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Moving Cleveland Above the Trend: Benchmarking Regional Performance (Presentation)

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MOVING CLEVELAND ABOVE THE TREND:
BENCHMARKING REGIONAL PERFORMANCE

Center for Economic Development

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CLEVELAND, OHIO

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College of Urban Affairs

About the Study

- Model for understanding and predicting economic growth in U.S. mid-sized regional economies similar to Cleveland and NEO

- Analyzed structural and policy-based factors and looked for outperformers – what can Cleveland learn about their public policies and programs?

- Used a multi-stage process collecting 43 variables associated with regional growth, including educational attainment, business composition, regional assets, and quality of life

- The mid-sized regional economies analyzed encompass 135 metro areas, and includes populations spanning from 352,823 to 3.9 million

- Used factor analysis as a data-reduction technique to identify factors influencing growth in mid-sized regional economies:

  - Innovation and Talent
  - Entrepreneurship in High-Cost Areas
  - New Residential Centers
  - Retirement Destinations
  - Polarization

- Used regression analysis to determine the relationship between these factors and regional growth in employment, gross regional product (output), and per capita income

Factors of Growth: Innovation and Talent

- **Consists of variables, such as Stem Occupations, Bachelor's Degrees, High-Tech Jobs, Patents, Brain Gain, SBIR/STTR Awards**, High-Growth firms, International Talent, VC, Industry R&D, Internet Access, Coworking Spaces, and others

- Explains 25% of variation in regional performance

- Cleveland is comparable to other metros in high tech talent and STEM occupations, but not in Brain Gain; we gain tech talent, but could keep and attract more

- MSAs doing better than Cleveland (Achievable): Columbus, OH; Cincinnati, OH; Indianapolis, IN; Kansas City, MO; Pittsburgh, PA

- MSAs that significantly outperforming (Aspirational): Minneapolis, MN; Charlotte, NC

- Drivers of success: research universities; strong connection between the universities and local tech companies; partnerships between educational institutions and local coding boot camp programs; programs to train, educate, and connect minorities and those living in poverty to higher-paying jobs; attract large, non-tech companies that are building their technology teams

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Factors of Growth: Entrepreneurship in High-Cost Areas

- **Consists of variables, such as Housing Unaffordability, Foreign Born, Employment in Small Firms, Cost of Doing Business, Self Employment**

- Explains 16% of variation in regional performance

- Over-performers are located in East and West Coast; building an economy that has regional assets and a strong foundation in promoting small businesses and entrepreneurship is a recipe for success. Cleveland has a lower percentage of small businesses and self-employment than comparable metro areas

- Achievable: Minneapolis, MN

- Aspirational: Eugene, OR; Colorado Springs, CO

- Drivers of success: growth in startups, including women-owned businesses; creating a coalition of entrepreneurs, investors, and support organizations to connect and provide resources; having comprehensive plans to bolster local entrepreneurship and startup growth; encouraging students to start businesses; fostering entrepreneurship events, organizations, co-working spaces, and accelerator programs (like MN Cup—the largest statewide competition for startups in the country, supporting over 10,000 entrepreneurs)

Factors of Growth: New Residential Centers

- **Consists of variables, such as New Construction, Employment in Young Firms, Health Insurance Coverage;** also scored low in variables such as Legacy of Place, City Poverty Ratio, Manufacturing

- Explains 11% of variation in regional performance

- Over-performers saw population growth and increase in the share of the millennial population; Cleveland is loosing population and has the lowest proportion of millennials, who are now the largest consumers in the U.S. economy

- <u>Achievable</u>: Minneapolis, MN; Columbus, OH; Cincinnati, OH

- <u>Aspirational</u>: Charlotte, NC; Colorado Springs, CO, Indianapolis, IN; Kansas City, MO

- <u>Drivers of success</u>: booming tech hubs and top-notch universities; MN ended single-family zoning, which allows for duplexes and triplexes construction creating more affordable housing; Charlotte has raised $100 million for affordable housing projects

Factors of Growth: Retirement Destinations

- **Consists of variables, such as Senior Population, Housing Vacancy Factor, Recreation Facilities**, also scored low in variables such as Share of Millennials, Labor Force Participation Rate

- Explains 8% of variation in regional performance

- In 2030, 73 million baby boomers will be looking for an attractive retirement destination (now in FL) to spend their retirement income. While Cleveland cannot compete with warm weather and sunny beaches, we can offer world-renowned healthcare institutions like the Cleveland Clinic; a lively art and cultural scene; and a sense of community and social warmth

- If Cleveland leveraged these assets to attract older populations and persuade its own retirees to stay, it could potentially reap the benefits of an increase in per capita income, like Pittsburgh, PA

- Retirees chose Eugene, OR to be near the action, which is a college town known for its arts, culture, and abundant outdoor activities

- Drivers of success: balance between the millennial and boomer populations, lower cost of living, quality healthcare, recreational activities, ties to social community

Factors of Growth: Polarization

- **Consists of variables, such as Income Inequality, Social Disadvantage Factors, Income Supports,** Female Business Ownership, Minority Business Ownership, Unemployment

- Explains 5% of variation in regional performance; negatively affects the region's wellbeing

- Cleveland is ranked 96th worse out of 135 MSAs in this factor

- Many areas with high minority and female-owned businesses are typically impoverished, leading to a positive association with polarization

- After the decline in transcontinental rail line traffic, Ogden-Clearfield, UT chose three stable industries to develop: aerospace, outdoor recreation, and advanced manufacturing. These industries have been relatively easy for many to begin their careers, helping this metro area build the highest percentage of people in the middle class compared to any large metro areas in the U.S, resulting in less income inequality

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Factor Associations to Regional Growth

Employment	Gross Regional Product	Per Capita Income
Innovation & Talent	Innovation & Talent	Innovation & Talent
Entrepreneurship in High-Cost Areas	Entrepreneurship in High-Cost Areas	Entrepreneurship in High-Cost Areas
New Residential Centers	New Residential Centers	New Residential Centers (-)
		Retirement Destinations
Polarization (-)	Polarization (-)	Polarization (-)

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