



Economic Development Analysis

Executive Summary – SWOT and Target Industry Analyses -Part I

Completed for the Downtown Dayton Partnership
1/5/2010



EXECUTIVE SUMMARY – SWOT AND TARGET INDUSTRY ANALYSIS (PART I)

As one input into the “Greater Downtown Dayton Plan,” Janus Economics was engaged to prepare a broad-brush SWOT analysis (strengths, weaknesses, opportunities, and strengths), a target industry/business sector analysis specific to the downtown and a peer city assessment of the downtown Dayton office market. Janus Economics' Principals maintain the perspective of business investment decision-makers which can be credibly performed with their experience in real estate and business location consulting. Please see the full reports of the SWOT & Target Industry Analysis (Part I) and the Office Market Assessment (Part II) for detailed analysis, findings and recommendations. Part I is summarized in this document and Part II is summarized under separate cover.

In general, a downtown represents the ongoing expression of the community's development and public life. Downtown Dayton represents the origin of the Dayton region going back to the late 18th century and onward until the flood of 1913 which started the suburban areas as people moved to higher ground away from the river. Within the Dayton four-county metropolitan statistical area (MSA), only the City of Dayton's downtown business district represents a true urban core. Other villages, towns, and small cities in the MSA may have primary commercial areas with Main Street charm, but they do not contain all of the aspects of a metropolitan downtown.

A downtown has to have a positive image, and it also must provide a good business climate to support job creation, especially for its target business sectors. Downtown also plays important community development roles such as providing places to meet, eat, socialize, enjoy creativity, and live. A strong, diversified downtown economy creates a sustainable environment where retail, commercial, restaurant, entertainment, visitor, and resident services come together to form the core urban engine for the region's overall vitality.

A downtown has to have a positive image, and it also must provide a good business climate to support job creation, especially for its target business sectors.

DOWNTOWN DAYTON SWOT ANALYSIS

Janus' SWOT analysis focused on common issues that repeatedly came up in primary research (interviews, visual inspection and review of existing studies) which might affect the competitive position of downtown Dayton in a site selection decision per our professional judgment. We have designated each of the factors as a strength, weakness or neutral and then discuss the opportunities and threats that exist (definitions of each of these are found in the adjoining box).

CURRENT SITUATION

Some of the forces currently impacting downtown Dayton includes a declining population in the overall region and a large commuter labor force that often shops where they live rather than where they work. Other forces include increased competition from commercial centers in other parts of the region and

lack of knowledge about the “downtown product.” Dayton has significant advantages for business development including unique housing and surrounding neighborhood, interesting and historic buildings, and many downtown district property owners, leaders, and residents committed to and loyal to downtown Dayton.

HIGHLIGHTS OF IDENTIFIED ISSUES AFFECTING COMPETITIVENESS OF DOWNTOWN DAYTON

“A Greater Downtown Dayton Plan” is an enormous strength as a competitive edge both in its planning stage, implementation phases, and as metrics are compiled. Many business investors want to know that a city is reinvesting in itself and is following a plan with a consensus-based vision. Companies want to know they will become “part of a community.” Many of the region’s most significant education assets are located in Downtown Dayton such as the University of Dayton and Sinclair Community College. The Oregon Arts District, located in downtown Dayton, is a regional destination for arts and entertainment and as the region continues to grow its high tech industries this and other quality of life assets of the region will gain greater significance.

On the other hand, Downtown Dayton has an image problem. Many interviewees stated that it wasn’t as prestigious to be located in downtown anymore because of declining aesthetics in some areas, various businesses moving to suburban areas of the region and perceived problems with crime and parking. There is limited restaurant variety and business-class hotel(s) or boutique hotels. Although there is a focused, cohesive retention and expansion effort underway in Downtown Dayton, there is not a proactive recruitment strategy to attract new business into downtown.

Downtown Dayton has all utilities (electric, natural gas, water & wastewater) in place with plenty of capacity and it is located at the crossroads of I-70 & I-75 – Downtown Dayton has ready access to the interstate which could be an important location criterion. The Dayton Development Coalition, Citywide Development, and other plans/studies recently completed are targeting Aerospace R&D, Information Technology, Advanced Materials & Manufacturing and Human Sciences & Healthcare. With additional partnership and communication on the available buildings and

STRENGTH: Asset or advantage often included as “must-have” criteria within projects requiring a downtown location.

WEAKNESS: A significant flaw in the competitive landscape of features often required by downtown investment projects.

NEUTRAL: Has neither a strong positive or negative impact on potential growth. Neutral factors may include a combination of strengths and weaknesses that tend to offset each other, conditions that are just average, or may be a somewhat less critical location factor.

OPPORTUNITY: Aspect or current situation with potential to differentiate or build significant assets in the Dayton region's downtown that would attract investment.

THREAT: Aspect or current situation with potential to further erode the Dayton region's metropolitan downtown as an economic engine and heart of community development.

match to project criteria, prospects for downtown Dayton competing for office-based operations could improve. Tech Town, located on the east side of downtown, is a new technology-focused campus-like development that will encompass approximately 400,000 square feet of office and research space and accommodate up to 2,500 jobs when completed. The first building, the Creative Technology Accelerator, has been completed and houses the RFID Convergence Center and other research entities. Tech Town is a 10 to 15 minute drive from Wright Patterson AFB and is located in a HUB Zone (Historically Underutilized Business Zone). Tech Town is on the cutting-edge of bringing technology-focused businesses into the downtown district.

Downtown is fortunate to have a high capacity fiber optic “backbone” that is largely underutilized. This

Downtown Dayton is fortunate to have a high capacity fiber optic “backbone” that is largely underutilized. This can be a valuable asset to help attract and retain technology-oriented companies and research activities.

can be a valuable asset to help attract and retain technology-oriented companies and research activities. Fiber optic cable in the downtown can help attract knowledge- and data-intensive industries (see target industry analysis).

City and county level leadership need to make more concerted efforts to focus on the revitalization of the downtown urban core as it relates to the health of the whole region. There is limited partnering and focus among economic development agencies to market and recruit specifically for downtown.

It is difficult to place a value on the built environment and infrastructure of the Dayton region's downtown / urban core. This is a place rich in commercial and residential properties, streets, utilities, public institutions, parks, and a waterfront. Special buildings with history, and places yet to be, abound and await community developers, organizers, and real estate developers with the vision, passion and will, to take the next stage in the life of Dayton's downtown. It cannot be underemphasized though, in today's competitive site selection landscape, those places that are “development-ready” will win jobs and investment. Most company's relocation timetables have shortened significantly and Downtown Dayton must have “development-ready” product to compete.

It is in the best interest of all organizations and citizens in the Dayton metro area to help improve downtown and make it a highly desirable place to live, work and play.

TARGET INDUSTRIES FOR DOWNTOWN DAYTON

The term “target industry” refers to those industries and economic activities that are suitable and a good locational match for a particular city, county or region, and hence of high priority for recruitment, business retention and expansion and new business start-up. Identifying target industries is a time-tested economic development strategy and helps communities make the best use of scarce marketing resources. Of course, there are never any guarantees that target industries or any industries will locate in an area in response to marketing efforts, but target industry analysis helps increase the odds of

success.

For this study, the DDP and City of Dayton requested that Janus Economics identify industries and economic activities that would be suitable target industries for downtown Dayton office space. While downtown areas have been declining in many cities due to competition from new construction in suburban markets, corporate consolidation and a host of other factors, downtown Dayton still offers many amenities and lots of available, competitively priced office space as discussed in the SWOT analysis. Target industry analysis is an art and science, a qualitative and quantitative exercise. Often the most obvious targets are those signature industries that are already present in an area, assuming these industries are not in a general state of decline (e.g. moving overseas) and are believed to be a good match for the area now and in the future. Other target industries can be selected based on an area's vision for itself.

In the case of Dayton, a broad group of stakeholders have come together to create the Greater Downtown Dayton Plan. The cornerstone of the plan is to create a sense of place in the downtown area that will improve the quality of life and business climate and help attract businesses and people to live and work in the central business district. As part of the plan, DDP, the City and other organizations and stakeholders want to build on and encourage the growth of arts and entertainment sectors, educational institutions (e.g. Sinclair Community College) and key industry sectors in which Dayton has a local advantage. Examples of local advantage include the aerospace research at Wright-Patterson AFB and the RFID activity in the area, including the Convergence Center. These are nationally unique resources on which to build strong industries in the Dayton area. Downtown can benefit from attracting office-related activities in these industries.

These sectors - ones that are heavily represented in the metro and/or downtown area, that are part of the long-range vision and plan and/or have a **local advantage** - should certainly be included in the target industry list. However, the DDP and City requested that Janus also use its experience in economic development (including SWOT analysis and target industry analysis) to “drill down” and identify some additional industries that might be good targets. In response to this request, Janus developed a unique methodology that compares downtown Dayton to ten “**aspirational**” **peer cities** whose downtowns are growing. Industries that have a higher concentration of employment in the peer cities than downtown Dayton might be potential targets for recruiting to the downtown area – an overlooked opportunity.

The two approaches complement each other – the local advantage industries offer the opportunity for job creation based on Dayton's unique strengths, while the peer city analysis identifies some potential “missed opportunities” for Dayton that have created jobs in other downtown areas.

DOWNTOWN DAYTON'S LOCAL ADVANTAGE AND VISION TARGET INDUSTRIES

Janus reviewed numerous documents and information related to the metro area's and downtown's key industries, research activities and vision (e.g. Dayton Aerospace Hub Strategy and others previously mentioned in the SWOT section). Janus also conducted numerous interviews with key stakeholders regarding these issues. Target industries based on local advantage and vision are identified below.

1. **Aerospace Industry.** While the existing companies are tightly clustered around Wright-Patterson Air Force Base, as business climate and quality of life improve in the downtown area it could be of interest to aerospace companies in Dayton as the industry continues to grow. For example, Tech Town, on the eastern edge of downtown yet close to WPAFB, could be a viable location for office and research activities of aerospace companies. While it is not feasible that aerospace manufacturing operations would occur in the downtown area, it could be an attractive location for administration, R&D, and many office-based activities. Related industries would include:

- a. Search, Detection, Navigation, Guidance, Aeronautical, and Nautical System and Instrument Manufacturing
- b. Other Measuring and Controlling Device Manufacturing
- c. Carbon and Graphite Product Manufacturing
- d. Aircraft Engine and Engine Parts Manufacturing
- e. Other Aircraft Parts and Equipment Manufacturing

2. **Healthcare Industry.** The healthcare industry is comprised of many NAICS codes from family planning centers to nursing care facilities. Dayton has a strong medical industry, and downtown is in close proximity to several hospitals, including Miami Valley Hospital, Children’s Medical Center, Kettering Medical Center, Grandview Medical Center, and Good Samaritan Hospital. Unless they face severe space constraints, hospitals and medical centers generally prefer to keep administrative functions and office-related activities next to patient care facilities.

Geographic proximity to the hospitals and a central location can make downtown a preferred location for some physicians. There is considerable employment in physicians’ offices in the downtown area. Targeting the following physicians’ offices could help increase employment and office space demand in downtown including the offices of Physicians and Mental Health Specialists, Dentists, Chiropractors, Optometrists, Various Rehabilitation Therapists (e.g. speech, occupational, physical, etc.), Podiatrists, and other miscellaneous health practitioners.

3. **RFID Industry.** The industry is made up of companies producing the hardware (sending and receiving devices), software, data collection and analysis, R&D and other components. Through research, Janus identified companies performing these activities and determined their NAICS codes. Dayton has an emerging RFID cluster anchored by the RFID Convergence Center. The Center has recently located in Tech Town in the new Creative Technology Accelerator building at the corner of Taylor and Monument streets in the eastern downtown area. It will be able to house 15 to 20 RFID start-up companies. According to the Center, Dayton and its 90 minute market is the convergence point for 80% of RFID focused companies in the United States. These industries would include those involved in:

- a. Instrument Manufacturing for Measuring and Testing Electricity and Electrical Signals

- b. Data Processing, Hosting, and Related Services
 - c. Custom Computer Programming Services

4. **Non-Profit Organizations.** Including: Grant-making Foundations, Voluntary Health Organizations, Social Advocacy Organizations; and Civic and Social Organizations.

5. **Arts and Other Creative Activities.** One of Dayton’s strengths is its arts organizations. Downtown is home to many including the Dayton Art Institute, Dayton Opera, Dayton Ballet, and Dayton Philharmonic Orchestra. Smaller galleries and performing arts groups are also present in downtown. While the City, DDP and other stakeholder organizations will continue to assist these arts organizations any way they can to help ensure their prosperity, they are not “target industries” per se (e.g. a new symphony orchestra will not be recruited to downtown). However, there are arts-related industries that support and enjoy synergies with these large and small arts organizations that would make logical downtown tenants, along with the artists themselves (office or creative space):
 - a. Promoters of Performing Arts, Sports, and Similar Events with Facilities
 - b. Promoters of Performing Arts, Sports, and Similar Events without Facilities
 - c. Agents and Managers for Artists, Athletes, Entertainers, and Other Public Figures
 - d. Independent Artists, Writers, and Performers

6. **Education.** With 2,663 employees, Sinclair Community College is major presence in downtown Dayton. It illustrates that downtown is a practical and successful location for educational services, which are growing nationally and in Dayton. Below are some NAICS codes for the education cluster. Some of the industries have a presence already in downtown. The ones that do not currently have a presence offer a similar “product” and we believe they would make good industries for downtown as well.
 - a. Junior Colleges
 - b. Colleges, Universities, and Professional Schools
 - c. Business and Secretarial Schools
 - d. Computer Training
 - e. Professional and Management Development Training
 - f. Cosmetology and Barber Schools
 - g. Apprenticeship Training
 - h. Other Technical Trade Schools
 - i. Fine Arts Schools
 - j. Sports and Recreation Instruction
 - k. Language Schools
 - l. Exam Preparation and Tutoring
 - m. Other Miscellaneous Schools and Instruction

7. **Professional Services.** Traditionally, large numbers of professional service firms have located in downtowns, including Dayton, for many reasons. Some law firms, for example, tend to cluster around courts, many of which are still in downtown areas. Accounting firms, architectural firms and other professional service firms also may cluster downtown for a number of reasons, including “agglomeration economies” – the benefit from physical proximity and interaction on a professional networking level. Others might include graphic design services and any other professional and technical services.

ASPIRATIONAL PEER CITY TARGET INDUSTRIES

The local advantage and vision industries in the section above represent potential target industries because they are present in downtown, are part of the vision for downtown, and/or are related to areas in which Dayton has a strong local advantage. The flip side of this analysis is to identify industries that are *relatively* more represented in other downtowns that are experiencing employment growth. These industries may indicate missed opportunities for downtown Dayton. In other words, this technique involves searching for industries that are relatively *under*-represented in Dayton (even though they might some presence there) compared to other downtowns.

To complete this analysis, Janus assessed current downtown Dayton employment “supply” and then compared Dayton to ten aspirational peer cities to identify potential “demand.” All of the peer cities are located in the Midwest or Mid Atlantic region that have relatively diversified, healthy downtowns. These cities may be similar in size, or smaller or larger than Dayton. Janus and EMSI compared employment in each downtown (and sum of all ten cities) by 6-digit NAICS industry and percentage shares to downtown Dayton. As a final step in the analysis, Janus compared employment shares by industry in downtown Dayton with the ten aspirational peer cities individually and in the aggregate and identified industries that are relatively underrepresented in downtown Dayton compared to the peer cities. Additional screens, refinement, and professional judgment were applied to identify the recommended aspirational peer city target industries (please see full report for more detail):

1. Professional and Creative Services
 - a. Advertising agencies
 - b. Marketing consulting services
 - c. All other support services
2. Computer Services
 - a. Computer systems design services
 - b. Computer facilities management
 - c. Other computer related services
3. Finance/Banking
 - a. Securities Brokerage
 - b. Trust, fiduciary, and custody activities
 - c. Sales financing

- d. Commercial banking
- 4. Insurance Related Services
 - a. Direct property and casualty insurers
 - b. Third party administration of insurance funds
 - c. Direct health and medical insurance carriers
- 5. Telemarketing and Call Centers
 - a. Telemarketing Bureaus

TARGET INDUSTRY IMPLEMENTATION RECOMMENDATIONS AND CONCLUSIONS

Janus took two approaches to identifying target industries. The first approach identified target industries based on local advantage and vision. The second approach compared downtown employment in 6-digit NAICS industries in ten aspirational peer cities with the employment in downtown Dayton and identified industries *relatively* under-represented in Dayton compared to the other downtowns. Janus has the following recommendations concerning the implementation of a target industry program for downtown Dayton:

1. A combination of local advantage and peer city industries should be selected as priority targets because as mentioned in the report these approaches complement each other.
2. Concerning local advantage industries, Janus recommends that some of the industries with high downtown employment should be priority targets because they will probably have the highest probability of success in job creation (the low hanging fruit). Seeing some immediate progress is always a good thing, even if the overall economic development program is geared toward long-term change and improvement.
3. The decision on whether to pursue some of the local advantage industries with low (or no) levels of employment in downtown is more of a policy decision for the DDP, City and concerned stakeholders. They will have to decide whether recruiting arts industries, aerospace office activities or RFID companies will ultimately be most consistent with the creation of a “sense of place” for downtown. Actually, according to the logic of the peer city approach, industries with very low employment represent true “missed opportunities” and therefore may provide the best upside potential in the long run.
4. The decision on which local advantage industries to pursue for downtown should be made with input from all the leading economic development organizations covering the Dayton metro area, because wide buy-in and assistance from these agencies will greatly increase the chance of success for downtown. Economic development agencies marketing any region need to understand the strengths and industry specialization of sub-areas in order to maximize recruiting and job creation success.
5. The recommendations above regarding which local advantage industries and which peer city industries are priorities for attracting to downtown are made under the assumption that the

goal is to create new jobs in downtown and fill vacant office space as quickly as possible. Another approach, more with a long-run transformational goal for downtown in mind, would be to pick one or two industries from all of the local advantage and peer city clusters and concentrate on attracting those diversified industries to downtown. The tradeoff is that cluster synergy may be lost and job creation might be a little harder in some of the non-priority industries and clusters (so results would come more slowly), but this approach might build a more diversified “sense of place” downtown in the long-run.

6. As the downtown development program evolves, some industries will prove to be better targets than others. As the strong industries and clusters become apparent, they should be given higher priority in marketing and recruiting.
7. Currently, the Downtown Dayton Partnership does not actively recruit businesses to downtown in the traditional economic development sense. According to stakeholders and interviewees, the Dayton Development Coalition has primary responsibility for recruiting new industry to the Dayton metro area. It is hoped that this study will show how downtown Dayton fits into the “product mix” offered by the many cities, villages and unincorporated areas in the Dayton metro area. Best practice regional economic development and business recruiting works this way. As the downtown product (great place to live, work and play) improves, and economic development organizations representing Dayton (at the local, regional and state levels) become more familiar with the improving product and the kinds of industries that are a good match for it, economic development efforts will meet with even better success.