

Building a More Competitive Bluegrass Region

The region served by Commerce Lexington includes nine Kentucky counties: Bourbon, Clark, Fayette, Franklin, Jessamine, Madison, Montgomery, Scott, and Woodford. Faced with a rapidly changing competitive landscape, the organization brought together a group of key regional stakeholders, and the consulting team from Economic Leadership, to create actionable intelligence about the region’s current economy and actions to improve future competitiveness.

The goal was not to create an extensive work plan with dozens of action items for all the organizations involved. It was to identify a limited number of new efforts that would be impactful, provide benefit to the whole region, be financially feasible, and have the broad support needed from key regional public and private leaders to be successfully implemented.

The Region’s Current Economy

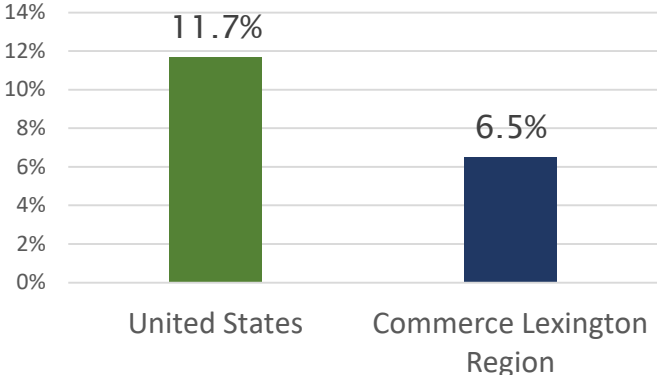
The population of the region is approximately 700,000 with regional employment just over 376,000. The population is projected to grow by about 20,000 (2.8%) over the next five years, decelerating from the 25,660 increase (3.8%) over the past five years.

The largest industry sectors in the region include government, manufacturing, and health. The region also has double the national average in agriculture sector jobs and above the U.S. average for jobs in accommodation and food services and retail trade. The fastest growing industry clusters are business services, distribution and e-commerce, state government services, aerospace, automotive and paper and packaging.

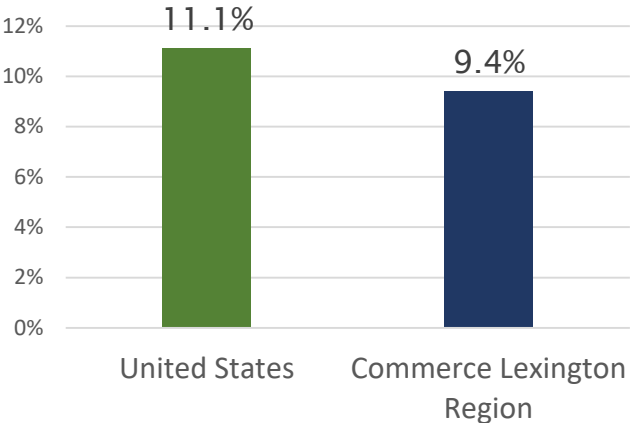
The region has experienced steady growth over the past five years, but slower than the national economy. In addition to below average Gross Domestic Product growth per capita and employment growth, the region also lags the national average in personal income growth.

Over the past decade (2011-2021) region has grown its labor force by only 1.9 percent or 6,430 workers. During the same period over 21,000 net new jobs have been added. The percentage of young adults aged 25-39 is below the national average and overall racial diversity is low, about half the national average. Labor availability is the top business concern.

5 Year %-Year Growth in GDP per Capita



5 Year % Growth in Employment



The average earnings per job in the region is \$62,500, well below the national average of \$76,600. Offsetting some of the difference is the lower regional cost-of-living, currently estimated at 95.5 percent of the national average. Compared to the national average, the region's jobs mix includes a higher percentage of lower paying jobs and a lower percentage of jobs that pay wages in excess of \$30 per hour. Affordability, a regional strength, is being eroded. Over the past 10 years average annual pay has increased in Fayette County by 33 percent while average housing values have increased 71 percent.

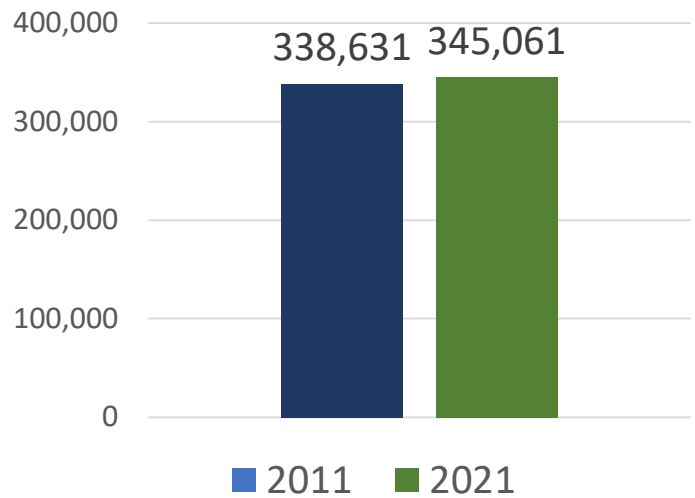
Aspirations for the Future

The Stakeholders describe the region as a smaller town with a big city feel that is beautiful, hospitable and affords its residents a very high quality of life. The region's strengths are concentrated in the areas of infrastructure, affordability, and quality of life. The areas needing improvement to be more competitive are the availability of labor, the real estate product (ready sites and buildings), and the regulatory and approval process.

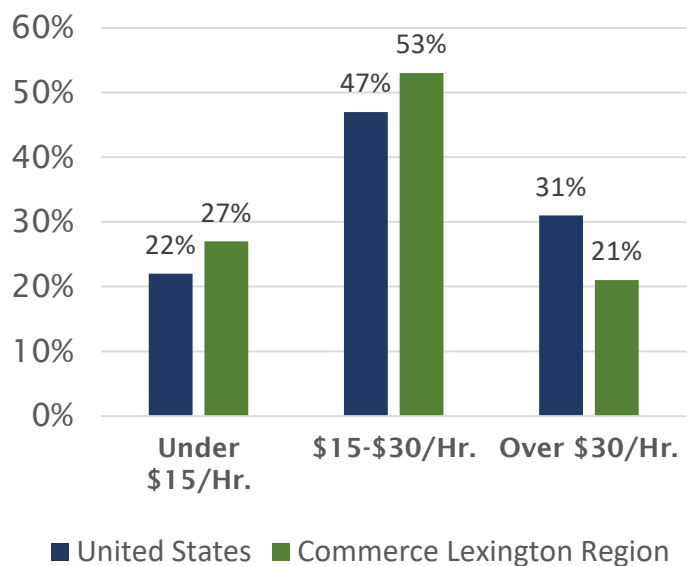
The overall goal is to grow the economy, maintain adequate infrastructure, attract and create more and better jobs, educate and train the future workforce, and maintain both the affordability and the quality of life that citizens enjoy.

Cluster, technology, and housing analysis were completed as part of the work, to identify additional opportunities and challenges. When compared to competitor regions, the region scores higher in QOL and business climate, lower in workforce and recent economic performance. Post pandemic trends suggest that the combination of a high quality of life and relative affordability when compared to competitor regions provides real opportunity for accelerated growth in advanced manufacturing, business and professional services, and targeted technology.

Commerce Lexington Regional Labor Force



Percentage Average Wages of Jobs



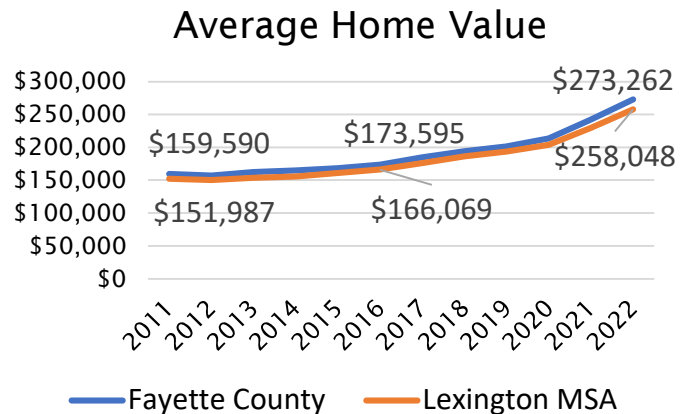
7 Take Aways for a More Competitive Region

Through the research and deliberation some things became clear.

#1 The regional economy needs to be more competitive. Despite labor shortages, excellent educational attainment numbers and an outstanding quality of life, the regional growth in population, jobs, wages, and GDP lags many competitor communities and national averages. Aggressive actions and investments to improve the region's competitiveness are needed. Without action the region will continue to lag.

#2 The regional labor force needs to grow.

The availability of skilled workers will be a critical factor in economic success in the coming years – probably the most important factor. The region's labor force growth has been slow, and a better strategy for talent attraction and retention of younger workers is needed. Housing affordable is critical and Fayette County's average home value has increased 57% between 2016-2021 and an additional 13 % so far in 2022.



#3 More ready sites and buildings are needed.

The investment decision process has accelerated in recent years. For most clients, the immediate availability of shovel-ready sites, or ready-to-occupy buildings that meet their needs, is a determining factor. Due to infrastructure needs, zoning decisions, and the lack of speculative building the region's real estate product is limited. Actions to expand and improve the available buildings and sites are needed to successfully compete for the opportunities that the region gets.

#4 Regional wages need to rise. The region's current industry mix creates too few high paying jobs. Actions are needed to focus marketing and business support efforts on industries that raise the average wages across the region.

#5 Opportunities abound. As the impacts of the pandemic wane, reshoring expands and innovation surges, most businesses report a need for new facilities and more workers. In addition, federal stimulus funding is available to cities and counties to invest in infrastructure, product development and worker training. Kentucky and the Commerce Lexington region have opportunities to grow the advanced manufacturing, business services, and technology sectors, if they can meet business needs.

#6 Data analytics are important, and mostly regional. Counties in the region are working to grow and improve, and these efforts are important. Detailed data is easily accessible to any potential investor today and "regional" is the geography most often used for comparison. Labor sheds, housing availability, cost of doing business and many other factors are aggregated at the regional level by site selectors and compared to other regions across the country. Regional assessment, collaboration and alignment is imperative to success.

#7 Regional collaboration can be hard, but it is necessary for success. Branding, economic development marketing, talent attraction and retention, product development, and business support are all activities where working together can improve efficiency and effectiveness.

Recommendations for Action 2022-2027

Economic Development Strategy - Increase the regional job, wage, and GDP growth rates to the national average

Lead Responsibility: Bluegrass Alliance

Budget Annual: Total - \$1.1 million

Budget – Five Years: \$5,500,000

Strategic Actions:

1. Increase investment in regional branding and site selector awareness with a focus on quality of life and affordability.
2. Create a detailed multi-jurisdictional product development strategy to secure more shovel-ready land and buildings, including developing a strategy and advocacy plan for the creation of a regional business park.
 - Seek grants or low-interest loans as seed funding for a speculative building program, or cover carrying costs to incent private sector development of speculative buildings.
 - Examine the potential to create a competitive economic development megasite of at least 1,000 contiguous acres with multi-modal transportation and robust utility capacity.
3. Develop a proactive program to educate key leaders in the region about economic development/site development needs and post-pandemic competitive realities.

Workforce Strategy - Increase the regional labor force by 1,500 per year

Lead Responsibility: Business and Education Network

Budget Annual: \$200,000 personnel plus \$275,000 programmatic

Budget – Five Years: \$2,375,000

Strategic Actions:

4. Develop a regional talent recruitment/attraction marketing campaign with messages aligned with the economic development branding effort.
5. Initiate Intern Connect - Create a work experience platform to connect business with students in the region for internships, etc. to increase the stickiness of young adults.

Leadership/Regionalism Strategy - Increase the state's and region's competitiveness by attracting state and federal funding and advocating for policy improvements

Lead Responsibility: Regional Public Policy Group

Budget: \$200,000 annually

Budget – Five Years: \$1,000,000

Strategic Actions:

6. Coordinate advocacy for federal and state infrastructure and product development funding.
7. Advocate for improved tax/regulatory policies that will improve the region's competitiveness.

Total five-year budget requirements to implement the strategic actions: \$8,875,000