

## Mayors Caucus Presentation – August 24, 2011



- When it comes to setting visionary leadership, there is no more important group to the future of this region than this one.
- Today, I'd like to focus on:
  - Growth trends in the region,
  - Our successes,
  - Our challenges, and
  - The future of Middle Tennessee in a global economy.
- National economies are an amalgamation of regional economies.

## Economic Region Early 1900s

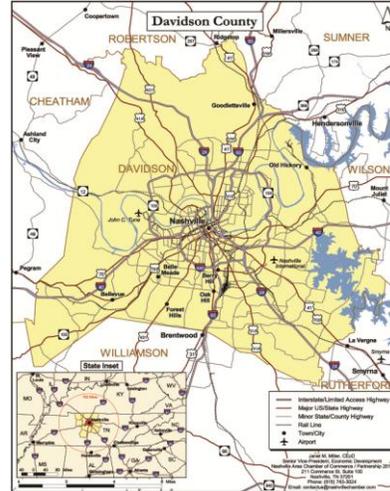


- First, some historic context.
- In the early 1900s, the economic region was the river bank.

## Economic Region 1960s

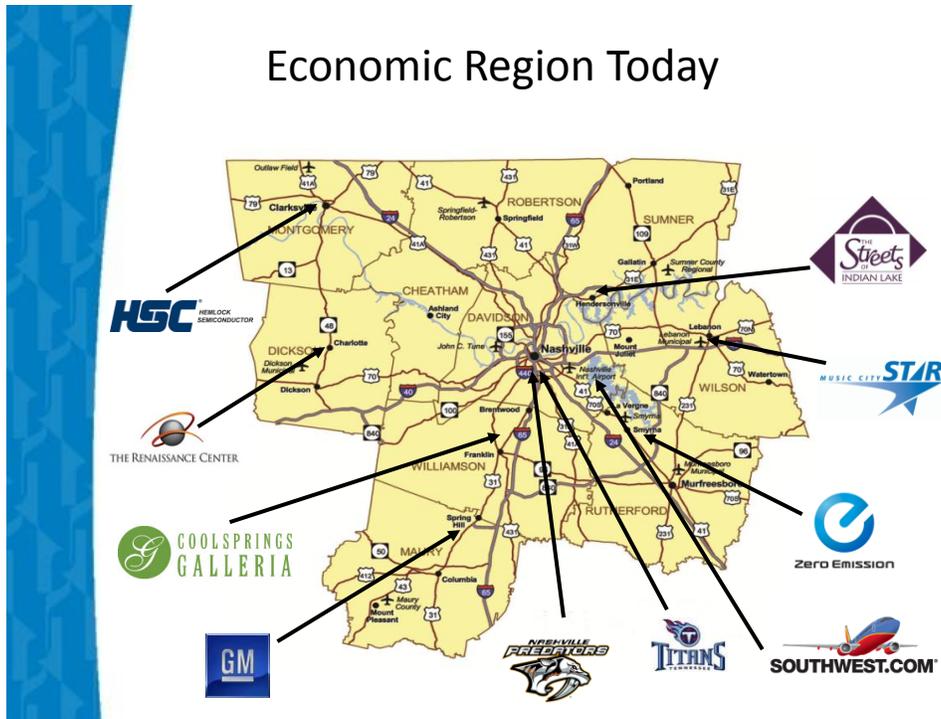


FROM TENNESSEAN ARCHIVES  
Metro's first mayor, Beverly Briley, takes down one of the signs which, before 1963, indicated the separation between Nashville and Davidson County.

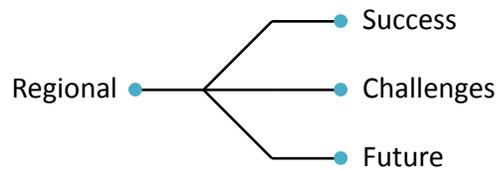


- In the 1960s, the economic region was Davidson County after the consolidation of city and county governments in 1963.
- City leaders made this visionary decision.
- Population loss was taking place in the city's core. This created a need for parity and availability of services and infrastructure throughout a larger region.
- Consolidation led to consistency, uniformity, and burden-sharing.
- Immediate benefit: the transformation of the city from a collection of disparate areas into a single entity that was able to compete as one economic unit.
- We continue to see the positive effects of this today, nearly 50 years later.

## Economic Region Today



- Today, the economic region is 10 counties, and the population has grown from a handful of people to 1.8 million people.
- We first began viewing the economic region as 10 counties in 1994 with the Chamber's second cycle of its Partnership economic development initiative. At the time, the Nashville Metropolitan Statistical Area was eight counties, and we added Montgomery and Maury counties based on their economic impact to the region.
- Since the 1990s, a lot has changed.
- In 1990, there was no Titans; no Predators; no Cool Springs Galleria; no Music City Star; no Hemlock; no Renaissance Center; no GM facility; no Southwest hub; no Nissan Leaf; and no Indian Lake development.



- We are fortunate to have a region that has seen impressive gains.
- The focus and commitment of you as leaders and those before you have taken us to this point in time.
- Today I'm going to talk about the process that will lead us to future regional success.
- Let me begin by offering historic context...
- In 1989, the *Wall Street Journal* published an article saying Nashville was performing badly in a time when the nation and the rest of the South were doing well.
- In 1990, a group of visionary community leaders decided that they didn't want to leave our city's future prosperity to chance.
- The goal was to work together as a region, raise money to market the region, and cultivate relationships with site consultants. This was new for Nashville at the time, but other cities that we wanted to be competing with, like Austin and Charlotte, were doing this. That's why Partnership 2000 came about.

## Partnership History

- 20-year economic development blueprint / track record
- Results:
  - More than 234,000 net jobs created
  - More than 600 companies recruited
  - 60% population growth
- And what they began in 1990 has become a truly remarkable engine for economic growth.
- In 20 years:
  - More than 234,000 jobs created
  - More than 600 companies recruited
  - 60% population growth
- That hasn't happened by accident. It's happened because of leadership, planning, resourcing and effort.
- Success was not built in a day. Our economic performance has been an accumulation of twenty years (and more) of hard work.
- Meeting Charlotte, Austin, Raleigh, Atlanta, and Indianapolis head on was a high hurdle, but those areas now take the competition of our region very seriously.

## Economic Performance

- **More discretionary income**
    - In nearly every county, per capita income doubled in 20 years
    - Per capita income at 109% of national average
    - Cost of living at 88.5% of national average
  - **Jobs**
    - 8 of 10 counties experienced more than 30% employment growth in 20 years; 5 experienced more than 50%
    - TN experienced 22%
  - **Educational attainment**
    - 10 years ago, only 5 counties had over 80% of adults with a high school diploma; today all 10 are above
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- **More discretionary income:** The Nashville region has per capita income levels at 109% of the U.S. level. Nashville also has the lowest cost of living compared to our benchmark cities – at 88.5 percent of the national average.
  - The combination of strong and rising income levels and low cost of living translate into more discretionary income for Nashville-area families.
  - **Jobs:** 8 out of 10 counties experienced over 30% employment growth in 20 years; 5 counties experienced over 50%; TN only saw 22% employment growth. Six of our ten counties have experienced over 10% job growth in the last ten years alone.
  - **Educational attainment:** Every one of our 10 counties now has a substantially larger share of workers with high school and college completion. Just a decade ago only 5 counties had over 80% of adults with a high school diploma, today all 10 are above.

## Economic Performance

- **Retail sales**
  - 62% growth in retail sales in the 10-county region over past 10 years
  - 35% growth in retail sales in TN in same time period
- **Sales tax**
  - 8 of 10 counties exceeded sales tax growth rate of the state (range from double to seven times the growth of TN overall)
- **Property tax base**
  - Tax base in region increased 97% in the last decade, outpacing the state by more than 15%

- **Retail sales:** Growth in retail sales (62.3%) was significantly stronger in our 10 county region than the state (34.7%) this past decade.
- **Sales tax:** Consequently nearly every county (8 of 10) exceeded sales tax growth rate of the state, anywhere from double to seven times the growth of Tennessee overall. We all know the importance of tax revenue.
- **Property tax base:** The property tax base of our counties has increased anywhere from 69% to 148% just since 2000. Seven local counties added tax base faster than the state average. Tax base has increased 96.9% for our region in the last decade, outpacing the state by over 15%.
- In nearly every county per capita income has doubled over the past 20 years, tracking along with the nation's growth in that area and contributing the state's own good performance on that measure.
- In our success as a region we all know that we can and do compete with the best of the best in the Southeast and beyond.

## Nashville MSA vs. Other TN Metros

Indicator	% of state total	Rank
Population: 2008	25	1
Population Growth Rate 2000-2008	45.5	1
GDP: 2009	31.1	1
Employment: 2008	27.8	1
Employment Growth: 2000-2008	124.9	1
Aggregate Wages: 2008	30.5	1
Wage Growth: 2000-2008	37.9	1
Adults with a College Degree: 2008	31.6	1
Undergraduate Enrollment: 2008	29.8	1
Graduate Enrollment: 2008	31.1	1
Physicians: 2008	33.1	1
Patents: 1977-2008	17.3	2
R&D University and College expenditures: FY 2009	57.4	1
State Tax Revenue: FY 2009	28.9	1
Per Capita State Tax Revenue: FY 2009		2

Source: Ochs Center for Metropolitan Studies

- When we look at the Nashville MSA, we note that we are only one of 10 metropolitan areas in the state; however:
- The Nashville MSA ranks first among TN metros in key categories such as population growth, employment growth, wage growth, undergraduate and graduate enrollment, and state tax revenue.
- We also account for 57% of federal spending for university research in the state
- The continuously growing contribution of our region to the state's success is both acclaim for our labors and recognition of the powerhouse this area has become.
- This is evidence of precisely that regionalism worked.....but why has it worked?

## A Region that Works

- Vision
  - Measurable results
- Capitalize on strengths
  - Brookings' research on metro areas
  - Vital core
  - Attractiveness of surrounding counties
- Resources
  - Recruitment, expansion, national marketing efforts, focus on areas of challenge
  - From \$4 million (P2000) to \$20 million (P2020)
- Effort
  - Regional participation
  - Every county benefits from regional collaboration

- We are a region that truly works, but we came to this place through several clear and compelling steps:
- **Vision:** Leaders in 1990 knew this region could do better and they struck a vision, P2000, business and government working together to create lasting change.
- Measurable results: It's not enough for me or any one of us to speak about our own success. The region's tangible gains are the ones that can and should speak for themselves.
- **Capitalize on strengths:** According to the Brookings Institute, Metro areas dominate economic development. The strength of the core coupled with the amenities and attractiveness of the surrounding counties, has resulted in a region that is able to compete in the world economy.
- Regional assets: international airport, sports and entertainment, specialized economy, institutions from hospitals to universities to parks and mass media.
- **Resources:** Being economically competitive meant ensuring world class economic development, marketing, attention to our areas of challenge – from education and workforce to gaining the hallmarks of a leading city- professional sports, world league convention venues, and international links in trade and commerce. The resourcing of this initiative started at \$4 million for the first 5-year cycle in 2000 and is now at \$20 million for the new Partnership 2020 plan.
- **Effort:** Partnership 2020 completes a quarter century of joint directed activity toward a goal we all benefit from. And the effort comes from the entire region – because every county in Middle Tennessee benefits from the Partnership.

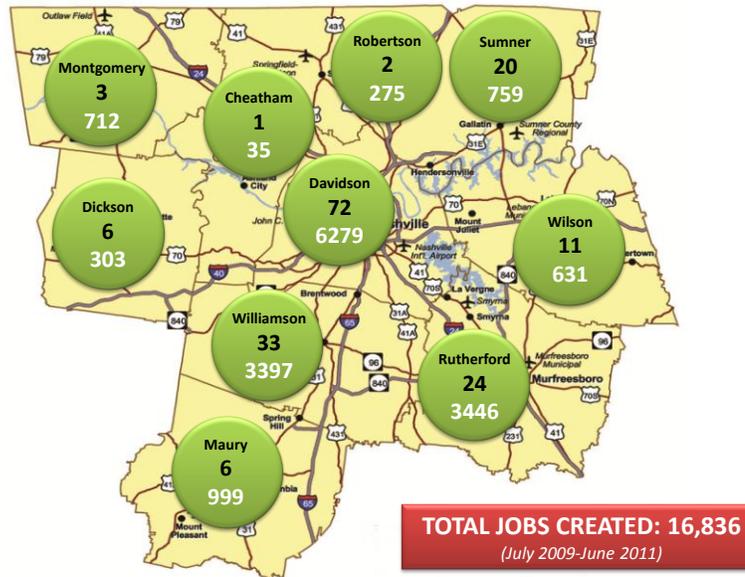


- The Partnership strategy continues to be successful because the assets Nashville needs to compete nationally and internationally -- such as major employers, colleges and universities, and health care facilities -- are spread throughout the region.
- Our economic development team works regularly with our regional partners.
- For example, our existing business team is coordinating with economic development officials in all 10 counties on existing business visits and reporting.
- This type of collaboration is one reason our regional economic development efforts have been so successful over the past two decades.
- Relocations and expansions across 20 years cover the entire region.

## Relocations/Expansions in Region

July 2009-June 2011

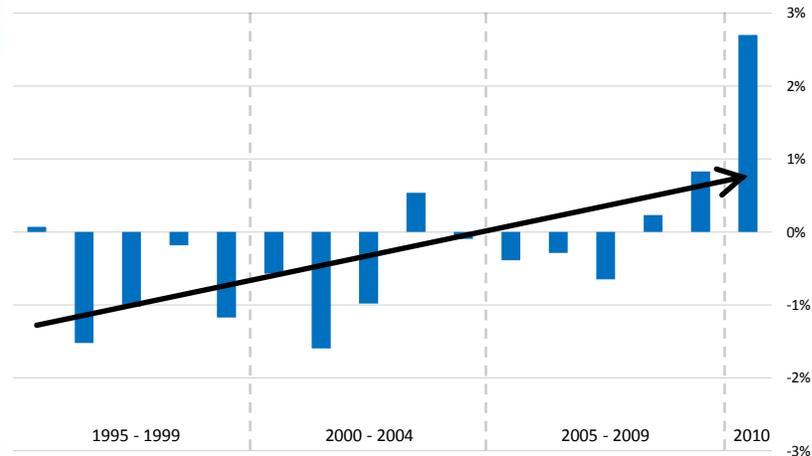
# of relocations/expansions, # of jobs created by relocations/expansions



- Of the relocation and expansion projects announced in the last five years, 45 percent of the jobs have landed in Nashville/Davidson County, with the other 55 percent spread out among the other nine counties in the region.

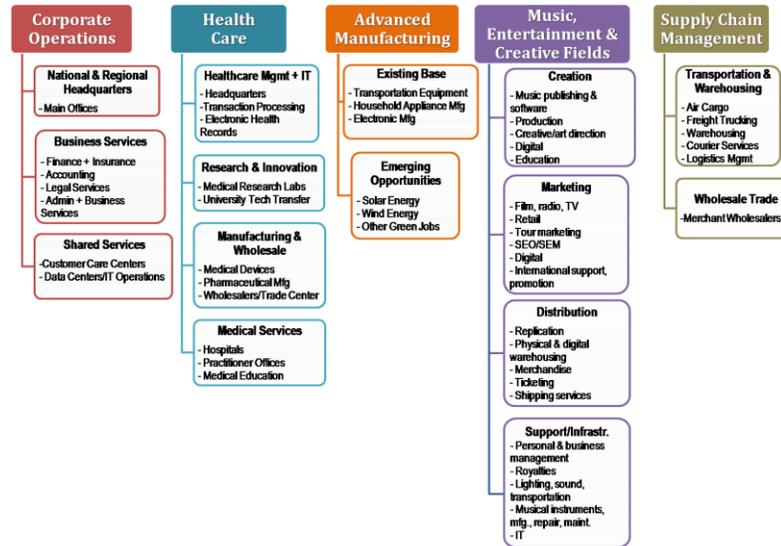
## Closing the Gap

Difference in annual employment change  
Nashville MSA vs. average of benchmark cities  
(Atlanta, Austin, Charlotte, Indianapolis, Raleigh-Durham)



- Over the long term, we're closing the gap on our peer cities.
- This graph shows that the difference between our annual performance change and the average of our benchmark cities has moved from negative to positive since 1995.
- Underperformance is dropping away and outperformance of the group is becoming more common.
- We see that in the trend line.

## Target Cluster Overview



- So what industries will drive our future economic growth?
- The Partnership went through an intense process to examine target industries where our region already has a competitive advantage.
- These include our existing base of industry, talent and educational infrastructure, as well as our ambitions for the city's future.
- The five industry clusters are corporate operations, health care, advanced manufacturing, music, entertainment and creative fields and supply chain management.
- These are the industries that we plan to grow and capitalize upon over the next five years.

## Partnership 2020 Strategic Drivers



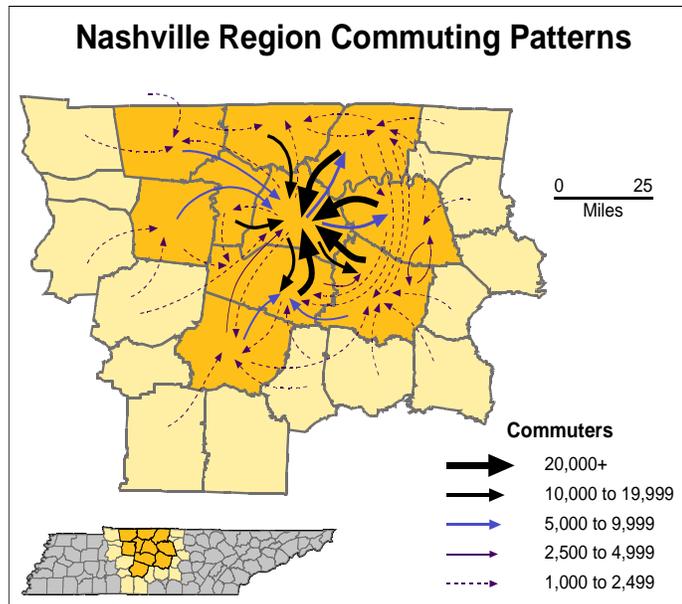
- So what is the Chamber doing to address these challenges?
- Our new Partnership 2020 strategy is based around the following four strategic drivers:
  - **Economic diversity:** This is all about job creation in the right target sectors.
  - **Talent development:** We cannot expect to attract, keep and grow our companies without the right supply of trained, educated workers.
  - **Place/Livability:** The world has changed. Today, people often pick where they want to live and then find a job when they get there. Place and livability are key assessments that everyone makes about where they want to live.
  - **Regionalism:** Regionalism is an underpinning for all of the other goals. The collective assets of this region can be leveraged if we design our plan to take advantage of them. We have worked successfully across the region in our economic development efforts, particularly our business recruitment efforts, for 20 years. Because this is a regional, 10-county economic engine, this goal will broaden that collaboration to include support of transportation solutions, regional planning, collaboration on legislative agendas, and economic development.
- These are ambitious goals, but this city and this region have always set high goals, and have always exceeded them.

## Survey Results

- We all have reasons to celebrate our successes - all of our citizens of all our counties and cities.
- But we cannot rest on our laurels.
- We all know there is hard work to do, and much of it.
- I'd like to pause here just a minute and share with you some of the results of the survey that you all participated in at the start of today's meeting.
- How many of you think that job growth in our region is likely to continue to outpace the national growth rate in the next two years?
- How many of you anticipate being able to see lower tax rates in your areas in the next two years?

## Regional Growth

- More than 151,000 new jobs by 2019
    - Gap of 24,000 skilled workers
    - In-migration important
    - Quality of life is key to recruiting workers – short-term solution
    - Education and training – long-term solution
  - \$10 billion more in Gross Product in the next 5 years
  - 60,000 individuals moving into our area in the next 5 years
  - Regional mass transit
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- As a region, we are projected to grow in many ways in the years ahead. We know that growth has brought us the kinds of successes we've already noted. But it also brings challenges.
  - With 151,000 net new jobs in ten years, we already know we are likely to be some 24,000 workers short as the baby boom retires and we seek out workers. We know that in-migration will become an increasingly important way to fill our work force needs. Certainly our region's quality of life will be the absolute driver for workers seeking and choosing where they want to live and work.
  - In the next five years alone, the Nashville region is anticipated to add \$10 billion in Gross Product, 60,000 individuals moving into our area, and solid per capita income gains.
  - We know that regional mass transit will be critical to ensuring that this region continues to be a place where people want to live and where companies want to grow.



Source: US Census Bureau, Local Employment Dynamics (2008)

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- Everyone in this room knows that transit must be a priority for the entire region if we want to be competitive in the global economy. As you can see from the slide, commuting patterns do not have geographic boundaries.
- We're at a crossroads. Inflation and energy costs will begin to shrink disposable income and drive density. Regional mass transit will enable an environment to exist where we remain competitive for jobs and economic growth.
- Fortunately, through your efforts and those of organizations like the Transit Alliance, the issue of mass transit is being addressed. We are positioned to embrace the 2035 regional transit plan and begin the process of identifying and securing regional dedicated funding for a regional mass transit system.
- The Chamber has had a prominent role in this discussion due to its significant impact on business.

## Challenges Ahead

- **Infrastructure**
    - Currently, 31% of all state estimated costs for needed infrastructure are in our 10 counties (\$11.5 billion)
    - Avg. daily water demands in the southern part of the region are expected to increase over 40% in 20 years
  - **Education and talent**
    - Work force needs/pipeline (pre-K through higher-ed)
    - Cost effectiveness (7 of 10 counties have more than \$100 m in outstanding school debt; 4 have over \$200 m)
    - Quality (Average 2010 Composite ACT scores range from 18.1 to 22.7 in 10 counties; 21 qualifies a student for a HOPE scholarship; only one county averaged 21 or above)
    - Educational brand in the region
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- **Infrastructure:** In the current five years (2008-2013) 31% of all state estimated costs for needed infrastructure are in our 10 counties- totaling \$11.5 billion.
  - Current water resource challenges are but one specific additional resource issue that exists in and outside our region. Average daily water demands in the southern part of our region (Duck River watershed) are expected to increase over 40% in just 20 years. The current potential deficit is already real at some 300 million gallons in a drought year in this watershed.
  - **Education and talent:** Seven of our 10 counties have over \$100 million in outstanding school debt, four have over \$200 million.
  - Average 2010 Composite ACT scores range from 18.1 to 22.7 in 10 counties; 21 qualifies a student for a HOPE scholarship; only one county averaged 21 or above.

## Challenges Ahead

- Innovation
  - Our region accounts for 57% of federal spending for university research in TN
  - We have institutions that can support commercialization of ideas, but do not have a strong track record of making that happen
- Policy and fiscal strategy
  - The growth of our property tax base across jurisdictions varies from an increase of 69% to 128% since 2000
  - 9 of 14 counties in TN with usage fees are in our region
  - Important to have favorable policies that support the positive growth of Middle Tennessee

- **Innovation:** We are a major potential major hub of national and international innovation. Wise investment and particularly favorable policies can help us make this a significant economic advantage for commercializing goods and processes.
- **Policy and fiscal strategy:** The growth of our tax base across jurisdictions varies. Nine of the 14 counties in the state with usage fees are in our region, recognizing the challenges to fully fund the things that guarantee our success into the future. We know we need resources to deal with the challenges ahead, but we also know how important it is to have favorable policies that support the positive growth of Middle Tennessee.
- The past performance of this region shows what it is about – **what** the gains have been. The reasons for our region’s success tell us **why** the choices were good and why it worked – a platform that addresses the challenges of here and now, the core of strength joined with the emerging opportunity. None of us is an island, not our counties, not our region. We are all connected.
- Not only do we share gains from our regional economic development, but we also share challenges – in the short term as well as the long term – that affect us all. Each of you in this room knows the challenges better than most – generating and sustaining fiscal responsibility while doing those things that are most needed to keep us a growing, thriving region.
- **How** can we tackle these and yet more challenges?

## Regional Chamber as a Resource

- Original information and data
  - Community agenda-setting process
  - Regional economic agenda
  - Ability to initiate
- 
- The Nashville Area Chamber of Commerce is a resource to each of you as you work to tackle the challenges ahead.
  - Everything the Chamber does goes back to our purpose of “facilitating community leadership to create economic prosperity.”
  - What we can offer:
    - Original information and data
    - Community agenda-setting process
    - Regional economic agenda
    - Ability to initiate

## Successful Growth

- Plan for prosperity
  - Define strategy of cooperation
    - Denver Mile High Compact as example
  - Set goals for resolving regional issues
  - Tackle immediate needs
  - Continue legacy of success
  - Use Chamber/civic organizations as resources
- 
- Successful growth, a balance that gains the greatest advantage – these require a path and a **plan for prosperity**.
    - The **Sustainable Communities program** provides an opportunity and platform for regional cooperation on numerous issues, like job recruitment, work force development, infrastructure, land use and growth policy, regional governance, tax and public finance, environment, human health, etc.
  - Mayors Caucus:
    - Define strategy of cooperation: formalized agreement
    - Agree to interact on certain issues; negotiate (like Denver Mile High Compact)
    - Define how to resolve mutual regional issues by setting measurable goals with deadlines
    - Tackle needs in immediate future
    - Continue legacy of cooperation/success
    - Use Chamber and other regional institutions to help make this happen



- If we had this discussion 20 years from now, what will have changed? Where would we be today if we were content with where we were in 1990? In 1950?
- The "ripple effect" of the formation of Metro Nashville and the strength of the regional approach has led to a half-century of economic opportunities.
- Today, we stand at yet another crossroads. 20 years from now, will this group be saying “What if we’d worked together on this issue? Would our lives be any better today?”
- As leaders, we need to recognize that population growth, the shift to a world marketplace, and the rise of metro areas are right now redefining cities all over the globe.
- This means that every day, we are all on the cusp of new transformative opportunities. Our challenge lies in learning to recognize and capitalize on them.