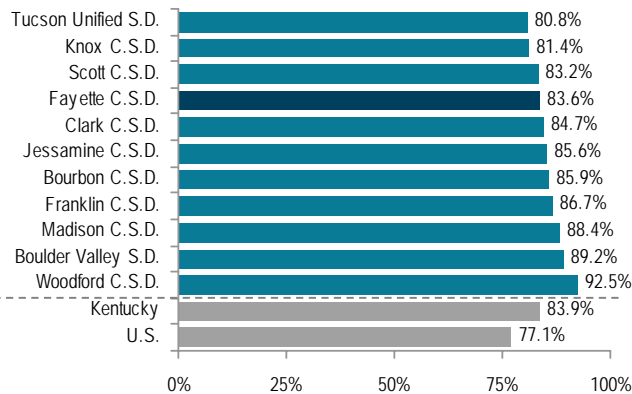
**The 2002 Economic Census is the most current data. 2007 Economic Census data has not yet been released on the local level.*

EDUCATIONAL ATTAINMENT 2009



HIGH SCHOOL GRADUATION RATES

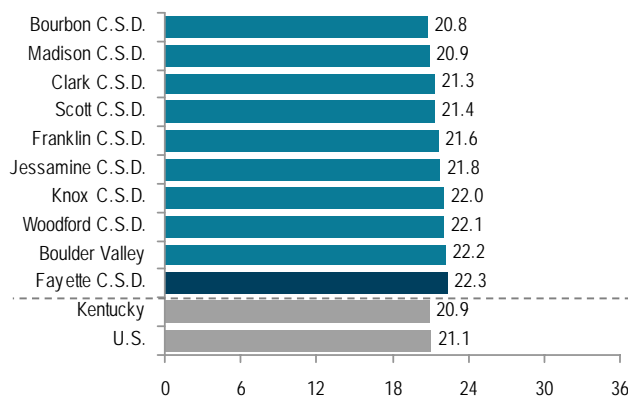
2008-2009 GRADUATION RATE BY SCHOOL DISTRICT



Sources: Kentucky Department of Education, Arizona Department of Education, Tennessee Department of Education, Colorado Department of Education, National Center for Education Statistics

HIGH SCHOOL ACT SCORES

2008-2009 ACT SCORES BY SCHOOL DISTRICT



*Scores not available for Tucson, AZ School Districts. Sources: National Center for Education Statistics, ACT, Kentucky Department of Education, Tennessee Department of Education, Boulder Valley School District

Lexington has exemplary levels of educational attainment.

- Over 40% of Lexingtonians have a bachelor's degree or higher. The highly educated population here is one of the area's greatest workforce assets.
- High levels of post-secondary education are made possible not only by the presence of the University of Kentucky, but also Transylvania University and the numerous higher education institutions listed on the following page. In addition to outstanding four-year schools, there are also a number of technical colleges in the area.
- Fayette County School District boasts the highest ACT scores of any district in the benchmark communities. At 22.3, their average composite score is higher than both state and national averages.
- There are a number of magnet school programs in Fayette County, including two applied technology centers that help prepare secondary students for entry into the workforce.

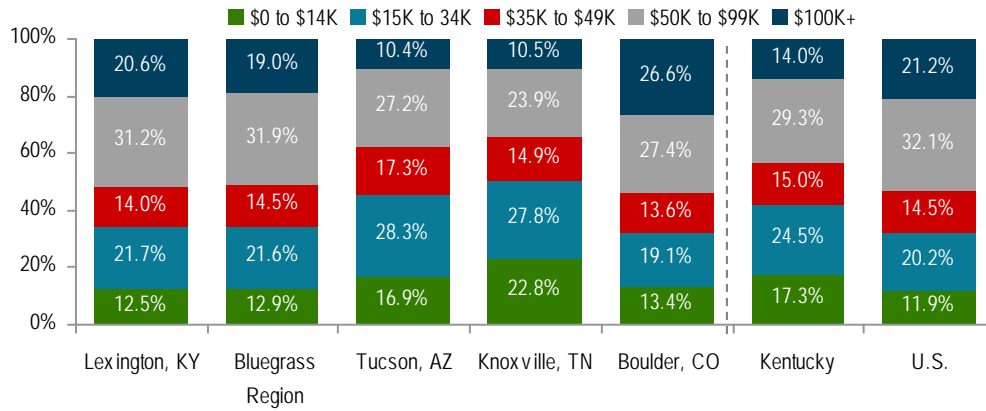
Higher Education

LEXINGTON AREA HIGHER EDUCATION INSTITUTIONS				
Institution	Location	Type	Awards offered	Student population
University of Kentucky	Lexington, KY	4-year, Public	Bachelor's degree; Master's degree; Post-master's certificate	26,054
Eastern Kentucky University	Richmond, KY	4-year, Public	One but less than two years certificate; Associate's degree; Bachelor's degree; Postbaccalaureate certificate; Master's degree; Post-master's certificate	16,031
Bluegrass Community and Technical College	Lexington, KY	2-year, Public	Less than one year certificate; One but less than two years certificate; Associate's degree	12,143
Sullivan University	Lexington, KY (main campus in Louisville, KY)	4-year, primarily associate's, Private	Less than one year certificate; One but less than two years certificate; Associate's degree; Bachelor's degree; Master's degree; Doctor's degree	5,652 (all campuses)
National College-Lexington	Lexington, KY	4-year, primarily associate's, Private	Less than one year certificate; One but less than two years certificate; Associate's degree; Bachelor's degree	2,723
Georgetown College	Georgetown, KY	4-year, Private	Bachelor's degree; Master's degree	1,856
Asbury Theological Seminary	Wilmore, KY	4-year, Private	Postbaccalaureate certificate; Master's degree	1,602
Asbury College	Wilmore, KY	4-year, Private	Associate's degree; Bachelor's degree; Master's degree	1,550
Midway College	Midway, KY	4-year, Private	Associate's degree; Bachelor's degree; Master's degree	1,283
Transylvania University	Lexington, KY	4-year, Private	Bachelor's degree	1,158
Spencerian College-Lexington	Lexington, KY	2-year, Private	Less than one year certificate; One but less than two years certificate; Associate's degree	605
College for Technical Education	Lexington, KY	< 2-year, Private	Less than one year certificate; One but less than two years certificate	214
The Salon Professional Academy	Lexington, KY	2-year, Private	One but less than two years certificate; Two but less than 4 years certificate	109
Lexington Theological Seminary	Lexington, KY	4-year, Private	Master's degree	89
Barrett and Company School of Hair Design	Nicholasville, KY	2-year, Private	Less than one year certificate; One but less than two years certificate; Two but less than 4 years certificate	87
MedTech College-Lexington Campus	Lexington, KY	2-year, Private	One but less than two years certificate; Associate's degree; Two but less than 4 years certificate	no data
American College of Barbering	Lexington, KY	Private	Certificate	no data
Bailey's Barber College	Lexington, KY	Private	Certificate	no data

*Note: Schools listed are within a 25 mile radius of Lexington.

Source: National Center for Education Statistics; AngelouEconomics

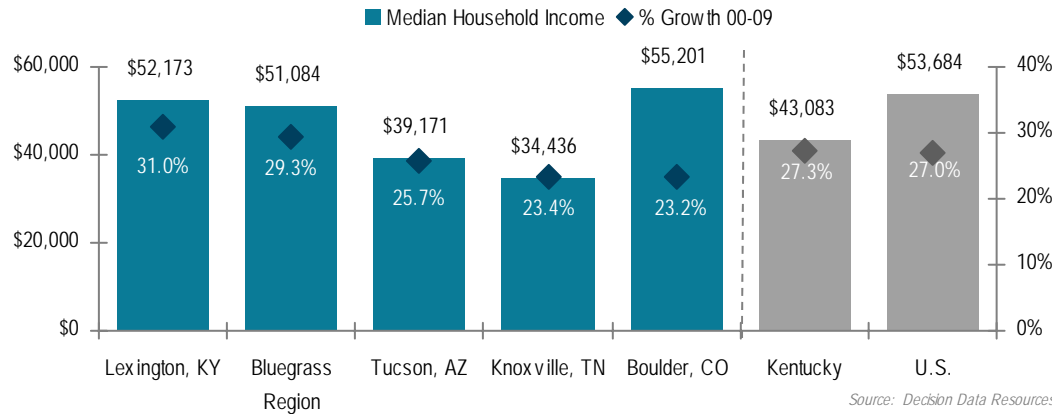
INCOME DISTRIBUTION 2009



Source: Decision Data Resources

MEDIAN HOUSEHOLD INCOME

MEDIAN HOUSEHOLD INCOME (% GROWTH SINCE 2000), 2009

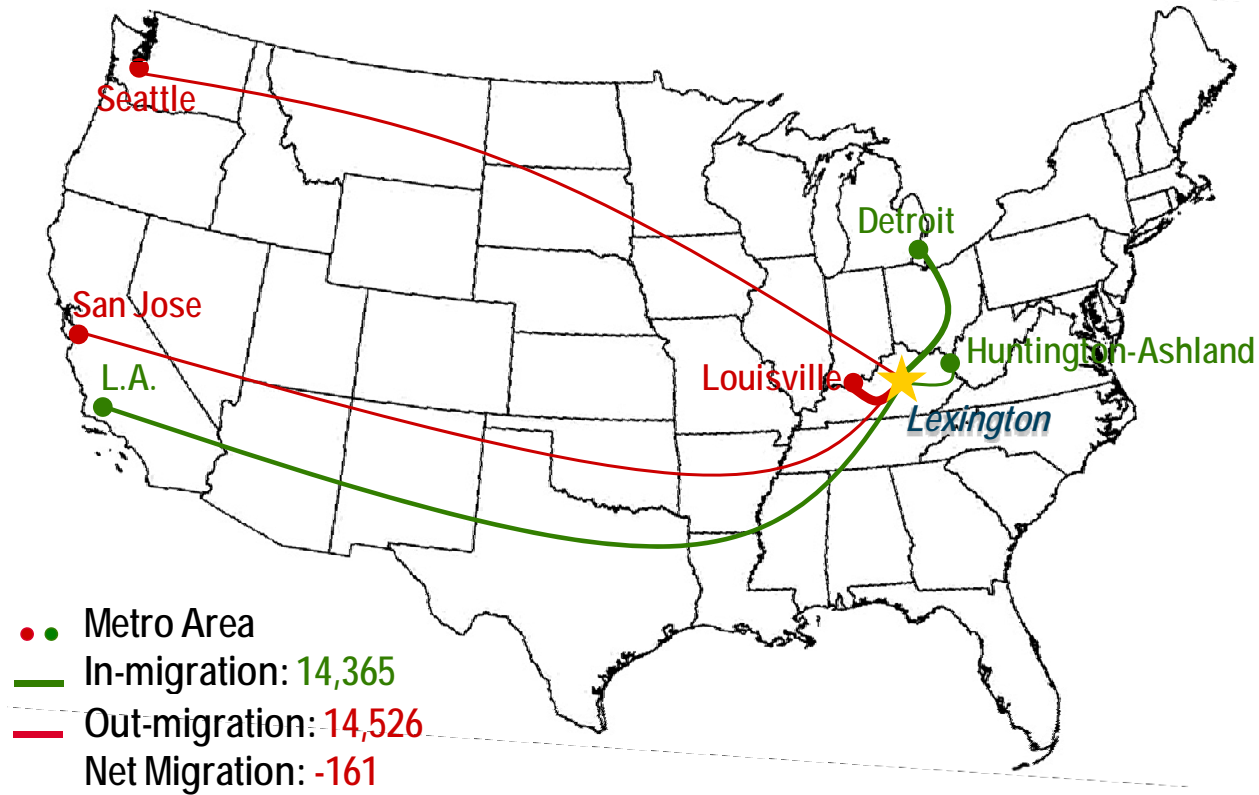


Source: Decision Data Resources

Income levels in the Lexington MSA are among the highest in the state; however, they are in line with U.S. averages.

- In terms of highest median income, four of six counties in the Lexington MSA are among the top 25 counties in Kentucky.
- There is, however, a certain level of disparity within the Bluegrass Region. Of the eight counties in the region, Scott County has highest median income - \$62.5K- and Madison County has the lowest - \$42K.
- Reflective of the high-quality jobs available in Lexington, the median income for the city is \$52K, about \$9K more than the median income for the state.
- Strong income growth is a positive indicator for the area. At 31%, Lexington has experienced higher income growth from 2000 to 2009 than any of the benchmarks, the state or the nation.

LEXINGTON-FAYETTE MIGRATION, 2007-2008



Source: Internal Revenue Service

2008 MIGRATION: LARGEST GAINS/LOSSES LEXINGTON

MSA	Net Migration
Detroit, MI	128
Huntington-Ashland, WV-KY-OH	63
Los Angeles, CA	56
San Jose, CA	-49
Seattle, WA	-52
Louisville, KY	-228

Source: Internal Revenue Service

Many people are leaving the Lexington area, but nearly as many are relocating here.

- Net migration for 2007-2008 only amounted to a loss of 161 people.
- Concern over retention of young talent was expressed in many interviews and focus groups. Stakeholders also reported that young Lexingtonians who have left the area often return before starting a family. This general trend may be part of the reason that net migration is low. While people are leaving for job opportunities that may not exist in the immediate area, many people are returning because of the high quality of life.



What Drives the Lexington Economy?

KEY FINDINGS: ECONOMIC TRENDS

Lexington has a well-diversified economy with a large number of jobs in stable sectors such as government and education, as well as in growing industries such as health services and business & professional services. The economy is also bolstered by the horse industry and related agricultural and animal sciences businesses. Manufacturing, an industry which is shrinking nationally and has been dealt an especially hard blow during the current recession, is also a large part of the Lexington economy and accounts for 8% of jobs in the city.

Overall, the Lexington economy has proven itself to be quite stable even during the downturn. Unemployment rates, which have historically always been much lower in Lexington than the U.S., have remained relatively low when compared to the state and the nation. Job growth and business establishment growth have both been reversed during the economic slowdown, but the pace has not been as severe as in many other parts of the country.

Lexington's largest employer is the University of Kentucky, with over 12,000 employees. Toyota Motor Manufacturing Kentucky is the region's largest private sector employer and counts about 7,000 employees.

In 2010, Lexington was ranked #9 by Forbes in their list of "Best Places for Business and Careers" based on factors such as educational attainment, income growth and cost of doing business.

Lexington's Economy

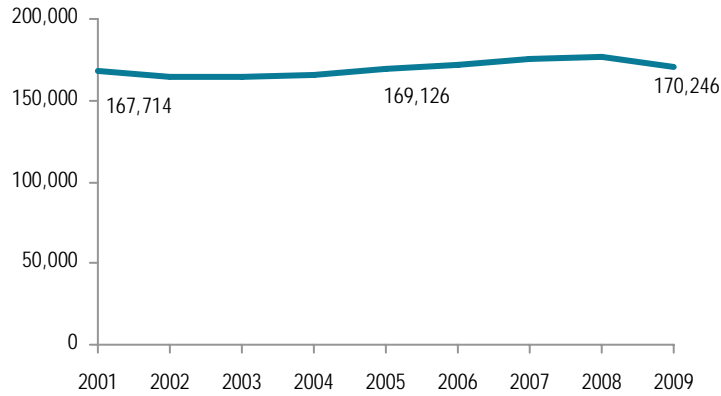
- '09 Labor Force: 151,722
- May '10 Unemployment: 7.7
- '01-'09 Job Growth: 1.51%
- '01-'09 Business Growth: 5.36%
- '09 Average Weekly Wage: \$793
- Largest Industry: Education & Healthcare
- Largest Employers: University of Kentucky and Fayette County Public Schools

Note: All sources cited in the following section.

Employment and Unemployment

EMPLOYMENT

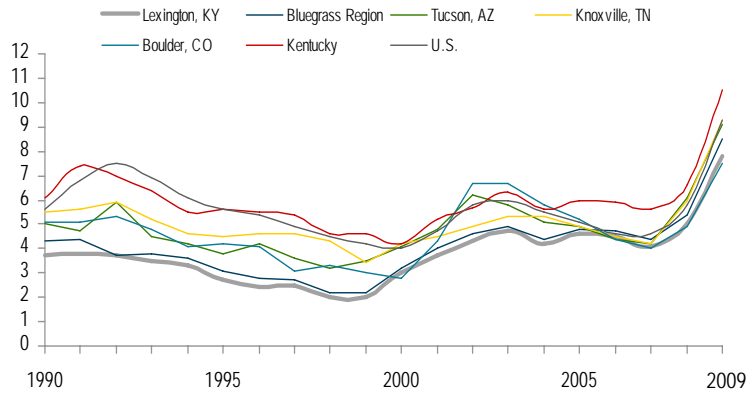
EMPLOYMENT IN LEXINGTON, 2001-2009



Source: Bureau of Labor Statistics

UNEMPLOYMENT RATE

UNEMPLOYMENT RATE, 1990-2009

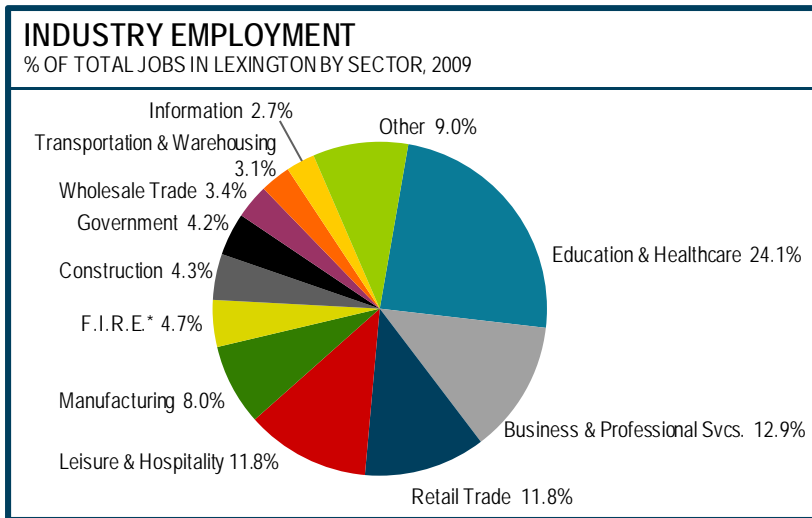


Source: BLS Local Area Unemployment Statistics

While some jobs have been lost and unemployment rates are up, Lexington has fared comparatively well during the economic downturn and should expect to return to a high level of economic growth as the national economy begins to turn around.

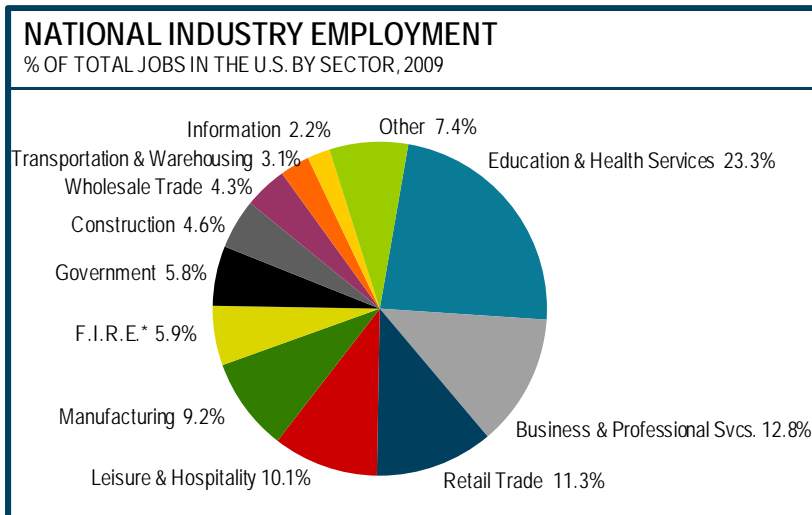
- There were 170,246 jobs in Lexington in 2009.
- The number of jobs in Lexington had been growing steadily since 2003; however, from 2008 to 2009, 5,800 jobs were lost.
- While unemployment has continued to rise during the recession, Lexington's rate of unemployment has historically been lower than any of the benchmarks, the state and the country.
- Lexington's unemployment rate for May 2010 is 7.7, down from a peak of 8.6 in February of the same year.

Industry Supersector Employment



*Finance, Insurance, and Real Estate

Source: Bureau of Labor Statistics



*Finance, Insurance, and Real Estate

Source: Bureau of Labor Statistics

Lexington's economic base is highly diversified and does not rely heavily on any single industry.

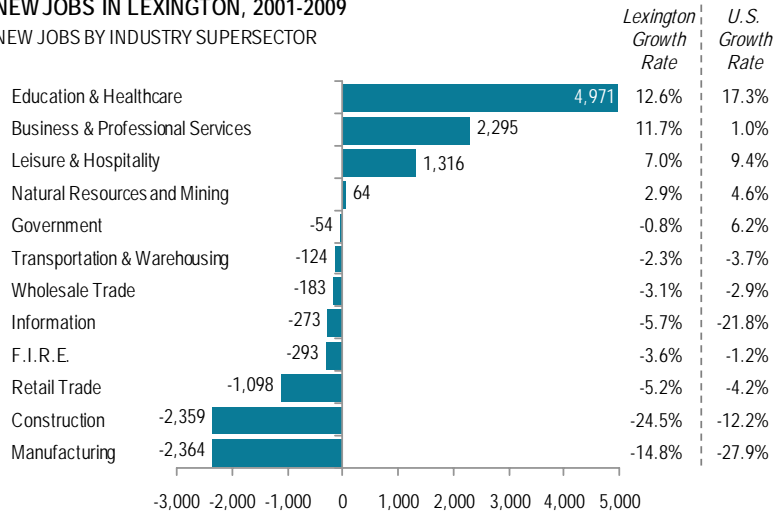
- The industry mix in Lexington is very similar to that of the U.S.
- Both in Lexington and the U.S., education & health services, business & professional services, and retail trade are the three largest industries.
- Manufacturing has the highest wages of any sector in Lexington. When analyzing Fayette County, manufacturing accounts for 8% of jobs. However, this figure is much higher in the greater 6-county MSA where manufacturing accounts for over 13% of jobs.

BUSINESS AND JOB GROWTH					
CHANGE IN NUMBER OF LEXINGTON BUSINESSES AND JOBS, 2001-2009					
	2001	2005	2009	Local % Change (00-'09)	U.S. % Change (00-'09)
Number of Businesses	8,798	8,734	9,270	5.36%	12.96%
Number of Jobs	167,714	169,126	170,246	1.51%	-2.16%

Source: Bureau of Labor Statistics

NEW JOBS IN LEXINGTON, 2001-2009

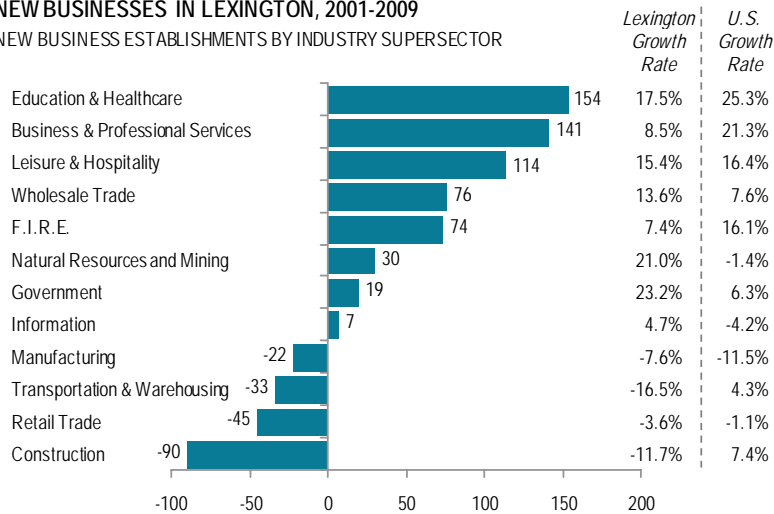
NEW JOBS BY INDUSTRY SUPERSECTOR



Source: BLS Quarterly Census of Employment and Wages

NEW BUSINESSES IN LEXINGTON, 2001-2009

NEW BUSINESS ESTABLISHMENTS BY INDUSTRY SUPERSECTOR



Source: BLS Quarterly Census of Employment and Wages

Following a nationwide trend, business establishment growth is outpacing employment growth in Lexington.

- There are 472 more business establishments in Lexington today than there were in 2001.
- Jobs in business & professional services grew by nearly 12% in Lexington between 2001 and 2009 compared to only 1% industry job growth in the U.S.
- Nearly 5,000 jobs were created in education & healthcare in Lexington between 2001 and 2009. However, local growth in this sector was not as great as national growth.
- Both construction and manufacturing experienced significant job loss in Lexington during this time period.
- Business establishment growth was highest in education & health services and business & professional services. However, in both industries, growth was not as strong as in the national economy.

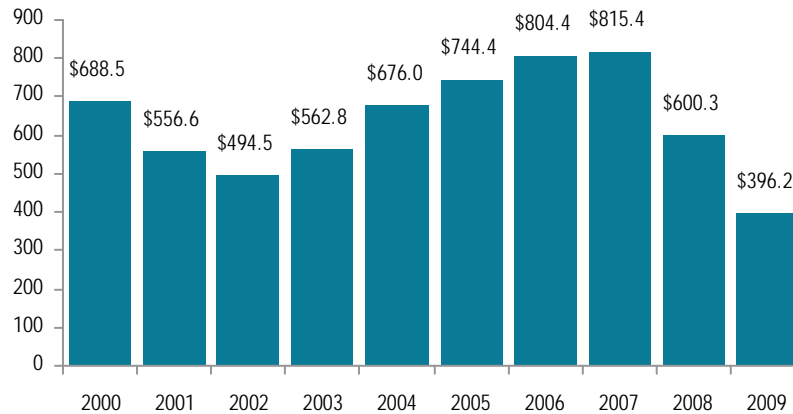
Major Employers

LARGEST BLUEGRASS EMPLOYERS			
Name	Employees	Type of Business	County
University of Kentucky	12,096	Education	Fayette
Toyota Motor Manufacturing Kentucky	7,000	Manufacturing	Scott
Fayette Co. Public Schools	5,300	Education	Fayette
Eastern Kentucky University	3,700	Education	Madison
KY Cabinet for Health and Family Services	3,610	Government	Franklin
Lexmark International, Inc	3,130	World HQ	Fayette
Lexington-Fayette Urban County Government	2,973	Government	Fayette
Central Baptist Hospital	2,500	Health Care	Fayette
St. Joseph Hospital	2,300	Health Care	Fayette
ACS, A Xerox Company	2,050	Data Processing	Fayette
KY Transportation Cabinet	2,000	Government	Franklin
Lockheed Martin	1,750	Integrated System	Fayette
Veterans Medical Center	1,565	Health Care	Fayette
Scott County Public Schools	1,525	Education	Scott
Wal-Mart	1,497	Retail	Fayette
Madison County Public Schools	1,475	Education	Madison
Jessamine County Public Schools	1,440	Education	Jessamine
Trane Co	1,300	Manufacturing	Fayette
US Postal Service	1,296	Mail Delivery	Fayette
Kroger Co	1,175	Retail	Fayette
Lexington Clinic	1,017	Health Care	Fayette
KY Dept for Workforce Development	1,000	Government	Franklin
Amazon.com	950	Distributor	Fayette
Wal-Mart	900	Retail	Madison
Clark County Public Schools	865	Education	Clark

Source: Commerce Lexington

KEENELAND AUCTION SALES

TOTAL THOROUGHBRED SALES (\$MILLIONS), 2000-2009



Source: Keeneland Association

GROSS PURSES IN KENTUCKY

GROSS PURSES (\$MILLIONS), 2001-2009



Source: The Jockey Club

The horse industry is an important part of the Lexington economy. However, it has been significantly impacted by the recession.

- In 2007, the industry was estimated to have a \$4 billion impact in Kentucky.
- The horse industry contributes to many niches of the local economy – from animal sciences and pharmaceuticals to tourism and gaming.
- Woodford, Bourbon, Fayette, and Scott Counties are the four most important counties for the horse industry.
- Horse farm listings in the four horse counties are up, from 199 in 2009 to 265 in 2010, and betting is down nationally.
- Thoroughbred auction sales at Keeneland were at a ten-year low in 2009.
- Industry events such as the upcoming 2010 Alltech World Equestrian games provide the region with exposure to a global market.



How Competitive is Lexington's Business Climate?

KEY FINDINGS: BUSINESS CLIMATE AND INFRASTRUCTURE

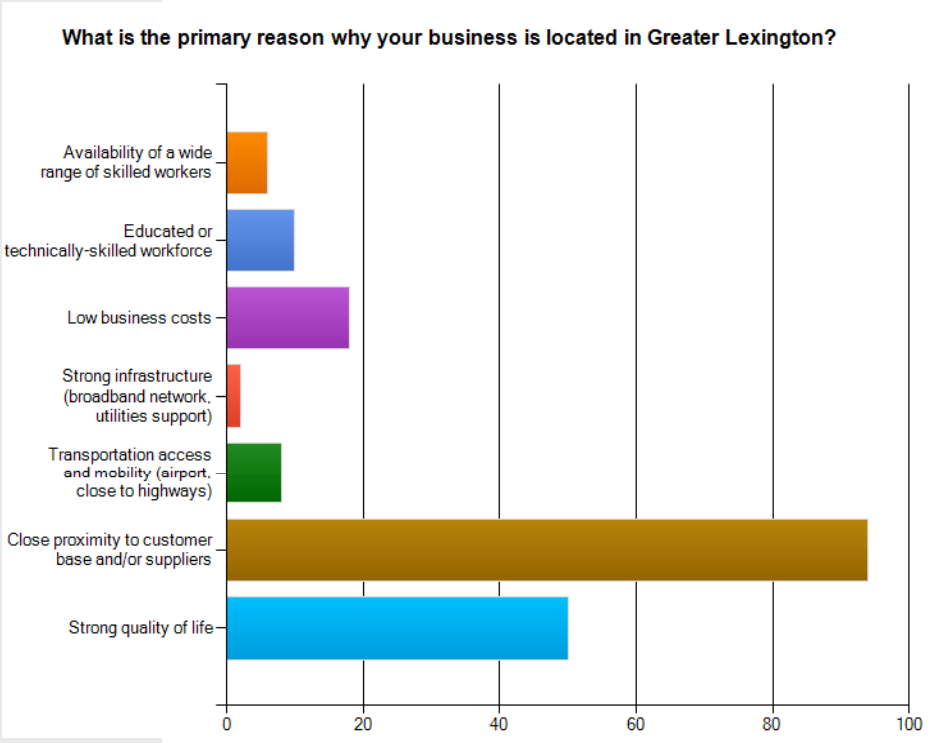
Lexington has many competitive advantages for attracting and retaining business. Throughout Kentucky, utility costs are competitive, in terms of both electricity and natural gas. Wages are slightly higher than some of the benchmark communities but are not so high as to be a deterrent for any business seeking a Lexington location.

Telecommunications, including broadband, are readily available throughout the Bluegrass Region, with redundancy capability throughout Fayette County and many surrounding counties.

As revealed through survey responses, community members believe taxes to be a possible barrier to business. However, when compared nationally, Kentucky has a very low tax burden compared to other states. In a national ranking by the Tax Foundation, where No. 1 has the highest tax burden and No. 50, the lowest, Kentucky was No. 41.

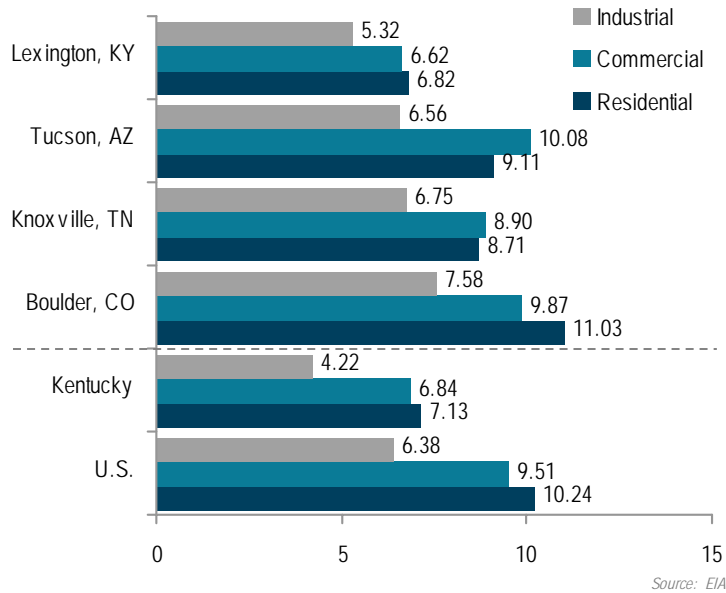
Being located on major interstates, Lexington is well positioned for companies' transportation and distribution needs. The Blue Grass Airport, served by seven major airlines, averages over 501,000 enplaned passengers annually.

A survey of the Lexington business community was conducted in conjunction with this study. When members of the Lexington business community were asked the primary reason for locating in Lexington, the No. 1 response was "close proximity to customer base and/or suppliers." A full listing of survey results can be found in the appendix.



UTILITIES

AVERAGE ELECTRICITY RATE (PER KILOWATT HOUR), 2008



Low utility costs are a competitive advantage for Lexington.

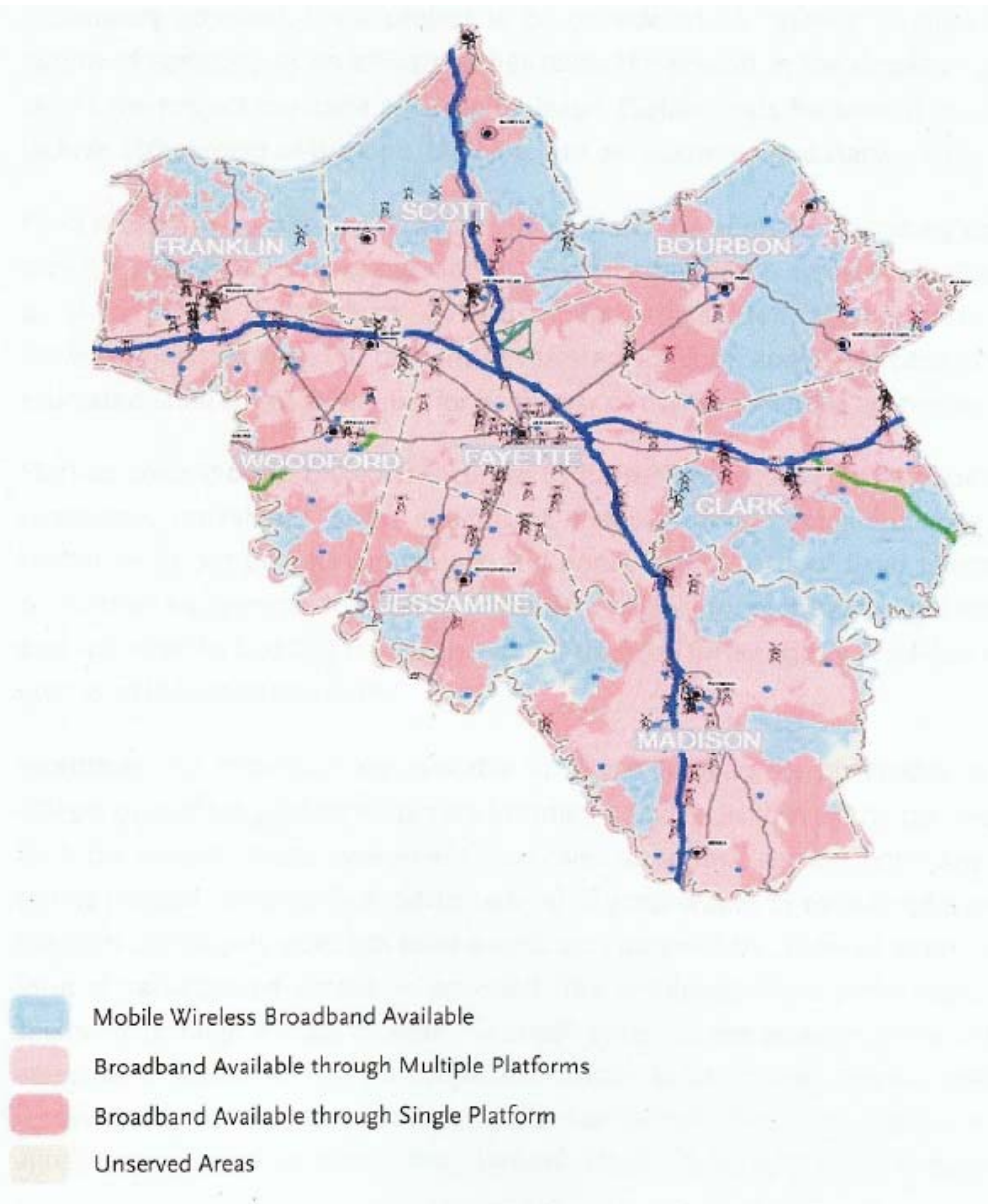
- The largest electricity provider in Lexington is the Kentucky Utilities Company (whose prices are represented in the data on the left). East Kentucky Power Cooperative is another area service provider.
- Natural gas prices are also very competitive when compared to the average cost in the U.S. The major natural gas providers are Columbia Gas of Kentucky and the Delta Gas Company.
- The area has an abundant water supply and there is sufficient water and waste water capacity throughout the Bluegrass Region.

NATURAL GAS PRICES, 2008 (\$ per MCF)

	Residential	Commercial	Industrial
Kentucky	13.84	13.25	10.41
U.S.	13.89	12.23	9.67

Source: EIA

Telecommunications



Source: Commerce Lexington; Connect Kentucky

The Lexington area is served by a sophisticated and integrated telecommunications network.

- The broadband network in Lexington is extensive enough to support the high-speed data requirements of large businesses. T1 and T3 are available throughout the city; DSL is available in most areas.
- There are several telecommunications providers in the area, including Windstream which has over 322 miles of fiber optic cable in Lexington.

TAX RATES ON SELECTED CLASSES OF PROPERTY, 2008				
	Kentucky	Lexington-Fayette County		
		Urban County	Full Services District	County Schools
Real Estate	\$0.1240	\$0.0800	\$0.2809	\$0.5940
Manufacturing Machinery	\$0.1500	-	-	-
Raw Materials	\$0.0500	-	-	-
Goods in Process	\$0.0500	-	-	-
Dealer Inventory	\$0.0500	-	-	-
Motor Vehicles, Registered	\$0.4500	\$0.0880	\$0.0912	\$0.5920
Goods in Transit	\$0.0010	-	-	-

Source: Commerce Lexington; Lexington-Fayette County PVA

Taxes in Kentucky are low compared to the rest of the nation.

- According to The Tax Foundation, the tax burden per capita in Kentucky is \$3,243, earning the ranking of No. 41 in the country (No. 1 having the highest burden, No. 50 having the lowest).
- The property tax structure is different in Kentucky than in most states. The state is the main entity for property tax and local governments are allowed to tax only a limited number of property types, including real estate and motor vehicles.
- The state sales tax is 6.0%; there is no local sales tax.

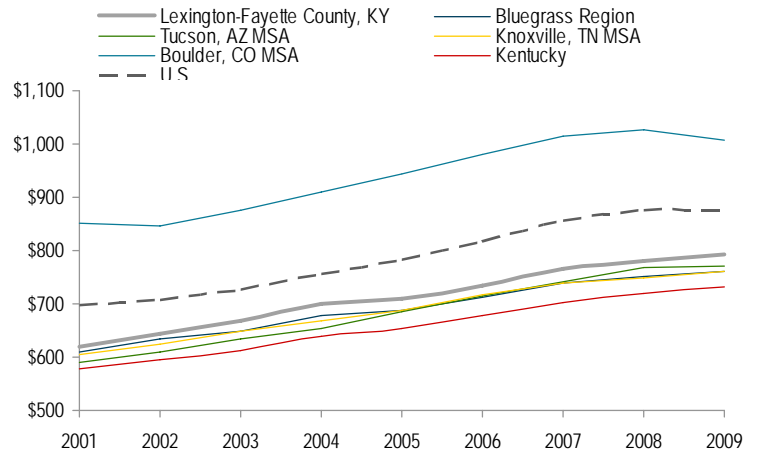
STATE BUSINESS TAX CLIMATE INDEX, 2010						
	Overall Index Rank	Ranking on Five Major Subindices				
		Corporate Tax	Ind. Income Tax	Sales Tax	U.I. Tax	Property Tax
Kentucky	20	42	32	7	36	19

The index is a measure of how each state's tax laws affect economic performance. The lower the rank, the more favorable a state's tax system is for business.

Source: The Tax Foundation

WAGE GROWTH

AVERAGE WEEKLY WAGE, 2001-2009



Note: Wage data is only available at the county and MSA level, not at the city level.

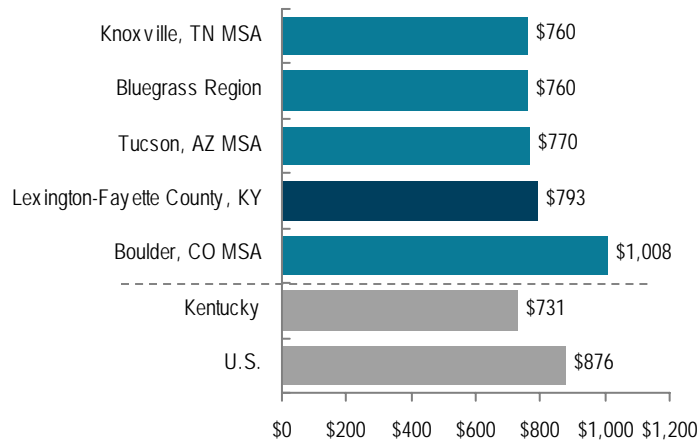
Source: Bureau of Labor Statistics

Wages in Lexington are higher than in the State of Kentucky as a whole.

- Wages in Lexington were nearing parity with U.S. wages in 2004, but since then the gap has widened.
- Weekly wages in Lexington grew by 27.9% between 2001 and 2009, whereas U.S. wages grew by 25.7%.
- Lexington wages are higher than the overall average for the Bluegrass Region by \$33. This is reflective of the differing industry mix between Lexington and the surrounding counties.
- Of the benchmarks, only Boulder has higher wages than Lexington.

AVERAGE WEEKLY WAGES

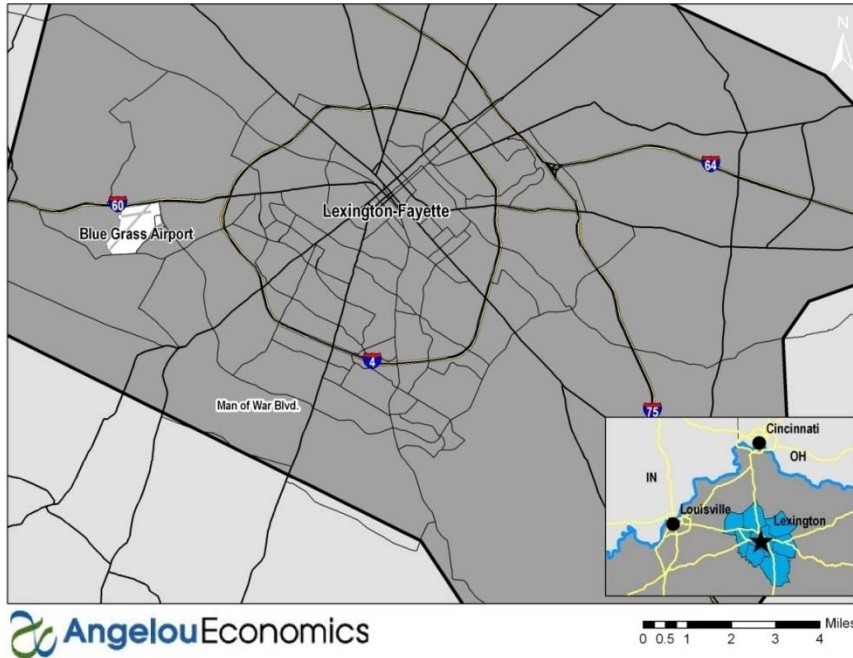
AVERAGE WEEKLY WAGE, 2009



Note: Wage data is only available at the county and MSA level, not at the city level.

Source: Bureau of Labor Statistics

INTERSTATE ACCESS IN LEXINGTON

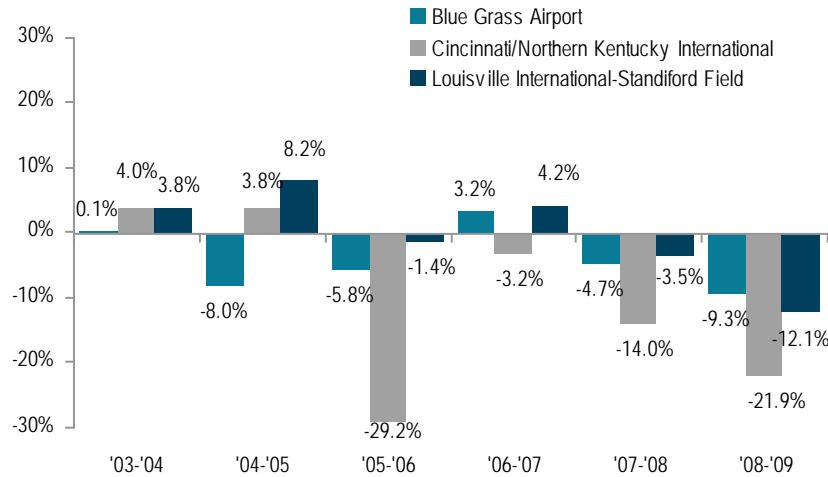


Lexington has excellent air and interstate access to the rest of the state as well as many metro areas outside of Kentucky. The city is a healthcare and business hub for Central and Eastern Kentucky.

- Lexington has excellent interstate access; Louisville can be reached by driving west on I-64, Cincinnati is north on I-75 and Knoxville is 3 hours south, also on I-75. The average daily traffic count at the intersection of I-64 and I-75 is about 82,000 vehicles.
- Kentucky Route 4 and Man-of-War Blvd. form concentric rings and are major corridors within the city.
- Many of the major corridors in Lexington are managed by the Kentucky DOT; stakeholders noted the challenge this presents when trying to strategically address and plan for transportation improvements.
- The Blue Grass airport is served by 7 major airlines and handles about 90 commercial flights per day. In 2009, there were over 450,000 enplaned passengers. Enplanement has been in decline since 2003.
- Other airports serving Kentucky have seen a similar, downward trend in recent years.

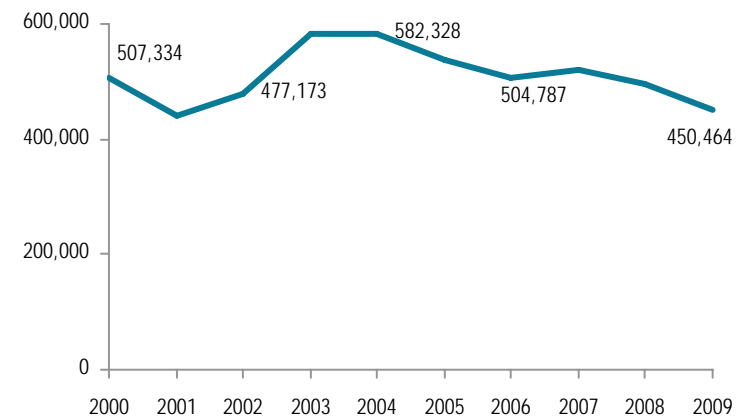
MAJOR KENTUCKY AREA AIRPORTS

YEAR TO YEAR CHANGE IN ENPLANE DPASSENGERS, 2003-2009



BLUE GRASS AIRPORT

TOTAL ENPLANE DPASSENGERS, 2000-2009



Source: Federal Aviation Administration



How Well Does Lexington Support Innovation?

KEY FINDINGS: ENTREPRENEURSHIP & INNOVATION

Lexington has many outstanding resources in place to cultivate local entrepreneurship and innovation. However, there is room for improvement. Certainly the prestige of the University of Kentucky's (UK) numerous research centers attracts top talent both nationally and internationally. The research & development expenditures at the university place it at #55 nationally for R&D funding; nearly three quarters of all R&D at UK is devoted to life sciences, making it the school's strongest cluster. The UK Coldstream Research Campus is home to companies conducting a wide range of research activities, from pharmaceuticals to software.

Also, Lexington is home to a number of successful start-ups, such as Big Ass Fans, that have flourished. This year, the city hosted the 2010 Creative Cities Summit.

Despite these positive features, some innovation indicators are rather low for Lexington. Patent activity is not nearly as high as it should be for a city with a university the size of UK. During focus groups and interviews, community members repeatedly identified a large gap between talent and opportunities. The proper connection between the university and entrepreneurs is one of many factors required for Lexington to truly leverage local innovation. Other components include improved access to capital and expanding upon existing networking and mentorship opportunities, including In2Lex, Awesome Inc, Collexion, the Lexington Venture Club, and others.

Seed and venture capital is highly limited in Lexington, often forcing entrepreneurs to look for investors outside the area. Local entrepreneurs expressed many concerns over the environment for entrepreneurship; these concerns included a lack of mentorship for younger entrepreneurs and a local culture that does not put a value on creative culture.

Case Study: Big Ass Fans

Big Ass Fans is a one of Lexington's great entrepreneurial success stories. Once a tiny start-up, the company now employs 120 people. About one quarter of new hires come from the University of Kentucky.

Based in Lexington, Big Ass Fans headquarters occupies 240,000 SqFt. of manufacturing, design, and office space in the Bluegrass Business Park. The company moved to this location in 2007 as part of a \$17.3 million expansion. Their facility is now LEED Gold Certified.

Though started in 1999 as HVLS (High Volume Low Speed), the company adopted the "Big Ass Fans" name 3 years later in a bold and highly successful marketing move.

The company designs and manufactures enormous ceiling fans, from 6 to 24 feet in diameter. Their fans have been installed worldwide in all kinds of venues such as airports, zoos, equestrian centers, and restaurants. Big Ass Fans won the 2006 Kentucky Manufacturer of the Year and 2006 World Trade Success Awards.

Coldstream Research Campus

The University of Kentucky's Research Campus is located in close proximity to Lexington's downtown and enjoys convenient access to both I-64 and I-75, making it an ideal location for businesses. The companies at this campus represent a range of industries from pharmaceuticals to software and employ about 1,000 people total. Current Coldstream businesses include Coldstream Laboratories, IBM, Exstream Software by HP, and an Embassy Suites Hotel.



Research Centers at the University of Kentucky

UK is one of the few universities to have a top medical center, agricultural, engineering, and pharmaceutical program together on one campus. Life sciences is the major thrust of research on the UK campus and there are many research centers and facilities devoted to this and other fields. The centers are too numerous to list but include genetics and biomedical labs, imaging facilities, and centers for ecological and agricultural research.



Awesome Inc

Awesome Inc was founded in 2009 as a multi-purpose space with a focus on innovation and technology. In addition to serving as an arts and performance space in downtown Lexington, Awesome Inc rents work space to creative individuals. Mentorship is central to the Awesome Inc seed stage accelerator concept, which has a mobiletech. Interns from local high schools and colleges contribute their individual talents while learning from more experienced entrepreneurs, inventors, and programmers.



Other Assets:

Lexington Venture Club – A networking group for entrepreneurs with regular luncheons and 5Across gatherings.

In2Lex – Consortium of about 60 local entrepreneurs and technology companies who host regular meetings, including Geeks Night Out, and other special events.

Bluegrass Angels – Seed funding for small business start-ups in the region.

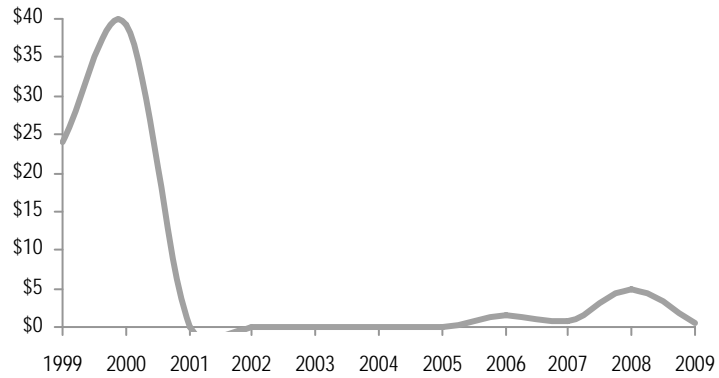
Collexion – A collaborative workspace for entrepreneurs and innovators with regular get-togethers and annual Tinker events which highlight individual creativity.



Venture Capital

VENTURE CAPITAL FUNDING

LEXINGTON AREA VC FUNDING (\$ MILLIONS), 1999-2009

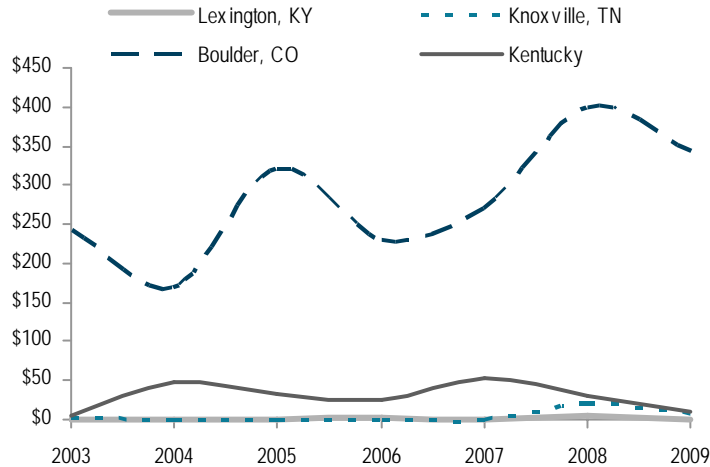


* Data represents Kentucky Congressional District 6.

Source: PWC Money Tree

VENTURE CAPITAL FUNDING

VC FUNDING (\$MILLIONS), 2003-2009



*Data represents the Congressional District(s) encapsulating the city.
*There has been no VC activity in the Tucson area for 2003-2009.

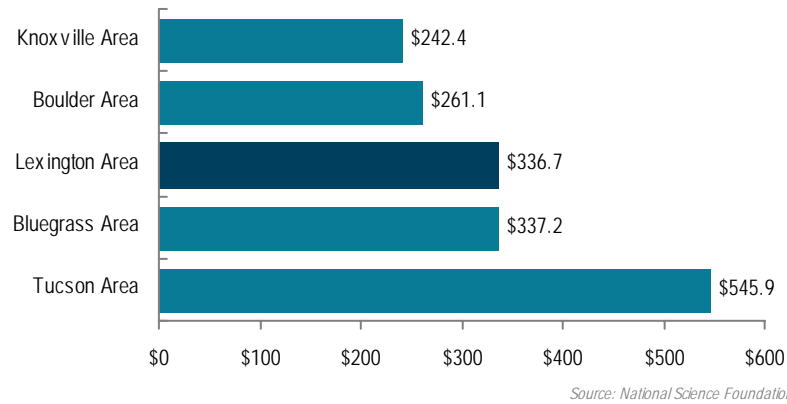
Source: PWC Money Tree

Venture Capital (VC) is not readily available in Lexington.

- Many entrepreneurs and members of the business community expressed concern over the limited amount of VC funding available in the Lexington area. This constraint is a serious challenge as Lexington struggles to retain local entrepreneurial talent.
- According to some stakeholders, investors in Lexington are hesitant to invest in high-risk or non-traditional ventures. Community members also expressed the lack of a culture of entrepreneurship.
- The current economic downturn has made VC even less accessible nationwide and this issue was expressed locally as well.
- From 2006-2009, there has only been one VC deal per year in Kentucky Congressional District 6.
- Of the benchmarks, Boulder has the most VC activity by far. Lexington and Knoxville both have a very low number of annual VC deals.

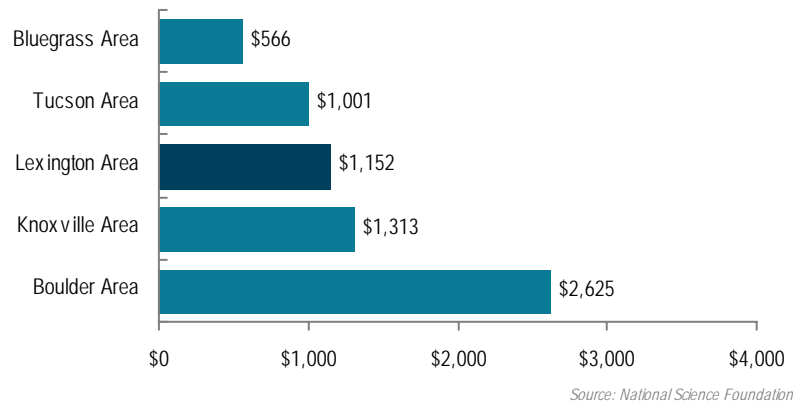
ACADEMIC R&D EXPENDITURES

R&D EXPENDITURES BY AREA ACADEMIC INSTITUTIONS (MILLIONS), FY 2008



ACADEMIC R&D EXPENDITURES

PER CAPITA R&D EXPENDITURES BY AREA ACADEMIC INSTITUTIONS, FY 2008

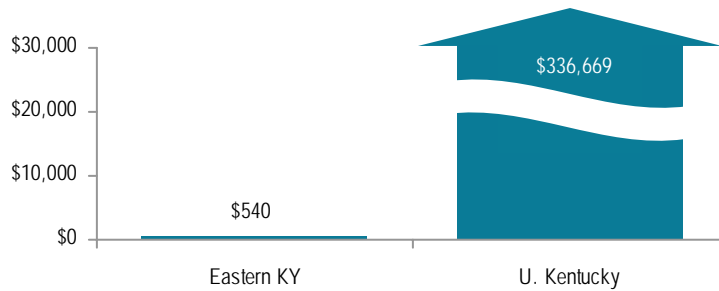


There is a significant amount of research and development (R&D) investment in the Lexington area.

- Funding for research and development primarily flows through universities, where new technologies are tested and often incubated before they emerge on the commercial market.
- Two institutions in the Bluegrass Region, the University of Kentucky and the Eastern Kentucky University, receive federal R&D dollars.
- In 2008, the University of Kentucky was ranked #55 among all U.S. schools receiving federal R&D funding, placing the school above both the University of Colorado at Boulder and the University of Tennessee.
- However, the Lexington area has less R&D funding per capita than both Boulder and Knoxville.

ACADEMIC R&D EXPENDITURES

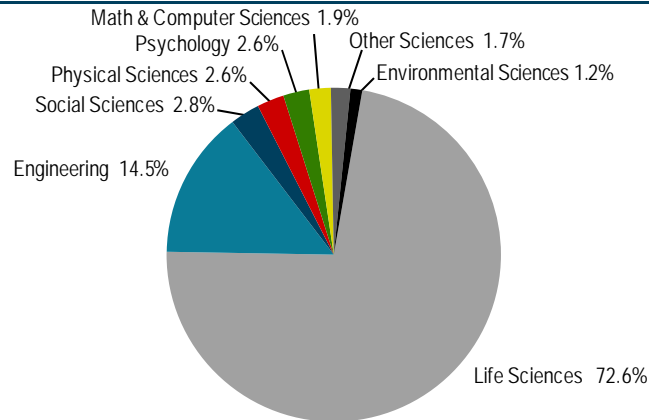
R&D EXPENDITURES BY BLUEGRASS AREA INSTITUTION (THOUSANDS), FY 2008



Source: National Science Foundation

R&D EXPENDITURES AT THE UNIVERSITY OF KENTUCKY

% OF TOTAL EXPENDITURES BY SCIENCE & ENGINEERING FIELD, FY 2008



Source: National Science Foundation

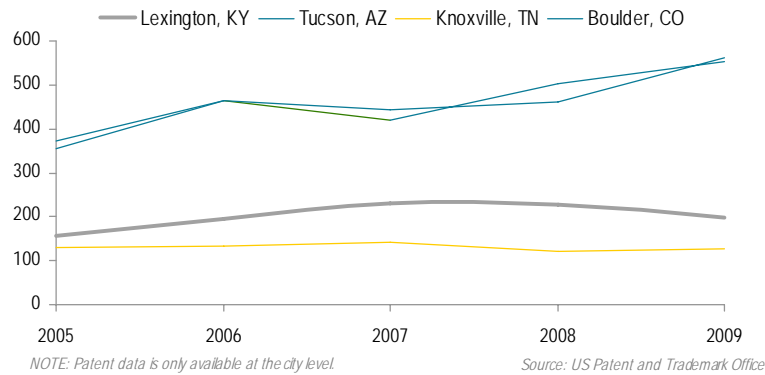
The University of Kentucky focuses the majority of its R&D spending in the life sciences.

- The University of Kentucky is the state's preeminent research institution and had over \$336 million in R&D expenditures in 2008. Eastern Kentucky University spent \$540K on R&D.
- Over 72% of the R&D expenditures at the University of Kentucky are spent in the field of life sciences. 14.5% are spent in the field of engineering. No other field receives more than 3% of the R&D dollars.
- This concentration of spending in life sciences is both positive, as specialization helps the university to achieve recognition and attract top talent, and constraining, as it limits the diversity and scope of projects taking place on campus.

Patents

PATENTS

NUMBER OF PATENTS ISSUED, 2005-2009

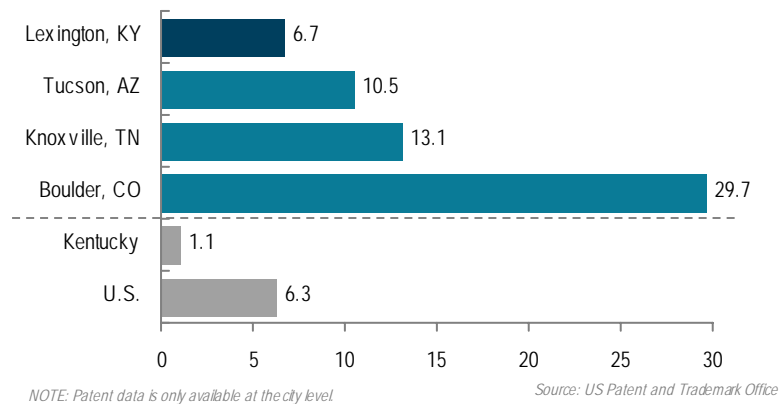


Patent activity in Lexington is low compared to the benchmark communities.

- 198 patents were issued to Lexington-based inventors in 2009.
- When compared per capita, Lexington has far fewer patents than any of the benchmarks.
- This low level of patent activity indicates a lack of connectivity between research efforts going on at the University of Kentucky and the larger community, including entrepreneurs who may serve as a bridge from academic research to commercialization.

PATENTS

NUMBER OF PATENTS ISSUED PER 10,000 POPULATION, 2009





What is Life Like in Lexington?

KEY FINDINGS: QUALITY OF LIFE

Lexington is regarded by residents as an excellent place to live. In addition to a low cost of living, housing is affordable and commute times are short when compared to the nation, despite residents' concern over traffic congestion. The natural beauty of the surrounding landscape can be enjoyed through hike-and-bike trails and there are on-going efforts to continue the revitalization of the downtown area, such as the Downtown Streetscapes project.

The city has a vibrant arts scene with a number of museums and performance venues. With the University of Kentucky's men's basketball team playing at Rupp Arena, sports fans will not be disappointed. There are also a number of great culinary offerings in the area.

In the heart of horse country, Lexington is home to Keeneland racetrack and sales complex where races are held in April and October. Lexington also hosts many special events and will host the 2010 Alltech World Equestrian Games.

One challenge for Lexington is the need for improved provision of public transportation. This issue was cited repeatedly in the community survey as a barrier to both economic prospects and personal lifestyle preferences. City government is aware of the challenge and LexTran invested \$5.4 million of stimulus funds in 2009 for buses, shelters, scheduling software and more.

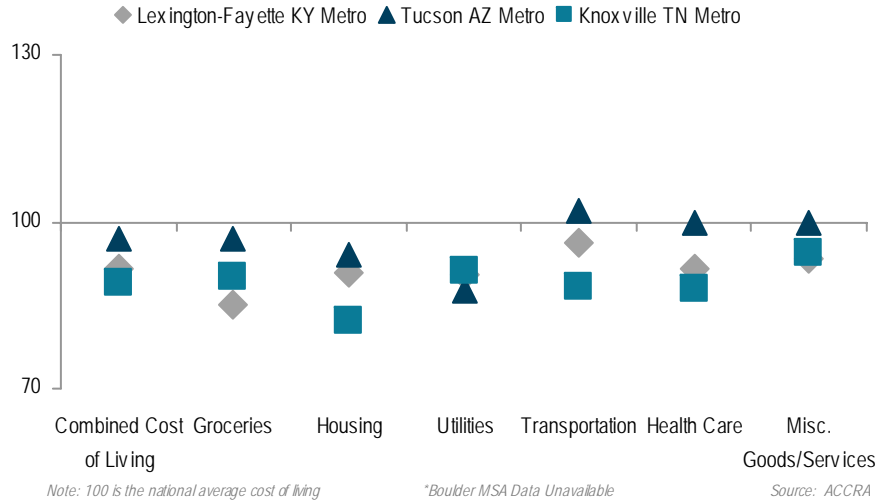
"I have lived in Lexington my entire life. I love this town. I believe that we need to update downtown and let the outside world know that Lexington is a great town to visit."

- Community Survey Response

Cost of Living

COST OF LIVING

COST OF LIVING BY EXPENSE, 2010 (Q1)

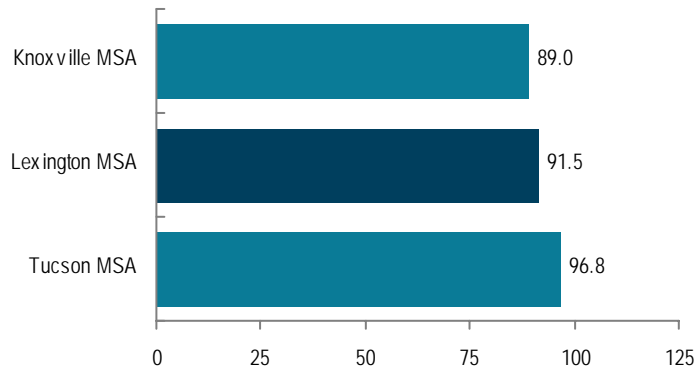


Lexington is a very affordable city.

- The ACCRA Cost of Living Index identifies the composite cost of living in urban areas by examining how they compare to national averages in grocery, housing, utilities, transportation, and other costs. As an example, a composite index of 95 indicates that the cost of living in the area is 95% of the national average.
- The indexed cost of living is 91.5 where 100 is the national average. Of the benchmarks for which data is available, Lexington ranks in the middle.
- Lexington's index for each individual category is below the national average.

COST OF LIVING

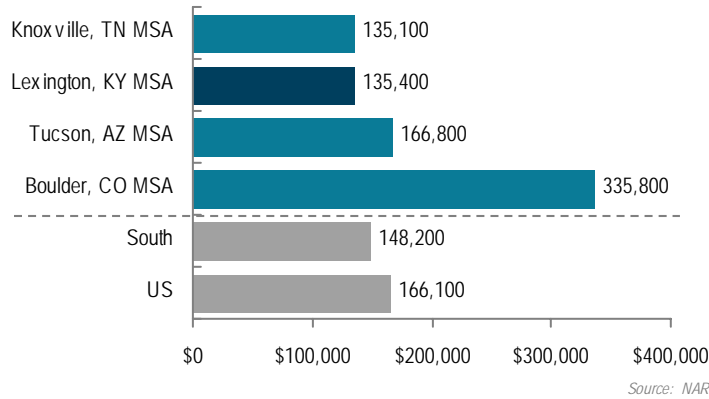
OVERALL COST OF LIVING, 2010(Q1)



Note: 100 is the national average cost of living
 *Boulder MSA Data Unavailable
 Source: ACCRA

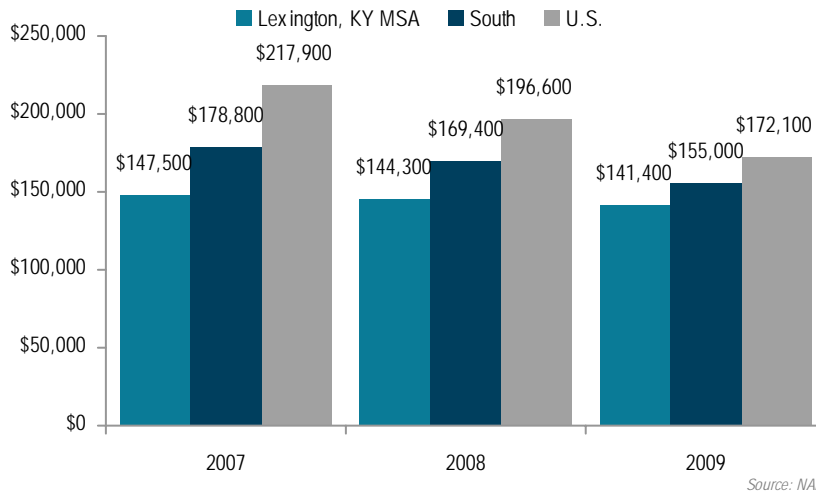
HOUSING

MEDIAN EXISTING SALES PRICE, SINGLE-FAMILY HOMES, 2010 (Q1)



HISTORIC HOUSING PRICES

MEDIAN EXISTING SALES PRICE, SINGLE-FAMILY HOMES, 2007-2009

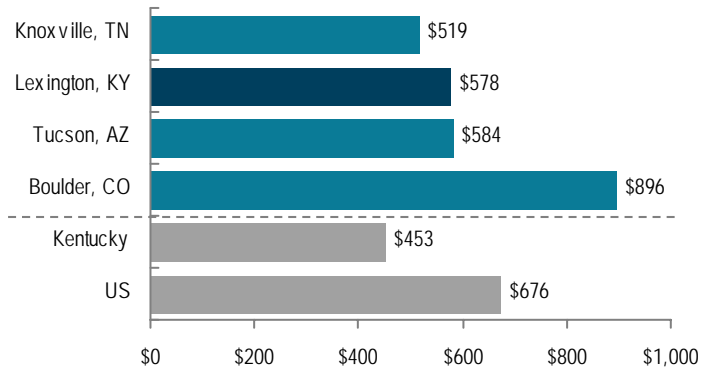


Housing prices in Lexington are lower than both the average for the South and for the U.S.

- For the first quarter of 2010, the median existing sales price for a single-family home was \$135,400 in the Lexington MSA.
- Of the benchmark communities, only Knoxville has more affordable housing prices.
- Over the past three years, Lexington's housing prices have remained below median prices for both the South and the U.S.
- Housing prices in Lexington have declined during the recession, but have not dropped as steeply as in the U.S. as a whole. From '08 to '09, Lexington sales prices were down by only 2.2% where as U.S. prices fell by 12.5%.

RENTAL RATES

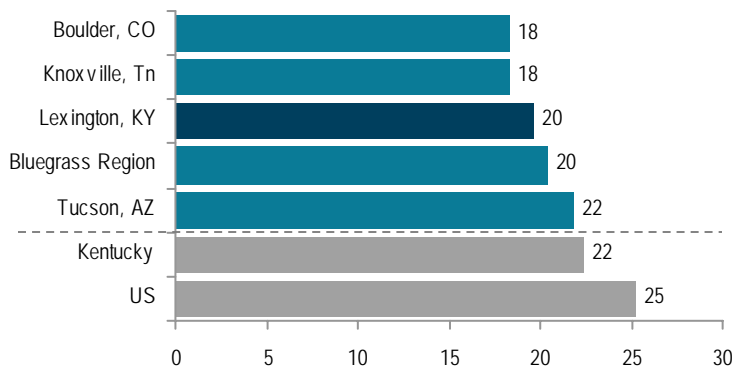
MEDIAN CONTRACT RENT, 2008



Source: American Community Survey

AVERAGE TRAVEL TIME TO WORK

AVERAGE TRAVEL TIMES (IN MINUTES), 2008



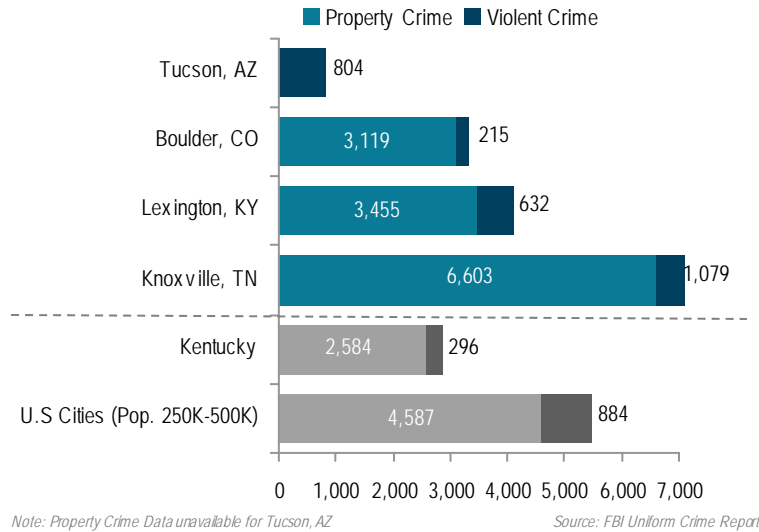
Source: American Community Survey

Affordable rents and fast commutes contribute to Lexington's high quality of life.

- The median rent for Lexington in 2008 was \$578 per month. While this rate is higher than the median rent for Kentucky, it is much lower than the national average.
- Rents in Lexington are much more affordable than in Boulder and slightly more affordable than in Tucson.
- Despite concerns voiced by community members about traffic congestion, data suggests that commute times in Lexington are generally quite reasonable. While the average travel time to work in the U.S. is 25 minutes, Lexingtonians' average drive time is only 20 minutes.

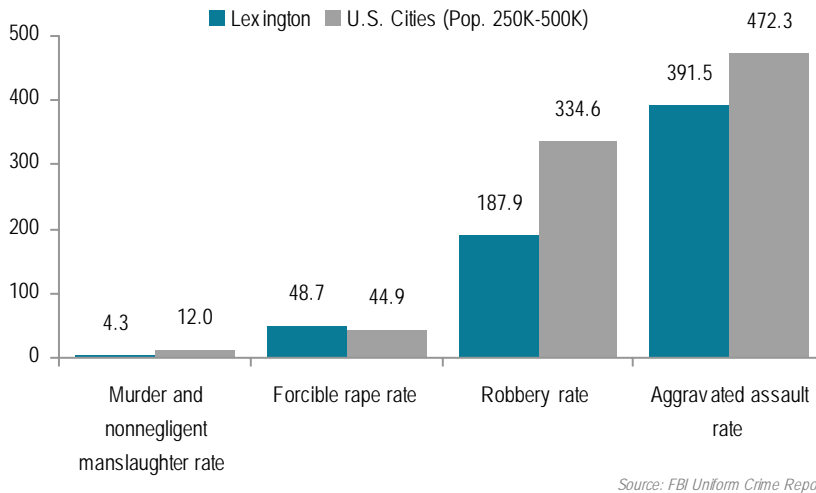
CRIME RATE

CRIME (RATE PER 100,000 RESIDENTS), 2008



VIOLENT CRIMES

CRIME (RATE PER 100,000 RESIDENTS), 2008



Crime rates are lower in Lexington than U.S. cities of a similar size on average.

- When compared to rates for all U.S. cities with population between 250,000 and 500,000, Lexington has lower rates in most categories of violent crime.
- Both the rates of violent crime and property crime are higher in Lexington than in the state and the nation.
- Crime rate comparisons between cities are complicated by factors such as population size and demographics.
- The benchmarks used here and throughout the report have varying population sizes; larger cities tend to have higher rates of crime.
- Crime statistics are self-reported and the Tucson statistics for property crime are not included in the FBI's data because national guidelines for reporting an offense were not followed.

Construction of the Legacy Trail



SAMPLE OF LEXINGTON AREA MUSEUMS

American Saddle Horse Museum
International Museum of the Horse
Lexington Children's Museum
The Headley-Whitney Museum
The Hunt-Morgan Civil War Museum
Transylvania's Morlan Gallery
University of Kentucky Art Museum
University of Kentucky Museum of Anthropology
Kentucky Military History Museum
Hopewell Museum
Bluegrass Heritage Museum
Mary Todd Lincoln House
African American Museum
Lyric Theatre & Cultural Arts Center (opening October 2010)

Lexington boasts many outstanding lifestyle and cultural amenities including premiere horse-racing, numerous museums and prestigious athletic teams.

- Lexington enjoys proximity to Red River Gorge and the city features 25 trails, and 9 aquatic facilities and two disc golf courses.
- Rupp Arena, a 23,000 seat sports center and the home of the University of Kentucky's basketball teams, is located downtown.
- The Lexington Opera house seats 1,000 and hosts a variety of productions, from ballet and opera to comedy and Broadway musicals.
- Keeneland is a thoroughbred racing and sales complex that was founded in 1935. The track has two racing seasons, in April and October.
- Lexington hosts many special events including equestrian events. The city will host the 2010 Alltech World Equestrian Games.
- Lexington's Greenway Master Plan develops a network of "shared-use" roadways. The nine-mile Legacy Trail is part of this plan and will open in September of 2010.



How Strong is Lexington's Real Estate Market?

KEY FINDINGS: REAL ESTATE

As a result of the national economic downturn, real estate development has significantly slowed in Lexington over the past three years. In terms of construction valuation, total projects dropped by over 37% between 2007 and 2009 and single family residential construction was down over 51%. Office construction has also declined.

The development review process itself was identified as problematic during focus groups and interviews. Streamlining the process would help push new development forward.

More evidence of slowed activity can be seen in the commercial vacancy rates which are up from previous years in both the suburban and CBD markets. However, slowed construction will contribute to increased occupancy as the national economy begins to turn around.

Vacant land is scarce in Lexington meaning that redevelopment and adaptive re-use will have to become the city's dominant development modes.

"I fully support downtown revitalization, and hope that we can focus on 'up not out' in Lexington, but a grocery store is critical to making that happen."

- Community Survey Response

LEXINGTON REAL ESTATE – DOWNTOWN OFFICE SPACE 2009

(Rent/SF/YR)	Low	High	Effective Avg.	Vacancy
New Construction (AAA)	N/A	N/A	N/A	N/A
Class A (Prime)	\$17.00	\$20.00	\$18.50	10.50%
Class B (Secondary)	\$13.50	\$16.00	\$15.00	8.60%

Source: NAI

LEXINGTON REAL ESTATE – SUBURBAN OFFICE SPACE 2009

(Rent/SF/YR)	Low	High	Effective Avg.	Vacancy
New Construction (AAA)	\$18.00	\$22.00	\$19.00	40.00%
Class A (Prime)	\$17.00	\$20.00	\$18.00	16.30%
Class B (Secondary)	\$16.00	\$17.00	\$16.00	11.80%

Source: NAI

LEXINGTON REAL ESTATE – INDUSTRIAL SPACE 2009

(Rent/SF/YR)	Low	High	Effective Avg.	Vacancy
Bulk Warehouse	\$3.00	\$4.50	\$4.00	14.80%
Manufacturing	\$3.75	\$4.75	\$4.25	7.50%
High Tech / R&D	\$8.00	\$15.00	\$11.50	9.40%

Source: NAI

LEXINGTON REAL ESTATE – RETAIL SPACE 2009

(Rent/SF/YR)	Low	High	Effective Avg.	Vacancy
Downtown	\$10.00	\$20.00	\$15.00	25.40%
Neighborhood Svc. Centers	\$11.00	\$21.00	\$17.00	11.70%
Community Power Center	\$15.00	\$28.00	\$21.00	9.40%
Regional Malls	\$30.00	\$75.00	\$50.00	0.00%

Source: NAI

LEXINGTON REAL ESTATE – DEVELOPMENT LAND 2009		
(Price/Acre)	Low	High
Land in Office Parks	\$425,000	\$850,000
Land in Industrial Parks	\$125,000	\$140,000
Office/Industrial Land - Non-park	\$125,000	\$500,000
Retail/Commercial Land	\$575,000	\$1,200,000
Residential	\$40,000	\$135,000

Source: NAI

LEXINGTON BUILDING PERMITS – TOTAL				
	2007	2008	2009	'07-'09 Change
Permits	6,605	5,234	5,070	-23.24%
Construction (\$mil)	\$614.9	\$461.3	\$385.9	-37.24%
SqFt (millions)	10.5	8.3	7.7	-27.11%

Source: LFUCG Division of Building Inspection

LEXINGTON BUILDING PERMITS – SINGLE FAMILY RESIDENTIAL				
	2007	2008	2009	'07-'09 Change
Permits	975	559	552	-43.38%
Construction (\$mil)	\$148.1	\$94.1	\$71.9	-51.41%
SqFt (millions)	2.6	1.6	1.5	-44.42%

Source: LFUCG Division of Building Inspection



Workforce Assessment

KEY FINDINGS: WORKFORCE ASSESSMENT

Effective workforce development programs at both the K-12 and post-secondary level are a key component of a solid regional economy. Regions with an established pipeline of workers with both advanced degrees in science, technology, engineering and math programs, as well as technical training in specific trades provide a deep talent base upon which to recruit and nurture high-impact and competitive industries.

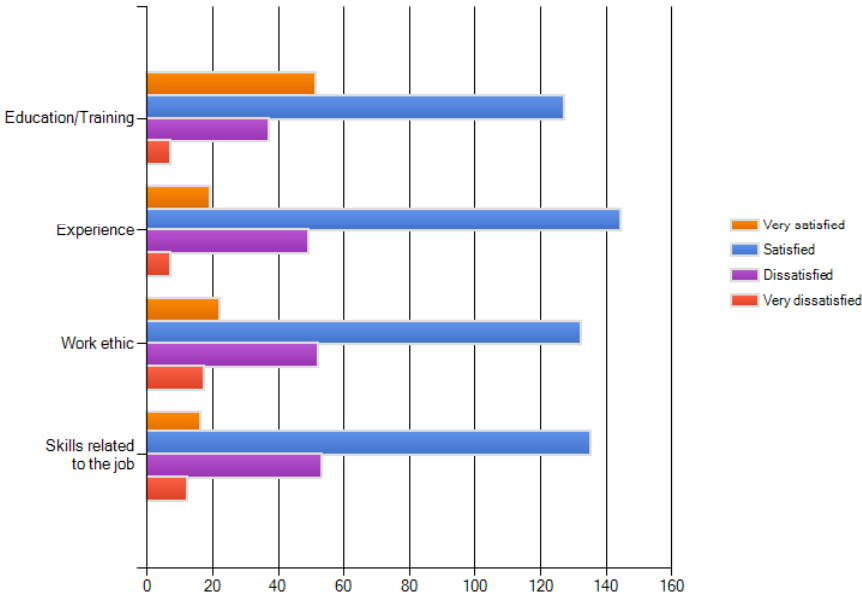
Fayette County Public Schools' two applied technology center magnet programs, which offer training in technology, graphics, and electronics to secondary students are an excellent local example of strong K-12 workforce development programs which educate future generations and create awareness of the variety of occupational opportunities that exist.

The majority of employers who responded to the business survey conducted for this report were “very satisfied” or “satisfied” with all workforce factors in the area, including training and skills. However, a significant number of employers expressed dissatisfaction with facets of workforce quality.

The charts on the following page show the top occupations in the Lexington MSA in terms of both total employment as well as regional cluster concentration as compared to the U.S.

The next report will explore in more depth the specific occupational opportunities and gaps that align with the recommended target industries to be included in the report. It will also identify existing workforce development and education programs and possible training gaps in the Lexington area.

How would you evaluate the following workforce factors within Greater Lexington?



Top Occupations

TOP OCCUPATIONS IN LEXINGTON MSA BY TOTAL EMPLOYMENT							
Occupation	# Employed (2008)	Occupational Concentration in MSA	Mean Wage in MSA	Mean Wage in U.S.	Wage Differential	10-YR U.S. Growth Projection	Education & Training
Retail salespersons	8,160	0.99	\$24,120	\$25,050	-3.9%	8.4%	Short-term on-the-job training
Registered nurses	6,590	1.39	\$63,800	\$65,130	-2.1%	22.2%	Associate degree
Combined food preparation and serving workers, including fast food	6,250	1.24	\$15,580	\$17,400	-11.7%	14.6%	Short-term on-the-job training
Waiters and waitresses	6,030	1.36	\$17,390	\$19,580	-12.6%	6.4%	Short-term on-the-job training
Cashiers	5,650	0.85	\$17,680	\$18,880	-6.8%	3.5%	Short-term on-the-job training
Stock clerks and order fillers	4,650	1.33	\$23,460	\$23,140	1.4%	7.2%	Short-term on-the-job training
Laborers and freight, stock, and material movers, hand	4,100	0.94	\$23,590	\$24,690	-4.7%	-0.8%	Short-term on-the-job training
Team assemblers	4,000	1.89	\$30,220	\$27,630	8.6%	0.0%	Moderate-term on-the-job training
Truck drivers, heavy and tractor-trailer	3,650	1.17	\$39,600	\$38,720	2.2%	13.0%	Short-term on-the-job training
Bookkeeping, accounting, and auditing clerks	3,420	0.99	\$30,430	\$33,800	-11.1%	10.3%	Moderate-term on-the-job training
General and operations managers	3,300	1.04	\$87,340	\$107,970	-23.6%	-0.1%	Bachelor's or higher degree, plus work experience
Janitors and cleaners, except maids and housekeeping cleaners	3,190	0.80	\$20,990	\$23,500	-12.0%	4.4%	Short-term on-the-job training
Executive secretaries and administrative assistants	3,180	1.14	\$34,870	\$42,340	-21.4%	12.8%	Work experience in a related occupation
Office clerks, general	3,050	0.56	\$26,820	\$26,830	0.0%	11.9%	Short-term on-the-job training
Secretaries, except legal, medical, and executive	2,790	0.80	\$26,740	\$29,990	-12.2%	4.6%	Moderate-term on-the-job training
Customer service representatives	2,790	0.67	\$28,280	\$31,790	-12.4%	17.7%	Moderate-term on-the-job training
Maintenance and repair workers, general	2,710	1.11	\$30,920	\$35,630	-15.2%	10.9%	Moderate-term on-the-job training
Security guards	2,620	1.34	\$21,020	\$25,840	-22.9%	14.2%	Short-term on-the-job training

Source: BLS Occupational Employment Statistics

Most Concentrated Occupations

MOST CONCENTRATED OCCUPATIONS IN THE LEXINGTON MSA VERSUS U.S.							
Occupation	# Employed (2008)	Occupational Concentration in MSA	Mean Wage in MSA	Mean Wage in U.S.	Wage Differential	10-YR U.S. Growth Projection	Education & Training
Farm, ranch, and other agricultural managers	70	10.99	\$47,580	\$62,400	-31.1%	5.9%	Bachelor's or higher, plus work experience
Anthropologists and archeologists	50	5.12	\$49,440	\$57,300	-15.9%	28.1%	Master's degree
Media and communication equipment workers, all other	150	4.06	\$42,320	\$56,120	-32.6%	12.5%	Moderate-term on-the-job training
Nonfarm animal caretakers	860	3.63	\$20,530	\$21,550	-5.0%	20.7%	Short-term on-the-job training
Metal workers and plastic workers, all other	270	3.31	\$30,980	\$35,570	-14.8%	-7.4%	Moderate-term on-the-job training
Cartographers and photogrammetrists	70	3.21	\$44,610	\$57,980	-30.0%	26.8%	Bachelor's degree
Database administrators	660	3.05	\$62,970	\$72,900	-15.8%	20.3%	Bachelor's degree
Tool and die makers	480	3.00	\$46,440	\$48,180	-3.7%	-8.0%	Long-term on-the-job training
Ushers, lobby attendants, and ticket takers	580	2.91	\$19,180	\$19,100	0.4%	13.7%	Short-term on-the-job training
Purchasing agents & buyers, farm products	70	2.88	N/A	\$58,760	N/A	-1.1%	Long-term on-the-job training
Veterinary technologists and technicians	420	2.85	\$24,670	\$29,850	-21.0%	35.8%	Associate degree
Life, physical, and social science technicians	300	2.77	\$35,760	\$42,910	-20.0%	13.3%	Associate degree
Biological technicians	360	2.67	\$30,770	\$40,900	-32.9%	17.6%	Bachelor's degree
Materials engineers	120	2.66	\$73,450	\$84,200	-14.6%	9.3%	Bachelor's degree
Veterinarians	260	2.62	\$88,110	\$89,450	-1.5%	33.0%	First professional degree
Chemical engineers	150	2.59	\$86,660	\$88,760	-2.4%	-2.1%	Bachelor's degree
Pesticide handlers, sprayers, and applicators, vegetation	120	2.56	\$32,430	\$31,210	3.8%	17.7%	Moderate-term on-the-job training
Millwrights	220	2.55	\$57,660	\$50,030	13.2%	1.4%	Long-term on-the-job training
Molding, coremaking, and casting machine setters, operators, and tenders	690	2.53	\$24,180	\$29,270	-21.1%	-4.4%	Moderate-term on-the-job training
Paper goods machine setters, operators, and tenders	480	2.47	\$32,650	\$34,010	-4.2%	-21.5%	Moderate-term on-the-job training

Source: BLS Occupational Employment Statistics



Project Next Steps

TRANSITION TO TARGET INDUSTRY OPPORTUNITIES

Industry clusters are highly integrated groups of businesses with strong vertical and horizontal linkages. “Vertical linkages include the suppliers and customers in a region that combine to create a competitive business model, whereas “horizontal” linkages include the relationships between competing companies-which often recruit from the same labor pool of talent-and supporting public institutions. Clusters often mature when businesses expand their relationships with existing supplier firms in a region. As the clusters grow, additional supplier firms are attracted to the region, eventually creating a well-diversified “critical mass” of production, labor, and information.

AngelouEconomics has defined 35 standard industry clusters to categorize businesses according to their final product and how these products are related to each other and integrated along the vertical supply chain. To access the strength of a cluster in a regional economy, AngelouEconomics has calculated location factors (or quotients) to each cluster. These factors are calculated by comparing the cluster’s share of total local employment to the cluster’s national share. This location quotient will yield a value generally between 0 and 2, where a result of “1” demonstrates that the cluster commands an average (expected) share of the local economy. Cluster location factors greater than 2 indicate a strong cluster agglomeration, while those less than .5 indicate extremely weak clusters.

What industries are currently strong in the Lexington-Fayette?

The chart to the right shows the top ten clusters in Lexington while the chart on the following page lists the top fifteen industries compared with cluster strength in the Bluegrass Region and Kentucky. Importantly, the following analysis is intended only to provide an industry *baseline* for which competitiveness can be measured in the regional and global economies. In the next report – the Target Industry Report – the project team will compare these industry clusters to regional and national cluster trends – thus making them potential economic development targets.

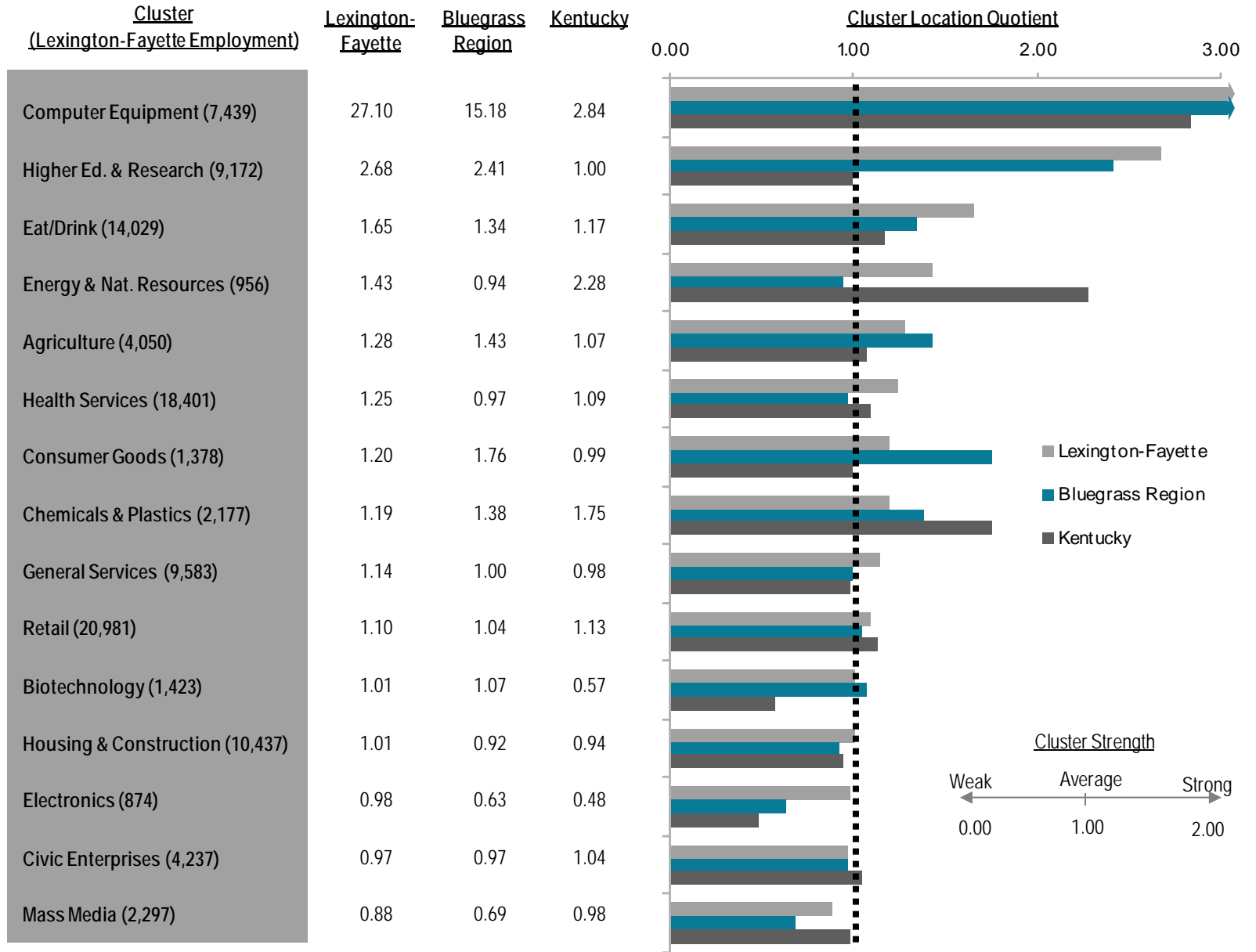
2010 LEXINGTON INDUSTRY CONCENTRATION: TEN STRONGEST INDUSTRIES (BY LOCATION QUOTIENT)			
Industry	Employees	Businesses	LQ
Computer Equipment	7,439	13	27.10
Higher Ed. & Research	9,172	149	2.68
Eat/Drink	14,029	546	1.65
Energy & Nat. Resources	956	40	1.43
Agriculture	4,050	581	1.28
Health Services	18,401	1,157	1.25
Consumer Goods	1,378	52	1.20
Chemicals & Plastics	2,177	56	1.19
General Services	9,583	1,114	1.14
Retail	20,891	1,624	1.10

Source: Duns & Bradstreet

Location Quotient (LQ)
 A calculated ratio between the local economy and the national economy that indicates industry concentration.
 LQ =1.0 indicates average concentration
 LQ > 2.0 indicates a strong cluster
 LQ < 0.5 indicates a weak cluster

Industry Cluster Strengths

TOP 15 LEXINGTON-FAYETTE INDUSTRY CLUSTERS, 2010 (Q3)



Source: Dun and Bradstreet



Appendix A

APPROACH AND METHODOLOGY

The Market Assessment evaluates the current state of affairs in Lexington in areas that are most critical to business and industry growth and job creation. Using data that was provided by the Commerce Lexington, regional partners, or collected independently by AngelouEconomics, this report allows us to take a step back and evaluate trends, data, and businesses' and residents' perceptions of the community.

This report assesses the city's current economic situation and the trends that have shaped it. Specifically, we evaluate its readiness to attract and direct future economic development. We analyze the community in a range of economic and demographic variables by comparing it against a group of national benchmark communities.

AngelouEconomics used a variety of sources to collect the quantitative and qualitative information used in our analysis. To begin, the consulting team collected previous studies and plans developed for Lexington.

Quantitative data was collected from national and state sources, including the U.S. Bureau of Labor Statistics, the U.S. Census, Decision Data Resources, the National Science Foundation, the Internal Revenue Service and numerous private sector sources. AngelouEconomics also gathered qualitative data through numerous focus groups, one-on-one interviews, and community tours.

Two surveys were conducted to provide further insight into the economy of Lexington; one survey was aimed at area employers, the other was intended for community residents.

In order to gauge where Lexington stands relative to other nationally competitive communities, this report assesses its performance against a number of benchmark communities selected based on similar size or economic characteristics.



Appendix B

REGIONAL BENCHMARK DATA

In addition to the national benchmarks originally chosen for this report, certain regional benchmarks were identified by the Steering Committee as being of particular interest. These regional benchmarks are Louisville, KY MSA, Cincinnati, OH MSA, and Nashville, TN MSA. Because the data on the following pages is at the MSA level (unless otherwise noted), it will differ from data presented in the earlier sections of the report which are at the city level.

Regional Benchmark Data

At-A-Glance							
Source(s)		Lexington, KY MSA	Cincinnati, OH MSA	Louisville, KY MSA	Nashville, TN MSA	Kentucky	U.S.
Census	Population (2009 Estimate)	470,849	2,171,896	1,258,577	1,582,264	4,314,113	307,006,550
Census/DDR	Population Growth ('90-'09)	35.1%	17.7%	19.2%	51.0%	17.1%	23.4%
BLS	Unemployment Rate (Apr. 2010)*	8.1	10.2	9.9	9.2	10.2	9.9
BLS	Labor Force Growth ('90-'09)	24.2%	20.0%	15.9%	42.9%	19.0%	22.5%
DDR	Median Household Income (2009)	\$52,880	\$57,738	\$52,415	\$55,965	\$43,083	\$53,684
DDR	% Bachelor's Degree + (2009)	33.3%	29.9%	24.3%	29.5%	20.2%	28.0%
DDR	% in 25-44 Age Group (2009)	29.3%	26.5%	26.6%	28.7%	27.0%	27.1%

Educational Attainment, 2009						
Source: DDR						
	Lexington, KY MSA	Cincinnati, OH MSA	Louisville, KY MSA	Nashville, TN MSA	Kentucky	U.S.
No HS Diploma	12.7%	11.9%	12.5%	13.6%	19.4%	15.0%
High School Graduate	27.1%	32.7%	35.1%	31.4%	35.9%	30.0%
Some College	19.9%	18.5%	20.8%	19.3%	18.4%	19.4%
Associate Degree	7.1%	7.1%	7.4%	6.3%	6.2%	7.5%
Bachelor or Higher	33.3%	29.9%	24.3%	29.5%	20.2%	28.0%

Age Distribution, 2009						
Source: DDR						
	Lexington, KY MSA	Cincinnati, OH MSA	Louisville, KY MSA	Nashville, TN MSA	Kentucky	U.S.
0 to 14	19.3%	20.3%	20.0%	20.3%	19.6%	20.0%
15 to 24	14.3%	14.1%	12.7%	13.3%	13.3%	14.0%
25 to 44	29.3%	26.5%	26.6%	28.7%	27.0%	27.1%
45 to 64	25.7%	26.6%	27.7%	26.5%	26.5%	25.9%
65+	11.4%	12.5%	13.0%	11.2%	13.5%	13.1%
Median Age	36.1	37.3	38.5	36.8	37.9	37.1

Regional Benchmark Data

Income Distribution, 2009

Source: DDR						
	Lexington, KY MSA	Cincinnati, OH MSA	Louisville, KY MSA	Nashville, TN MSA	Kentucky	U.S.
\$0 to \$14K	12.2%	10.3%	11.9%	10.5%	17.3%	11.9%
\$15K to 34K	21.2%	18.7%	20.8%	18.9%	24.5%	20.2%
\$35K to \$49K	14.2%	14.2%	14.9%	15.0%	15.0%	14.5%
\$50K to \$99K	32.1%	34.1%	33.3%	34.9%	29.3%	32.1%
\$100K+	20.3%	22.7%	19.1%	20.7%	14.0%	21.2%
Median HH Income	\$52,880	\$57,738	\$52,415	\$55,965	\$43,083	\$53,684
Per Capita Income	\$26,788	\$26,249	\$24,318	\$25,664	\$21,557	\$26,485

Average Weekly Wages

Source: BLS										
	2001	2002	2003	2004	2005	2006	2007	2008	2009	wage growth '01-'09
Lexington, KY MSA	\$621	\$645	\$665	\$693	\$705	\$729	\$756	\$770	\$777	25.1%
Cincinnati, OH MSA	\$683	\$703	\$722	\$753	\$776	\$797	\$826	\$842	\$846	23.9%
Louisville, KY MSA	\$629	\$645	\$666	\$701	\$714	\$744	\$772	\$781	\$790	25.6%
Nashville, TN MSA	\$649	\$669	\$693	\$719	\$745	\$789	\$822	\$845	\$843	29.9%
Kentucky	\$577	\$594	\$613	\$638	\$653	\$677	\$702	\$720	\$731	26.7%
U.S.	\$697	\$707	\$726	\$757	\$782	\$818	\$855	\$876	\$876	25.7%

U.S. Patents

Source: U.S. Patents and Trademark Office					
CITY (not MSA)	2005	2006	2007	2008	2009
Lexington, KY	157	195	232	229	198
Cincinnati, OH	514	615	588	558	559
Louisville, KY	121	139	135	117	112
Nashville, TN	68	102	90	92	99
Kentucky	377	471	505	469	457
U.S.	157,741	196,437	182,928	185,244	191,933

Regional Benchmark Data

Cost of Living				
Source: ACCRA				
MSA	Lexington-Fayette, KY	Cincinnati-Middletown, OH-KY-IN	Louisville, KY-IN	Nashville-Davidson-Murfreesboro, TN
Urban Area	Lexington, KY	Cincinnati, OH	Louisville, KY	Nashville-Franklin, TN
Composite Index (100%)	91.5	93.7	87.7	88.3
Grocery Items (12.95%)	85.0	96.0	80.8	92.5
Housing (28.99%)	90.9	83.3	76.9	70.4
Utilities (10.02%)	90.5	106.6	101.7	80.9
Transportation (11.98%)	96.2	102.8	98.2	92.7
Healthcare (4.07%)	91.7	91.2	87.3	91.5
Misc. Goods and Services (31.99%)	93.2	95.2	92.0	103.1

Crime Rates, 2008								
Source: FBI Uniform Crime Report								
Rate = Number of Offenses per 100,000 Inhabitants								
		Lexington, KY	Cincinnati, OH	Louisville, KY	Nashville, TN	Kentucky	U.S. Cities (Pop 250K-500K)	U.S.
Violent crime	# of offenses known	1,780	4,204	4,306	8,404	12,646	121,090	1,382,012
	Rate	632.4	1,264.0	683.8	1,395.6	296.2	863.7	454.5
Murder and nonnegligent manslaughter	# of offenses known	12	73	71	76	198	1,681	16,272
	Rate	4.3	21.9	11.3	12.6	4.6	12.0	5.4
Forcible rape	# of offenses known	137	269	220	301	1,408	6,289	89,000
	Rate	48.7	80.9	34.9	50.0	33.0	44.9	29.3
Robbery	# of offenses known	529	2,419	1,762	2,384	4,004	46,912	441,855
	Rate	187.9	727.3	279.8	395.9	93.8	334.6	145.3
Aggravated assault	# of offenses known	1,102	1,443	2,253	5,643	7,036	66,208	834,885
	Rate	391.5	433.8	357.8	937.1	164.8	472.3	274.6
Property crime	# of offenses known	9,724	20,264	29,420	32,347	110,314	643,066	9,767,915
	Rate	3,454.7	6,092.5	4,672.2	5,371.6	2,583.9	4,586.9	3,212.5
Burglary	# of offenses known	2,259	6,330	7,278	6,326	28,839	151,765	2,222,196
	Rate	802.6	1,903.1	115.8	1,050.5	675.5	1,082.5	730.8
Larceny-theft	# of offenses known	6,878	12,328	19,523	23,764	73,808	401,075	6,588,873
	Rate	244.3	3,706.5	3,100.5	3,946.3	1,728.8	2,860.8	2,167.0
Motor vehicle theft	# of offenses known	587	1,606	2,619	2,257	7,667	90,226	956,846
	Rate	208.5	482.9	415.9	374.8	179.6	643.6	314.7

Regional Benchmark Data

Research & Development				
Source: National Science Foundation, U.S. Census Bureau				
	Lexington, KY MSA	Cincinnati, OH MSA	Louisville, KY MSA	Nashville, TN MSA
R&D Expenditures (in Thousands)	336,669	370,757	148,936	473,305
	Lexington, KY MSA	Cincinnati, OH MSA	Louisville, KY MSA	Nashville, TN MSA
R&D Expenditures	336,669,000	370,757,000	148,936,000	473,305,000
2008 MSA Population	464,042	2,158,643	1,249,739	1,556,368
R&D Expenditures Per Capita	\$726	\$172	\$119	\$304



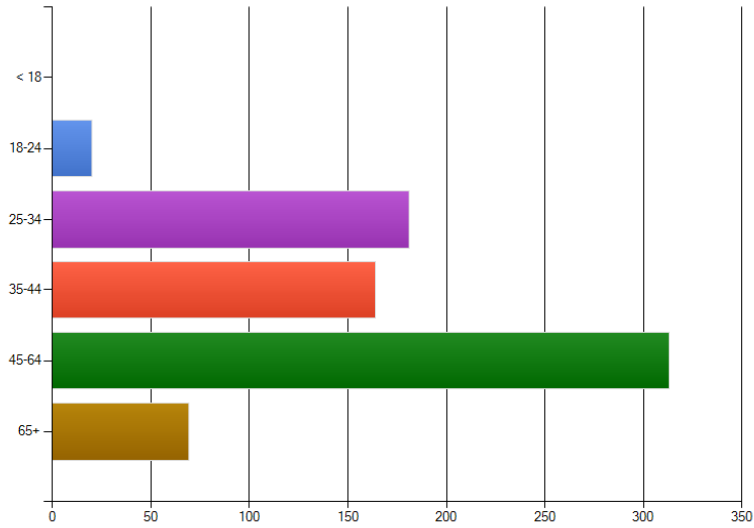
Appendix C

SURVEY RESULTS

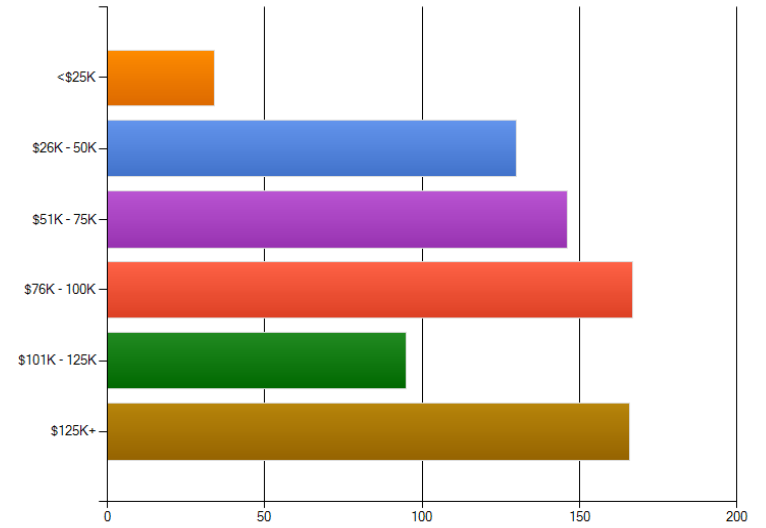
As part of the data collection process, two surveys were posted on the project’s website to glean insight from Lexington community members on topics related to economic development. One survey was direct to community members, the other was for employers. The following pages present the survey responses of the community and business surveys. The community survey had 752 responses and the business survey had 278.

Community Survey Results

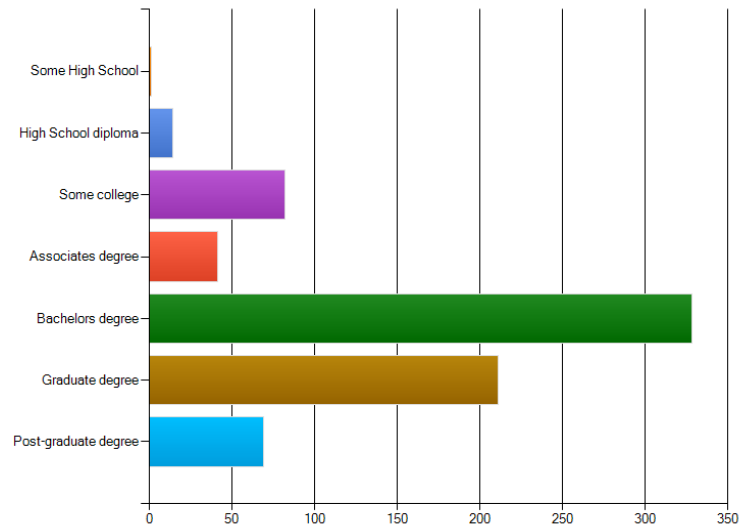
Age?



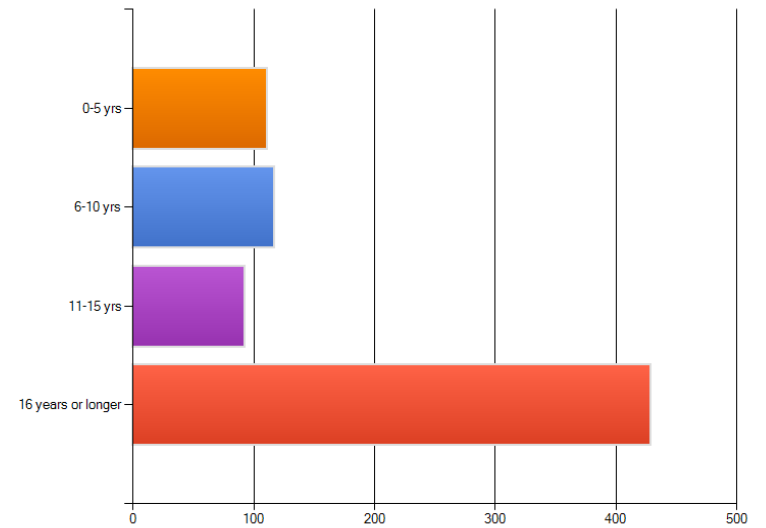
Annual Household Income?



Highest level of education you have reached?

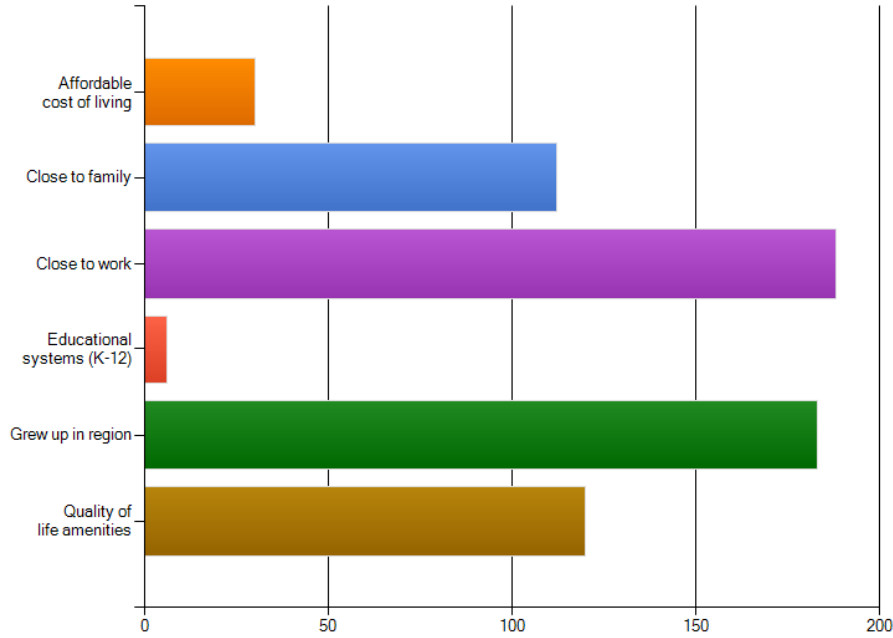


How long have you lived in Greater Lexington?

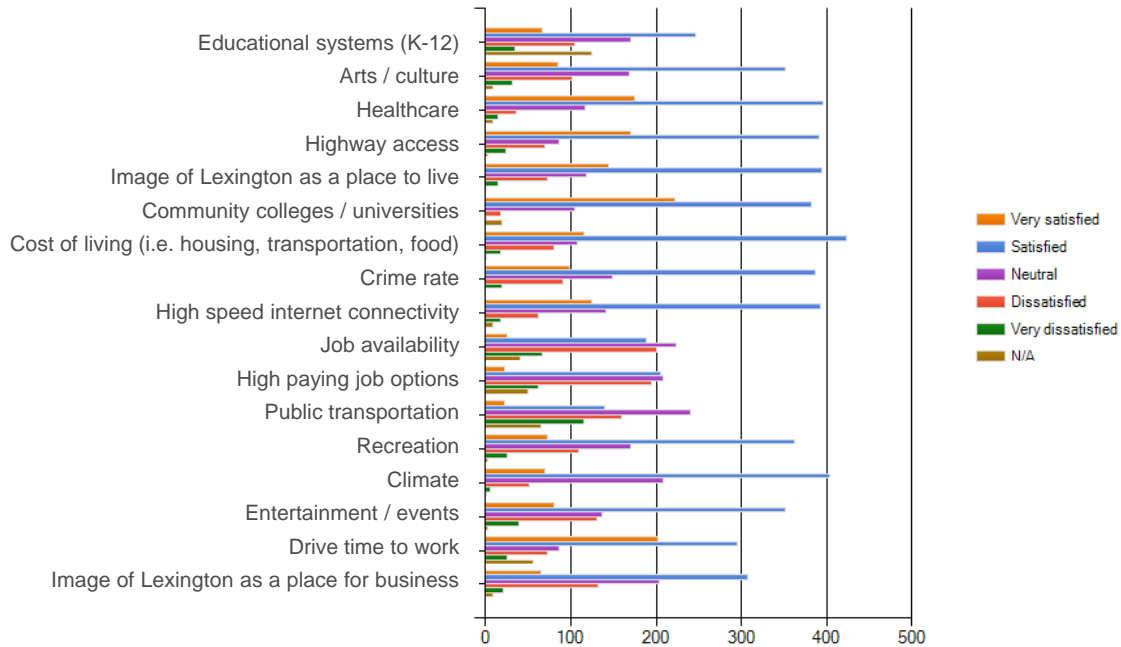


Community Survey Results

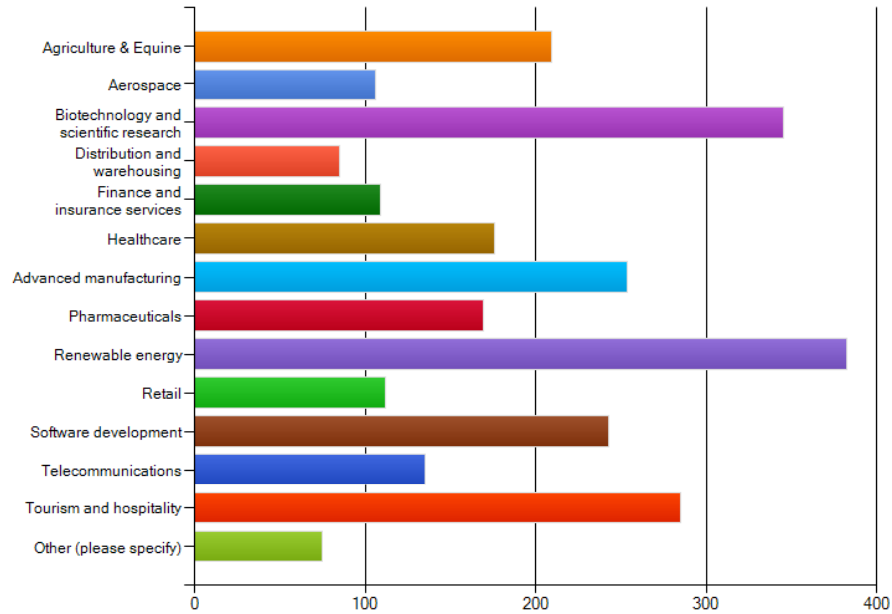
What is the primary reason you have chosen to live in Greater Lexington?



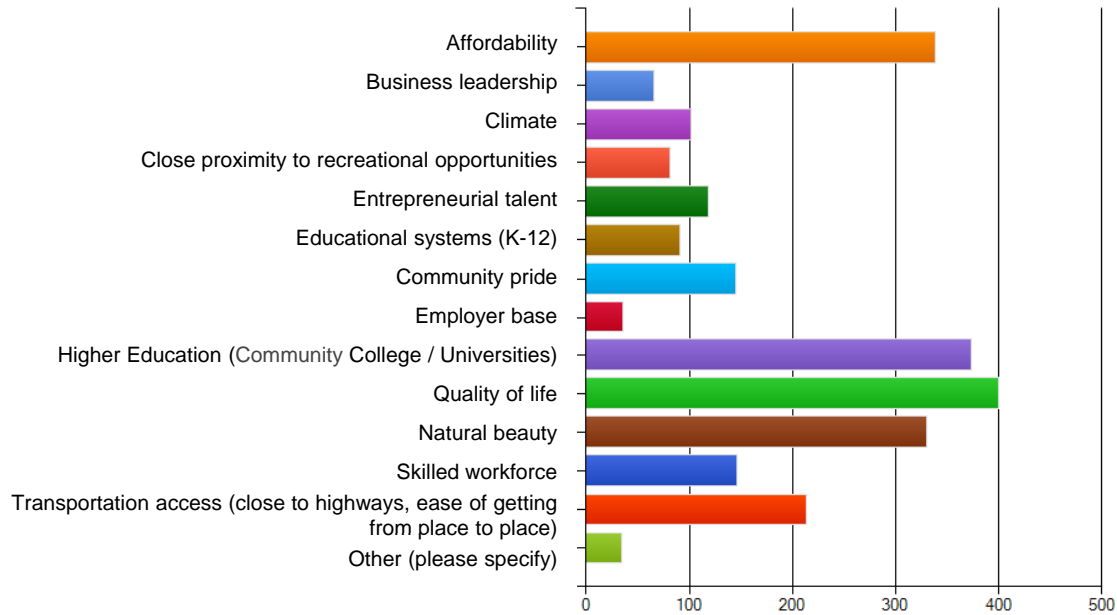
How well does Greater Lexington satisfy your needs in the following areas?



What type of employers would you like to see expand or locate in Greater Lexington?
(Choose up to three)

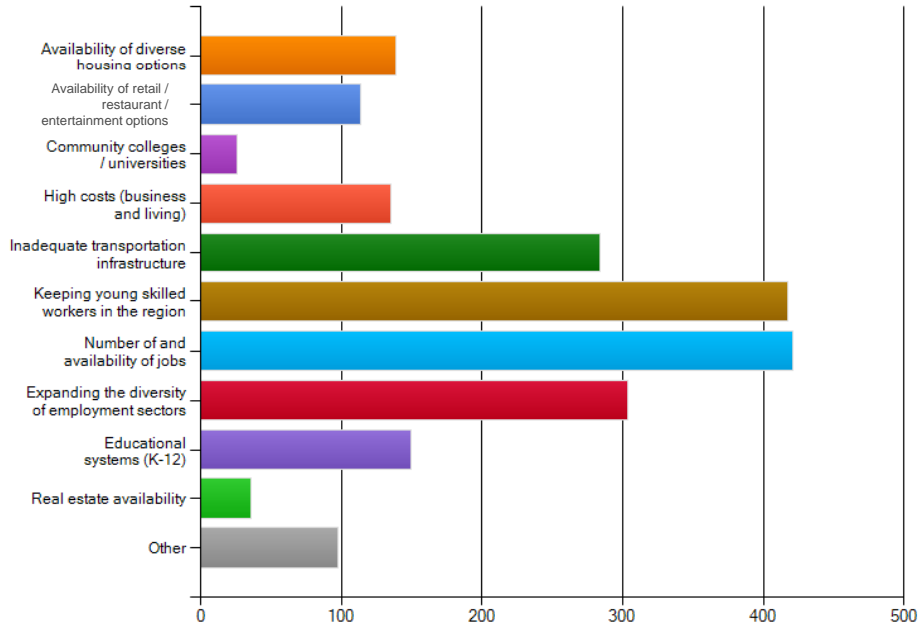


What are Greater Lexington's greatest assets that can contribute to economic growth?
(Choose up to three)

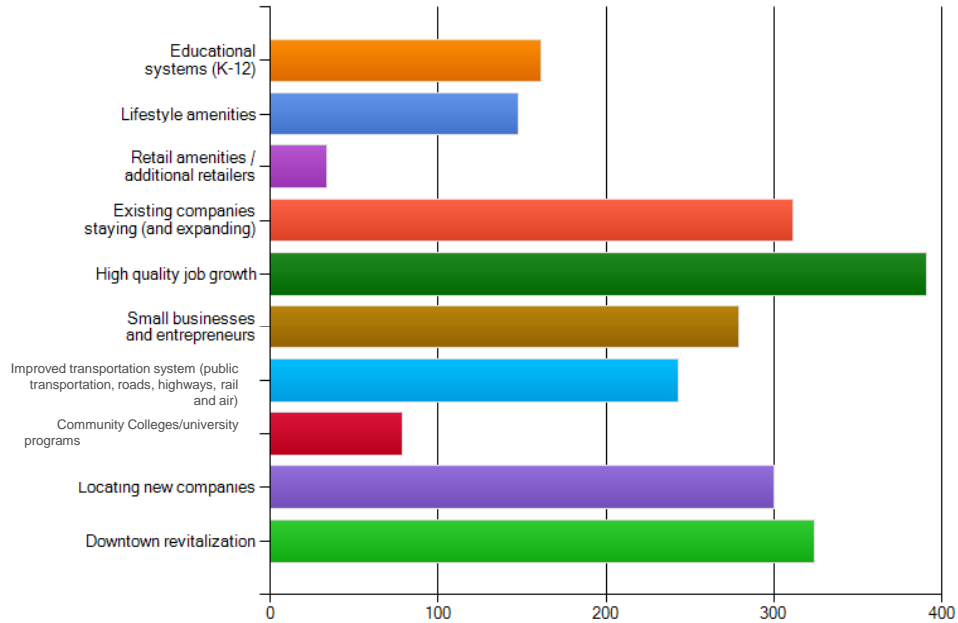


Community Survey Results

What are the most significant challenges facing Greater Lexington as they work to improve job and economic growth? (Choose up to three)

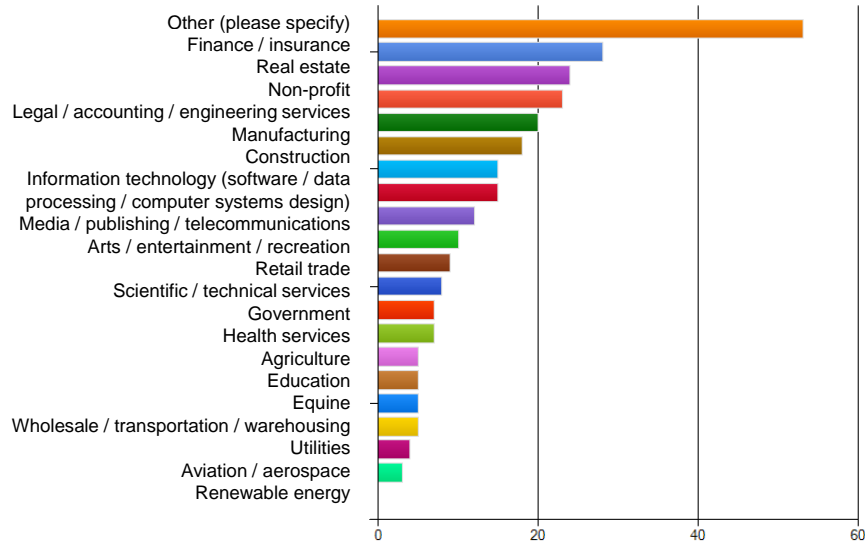


What should be the top focus areas for economic development in Greater Lexington? (Choose up to three)

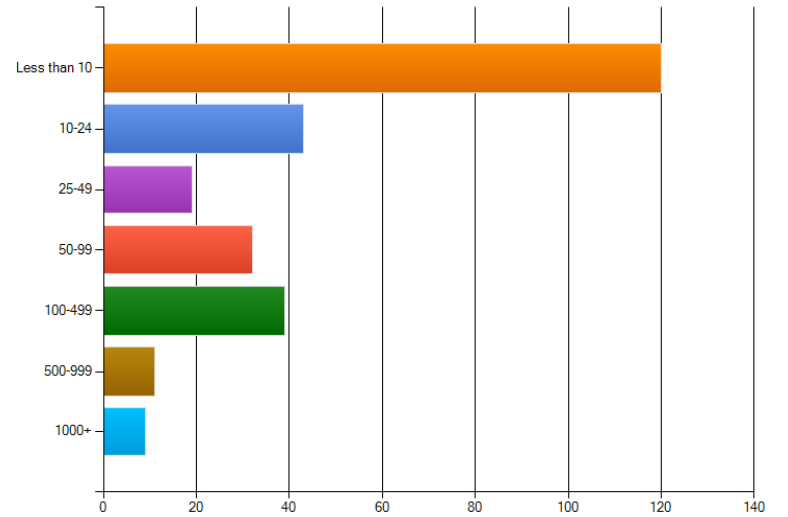


Business Survey Results

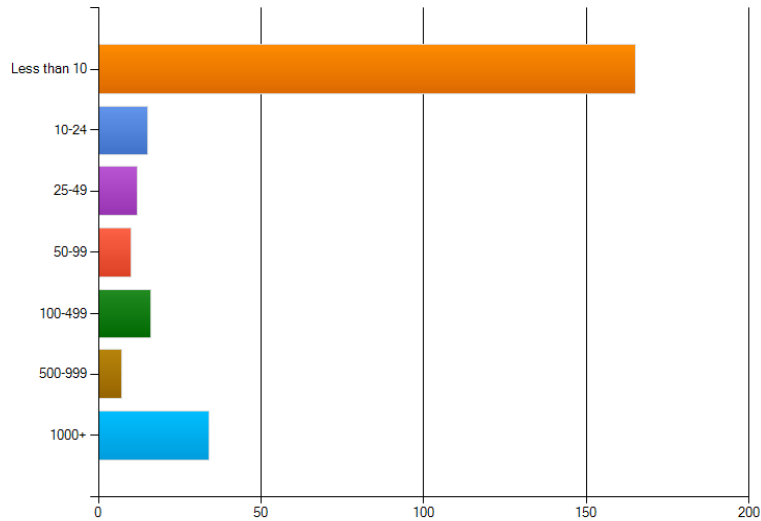
Which best describes the industry focus of your company?



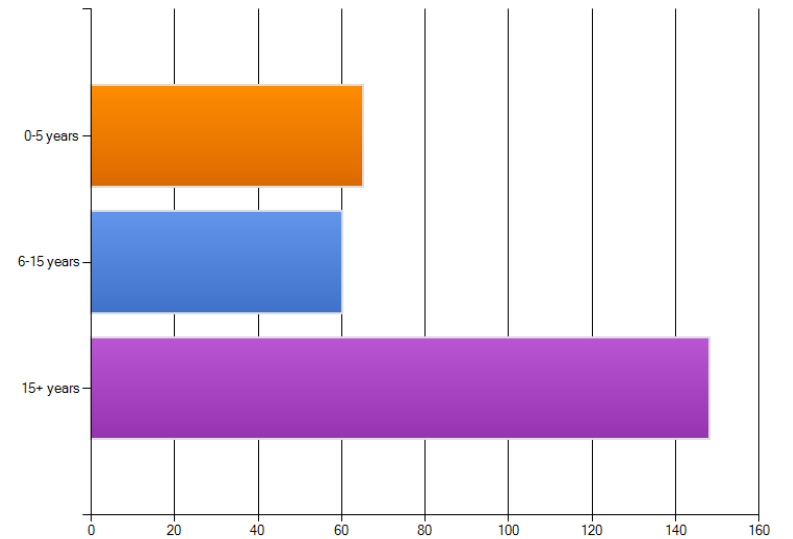
What is the approximate number of people employed by your business in Greater Lexington (including contract employees)?



What is the approximate number of people employed by your business outside of Greater Lexington but in the U.S. (including contract employees)?

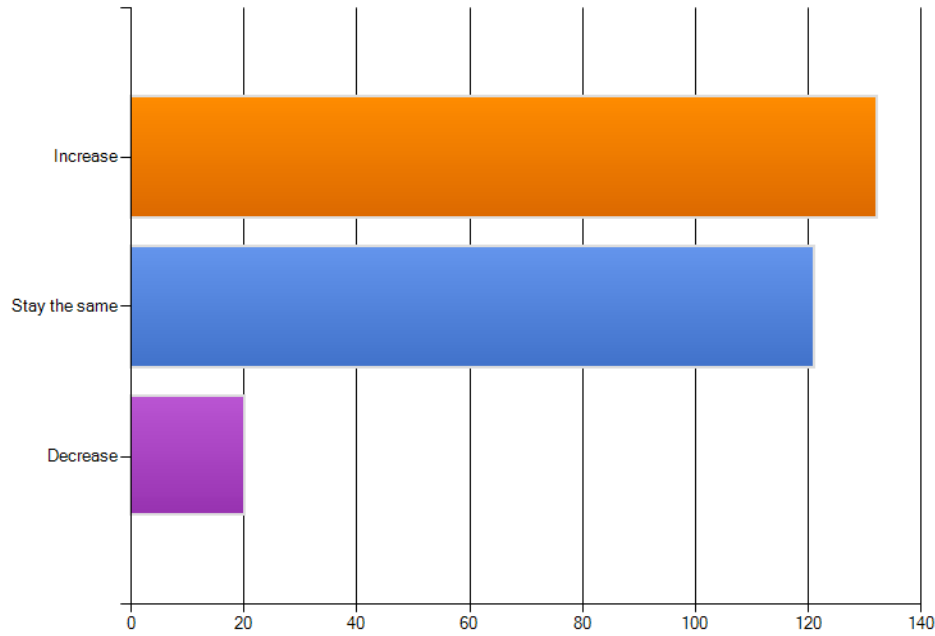


How long has your business been located in Greater Lexington?

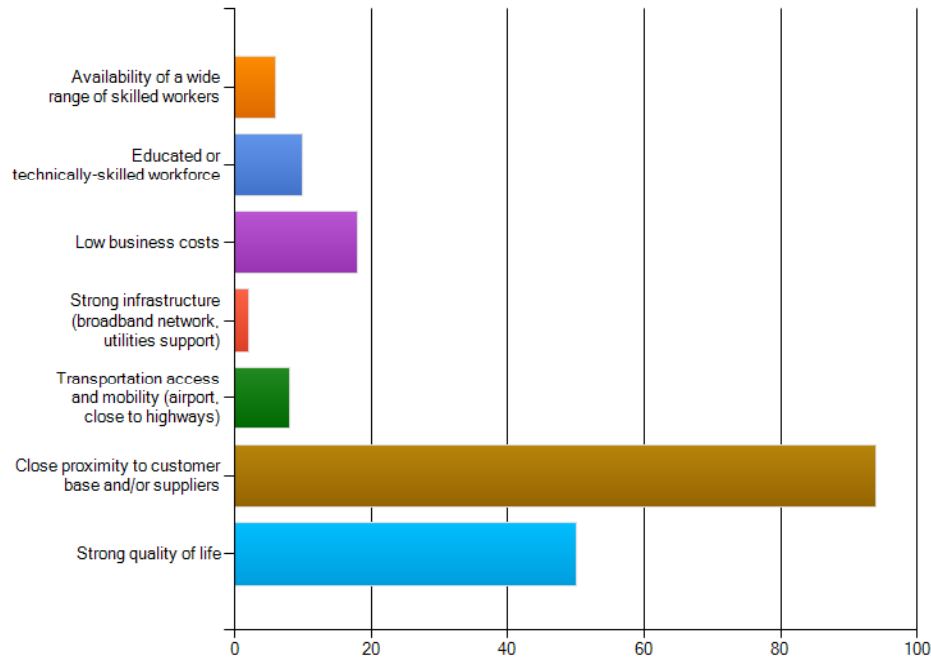


Business Survey Results

Over the next TWO years, do you expect the number of employees in your business in Greater Lexington to:



What is the primary reason why your business is located in Greater Lexington?

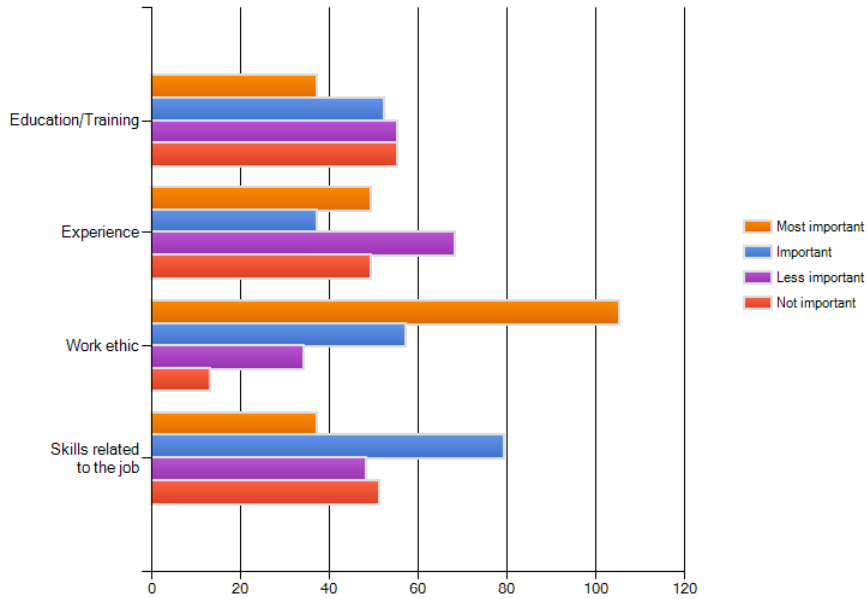


Business Survey Results

Please rate your satisfaction level of each factor.

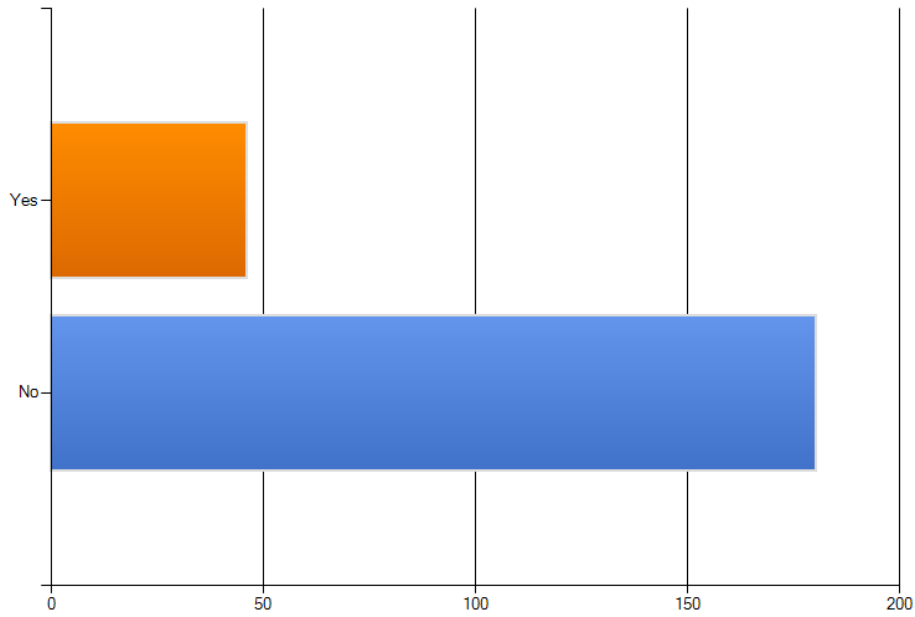


Rank the following factors in order of importance to your company's hiring decisions. (no tie ranks)

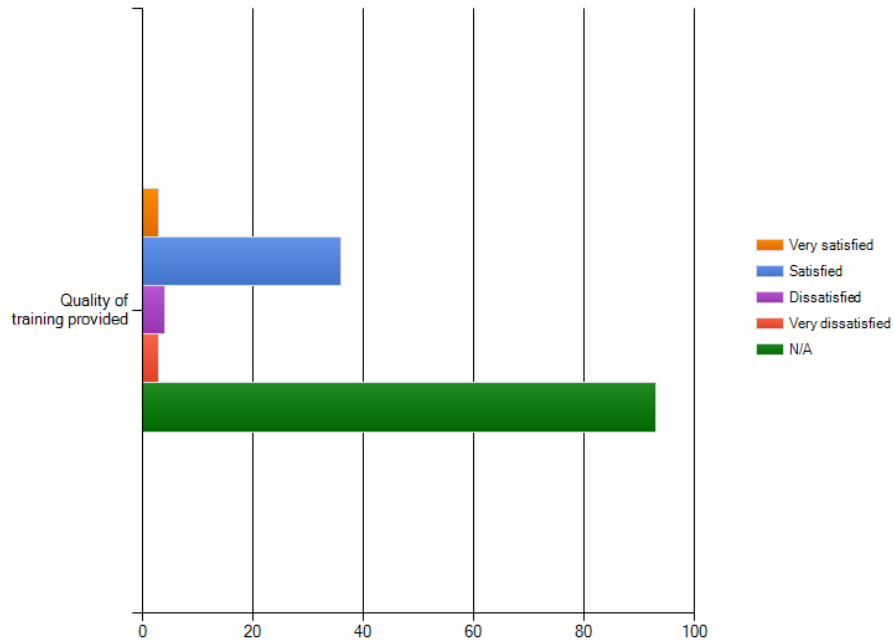


Business Survey Results

Has your company ever utilized any workforce training programs offered in Greater Lexington?

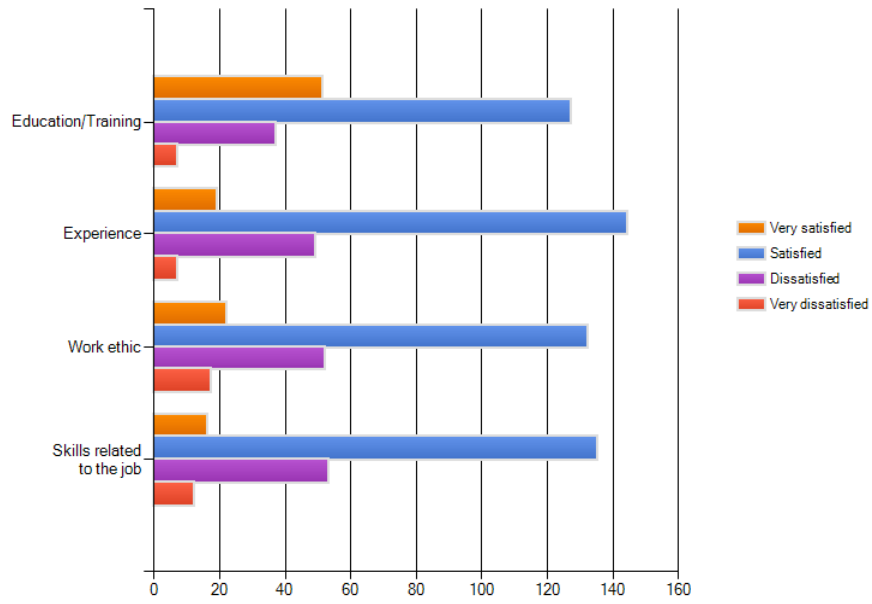



If yes, how would you rate the quality of training provided?



Business Survey Results

How would you evaluate the following workforce factors within Greater Lexington?





Appendix D

PHOTO CREDITS

Cover Page – Lexington, KY Convention & Visitors Bureau website

Table of Contents – Pixdaus website

Introduction – Commerce Lexington website

Executive Summary – Commerce Lexington website

SWOT Analysis – Lexington, KY Convention & Visitors Bureau website

The Economic Downturn – TruckTruth website

Regional Connections – Kentucky Horse Farms and Equestrian Real Estate Blog

Market Assessment 1 – Big Ass Fans corporate website

Market Assessment 2 – Lexington, KY Convention & Visitors Bureau website

Market Assessment 3 – Commerce Lexington website

Market Assessment 4 – Coldstream UK Research Campus website

Market Assessment 5 – Commerce Lexington website

Lifestyle & Cultural Amenities – Lexington Herald Leader website

Market Assessment 6 – Lexington Kentucky Travel website

Workforce Assessment – Bluegrass Community & Technical College website

Project Next Steps – Commerce Lexington website

Appendix – Commerce Lexington website



AngelouEconomics

AngelouEconomics partners with client communities and regions across the United States and abroad to candidly assess current economic development realities and identify opportunities. Our goal is to leverage the unique strengths of each region to provide new, strategic direction for economic development. As a result, AngelouEconomics' clients are able to diversify their economies, expand job opportunities and investment, foster entrepreneurial growth, better prepare their workforce, and attract 'new economy' companies.

Project Team

Angelos Angelou
Principal Executive Officer

Steve Vierck, CEcD
President, Economic Development

Chris Carucci
Project Manager

Meredith Bossin
Associate Project Manager