Regional Water Authority
Competitive Analysis
Executive Summary

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APPLIED MARKETING
identifying and creating opportunities

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Executive Summary

Introduction

A competitive analysis between New Haven County and six other counties across the United States was performed to identify the advantages of the area, as well as potential areas where challenges exist. Applied Marketing, along with Blane Canada, Szatan & Associates, and RWA representatives, identified the comparative regions that have significant water resources, comparative university resources or were otherwise known to compete with the New Haven County region.

The comparative regions analyzed include:

- Milwaukee County, WI
- Montgomery County, OH (Dayton area)
- Monroe County, NY (Rochester area)
- Worcester County, MA
- Washtenaw County, MI (Ann Arbor area)
- Tippecanoe County, IN (Lafayette area)

Analysis

Population, income, labor force, wages, industry presence, electricity rates, cost of living, water rates, wastewater rates, tax climate, and real estate summaries were the areas that were compared across the regions. The supporting tables and information gathered during this analysis have been provided to RWA.

Population

- New Haven County is most similar in size to Monroe County and Worcester County.
- New Haven County has experienced healthy population growth since 1980. Worcester County, Washtenaw County, and Tippecanoe County have experienced greater leaps in population while Milwaukee County and Montgomery County have declined.
- The population distribution by age for New Haven, CT is similar to many of the regions we compared, including Montgomery, Monroe, and Worcester. Washtenaw and Tippecanoe have a greater distribution of their population in younger age brackets.

- New Haven County, along with Worcester County, has the highest median age of those we compared and higher than the national average. Milwaukee, Washtenaw, and Tippecanoe have median ages lower than the national average.

Income

- New Haven County is second only to Worcester County in median household income.
- New Haven County has the highest per capita income as compared to the other regions, along with the highest percentage change, other than Worcester County, over the last 10 years, 20 years, and 30 years.

Labor Force

- In looking at educational attainment, New Haven County is similar to the comparison regions of Monroe County, Worcester County, and Tippecanoe County. It should be noted that New Haven County is 5 percentage points ahead of the national average in the Graduate, Professional or Doctor Degree category. Milwaukee County and Montgomery County fall behind in this area. Washtenaw County, New Haven, and Tippecanoe likely have the highest rate of attainment in the Graduate, Professional, and Doctorate Degree category, due to the influence of large universities.
- Over the past ten years, New Haven County has trailed only Tippecanoe County in terms of employment growth. However, over the most recent five-year period (to 2013), New Haven's growth has slowed somewhat and that mirrors the nation. All other areas compared, except Tippecanoe County, are below the national averages.
- New Haven County has the highest unemployment rate (8.6%). As the workforce is tightening in many areas, this could be seen as an asset to companies looking for labor.
- As we reviewed the job distribution by industry for the comparison regions, New Haven County trails all counties except Washtenaw County in percentage of manufacturing jobs. New Haven County has a higher percentage of jobs than most of the other counties in Educational Services and Healthcare/Social Assistance.
- New Haven County's average manufacturing wages are the highest among the compared areas, along with average wages for construction, real estate, educational services, accommodation/food services, and public administration.
- New Haven County wages for wholesale, retail, transportation, finance/insurance, professional/technical services, management, administrative services, and healthcare are on the higher end of the spectrum, but not the highest among the compared areas.

Industry / Location Quotient[1]

- A location quotient analysis for the comparison regions indicates that New Haven County has a significantly higher share of employment in Advanced Materials, Life Sciences, Education/Knowledge Creation, Glass/Ceramics, Primary Metals, Fabricated Metals, Machinery, Computer/Electronic Products, Electrical Equipment/Components, and Transportation Equipment. The specialized workforce should be highlighted when competing for projects within these industries and regions.
- All compared areas are strong in Advanced Materials, Life Sciences, Glass/Ceramics, Fabricated Metals, and Computer/Electronic Products.
- The Agribusiness and Food Processing location quotient for New Haven County of 0.4 may indicate room for expansion in this area. Because agribusiness (farming areas) is included in this sector it may underestimate the food processing. The only county in the comparison with a quotient over 1 is Tippecanoe County, which would contain rural farm areas. However, when we isolated the food manufacturing industry (NAICS 311) New Haven County had a similar quotient at 0.46.

Cost Data

- Connecticut has the highest electricity rates for the industrial market and when looking at an overall sector average.
- The cost of living index is highest in New Haven County when compared to the other areas.
- By overall rank, the tax climate in Connecticut is in the middle of the compared areas, beating Wisconsin, Ohio and New York. Connecticut does rank the highest in property tax; however, Connecticut is competitive, if not favorable, to several of the markets in corporate income tax, individual income tax and unemployment insurance tax.
- Water and wastewater rate information is included for the comparison areas. The rates vary broadly; however, they are in the middle range of consumption charges when compared across the other metro areas, both for water and wastewater.

[1] Industry Location Quotient (LQ) is a way of quantifying how "concentrated" an industry is in a region compared to a larger geographic area, such as the state or nation. The basic uses of industry LQs (and, by extension, for clusters and occupations as well) include these: 1) To determine which industries make the regional economy unique; 2) To identify the "export orientation" of an industry and identify the most export-oriented industries in the region; 3) To identify emerging export industries beginning to bring money into the region; and 4) To identify endangered export industries that could erode the region's economic base.

Real Estate

- Industrial vacancy rates were available for all markets. New Haven is comparable to the East Coast markets of Rochester and Worcester. The Midwest industrial vacancy rate is substantially lower.
- Square footage of industrial market inventory and year-to-date absorption rate[2] was available on 5 of the markets. The West Suburban market of Boston (including Worcester) has posted the highest absorption rate. Unfortunately, these numbers were not available for the New Haven market.

New Haven/ RWA Fieldwork Site Selection Summary

Jerry Szatan, Szatan & Associates. 12-24-14

Site Selection Search Area and Factors Overview

Site selection factors vary depending on specific company and project; critical factors for a research and development facility will be different from those for an industrial, warehouse or customer contact center. Nevertheless, some general comments can be made about the differences between industrial (manufacturing plants, distribution centers and similar facilities) and office space (national and regional headquarters, back office such as customer contact, claims or payments processing, sometimes R&D).

Industrial site search often starts with a logistical analysis to determine the broad area to be considered; often covering several states. A key factor distinguishing industrial searches from office searches is the need for specific infrastructure such as water, wastewater, or electrical capacity, port or rail access, etc. If a company needs rail-served sites, then there typically is no offsetting advantage that can be offered by a community that lacks rail. Once the infrastructure need is satisfied, then labor availability often becomes critical, increasingly emphasizing workers' skills rather than numbers.

Site searches for new research and development (R&D) functions, or manufacturing with a high degree of development activity often focus on company identified areas that are established clusters for the industry offering access to specialized professional talent, university or government research institutions and related area assets. Information technology in Silicon Valley or bio-tech in Boston are examples. Companies would be attracted to the New Haven region for R&D tied to Yale University and the region's medical centers.

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[2] The rate at which rentable space is filled. Net absorption is equal to the amount occupied at the end of a period minus the amount occupied at the beginning of a period and takes into consideration space vacated during the period.

Office sector site searches typically are focused on human capital, ranging from high school graduates or workers with some college for basic customer service functions to highly skilled professionals for whom a region's employers may compete nationally for headquarters, specialized customer service and research facilities.

Incentives play a well-publicized part; though they are often overemphasized relative to fundamental operating cost and condition factors. Fundamentally work force - availability, quality, skills, cost and training capacity - and infrastructure assets are the keys to sustaining current employers and attracting new corporate investment.

Site Selection Search Process

This description is based on a relatively structured process repeated and honed over hundreds of projects. Site searches that are done by companies directly, perhaps led by staff who have no or limited experience, likely will differ. There are two key aspects of the process to remember: it is a process of elimination and timely response matters.

Process of elimination: a search may start out with dozens or even hundreds of potential communities/sites. The company's goal is to establish a new facility on one site (one or two others may be identified for next stage development). The company needs one, and time, as discussed below, is often critical. The goal is not to determine how each of these potential sites could be made to work; the goal is to eliminate first those with some fatal flaw, and second, those with relative weaknesses and to identify the most promising site and a few back-ups as quickly and efficiently as possible. Communities/sites are eliminated because they do not meet a critical criterion such as water capacity or a rail service, or they have a relative weakness such as higher costs than competitors, or even uncertainty about needed location criteria.

Speed of response and potential implementation are critical. Initially timely response to requests for information is most important. When the site selector contacts a community ED representative, the region is at a semi-finalist stage where there may be 10-12 remaining competitors, which after the initial statistical screening already should be looking more alike than different.

If a community does respond, meeting the deadline, but there is a risk that some of the assets needed to meet the company's operating requirements may not be ready in time, the site selector's incentive is to move to continue considering communities with those without this uncertainty. For example, if a site is being prepared in some way, perhaps with utility extensions planned or in process, it has a risk of delay compared to a site with needed utilities in place. Companies will want to eliminate or minimize risk and typically will prefer the site with utilities in place.

Regional cooperation: First, as a practical matter, it is more efficient for site selectors to deal with a single point of contact for an entire region rather than needing to contact multiple communities. Again, time matters. Second, the perceived ability of neighboring communities in a finalist region to work together, to cooperate if necessary, even though they may be competing among themselves to be the finalist community, can be a deciding factor among finalists.

Interview Summary

(Note: comments by interviewees taken at face value; further research might confirm or refute these.)

- Consensus among those interviewed (ED professionals, politicians, industrial brokers) that out-of-state prospects consider the area because they need to be in the region to serve New England and New York, or value proximity to Yale related research.

- Prospect Industries: At least half of the interested industries seemed to be warehouse/distribution centers. Others interested in the region were tied to research at Yale or area hospitals such as medical device makers, or related research. Cited genomics, personalized medicine; one noted that while companies may locate R&D in Greater New Haven while large scale manufacturing may be located elsewhere.

- Advantages include educated workforce, especially college and graduate trained, appealing quality of life in the area based on culture, waterfront, restaurants and so on; lower costs than New York and Boston.

- Disadvantages include relatively high cost nationally, unions, slow and uncertain approvals in some communities, bureaucracy, and national perception of these factors.
    - One offsetting comment was that while Connecticut scores poorly on cost focused rankings, it does well on rankings emphasizing innovation such as the New Economy Index[3].

[3] The New Economy, marked by globalization, technological innovation and entrepreneurial development, has replaced the capital-intensive, traditional manufacturing environment that dominated state economies in the second half of the 20th century. As such, old methods of measuring economic success need to be replaced with new metrics that can better analyze how states are adjusting to and thriving in the New Economy. The 2014 State New Economy Index uses 25 indicators broken up into five key areas that best capture what is new about the New Economy: Knowledge Jobs, Globalization, Economic Dynamism, The Digital Economy, and Innovation Capacity. Additional information can be found at http://www.itif.org/publications/2014-state-new-economy-index

- A lack of available, ready to build industrial sites limits economic opportunity in the near term.
    - Most sites identified were small or brownfields. Today, there may be many examples of successful brownfield redevelopment, but it can add complexity and time.
    - One broker specializing in New Haven and West Haven said he could find only a 5-acre site and a second 23-acre site on the side of a hill. A second, focusing on the east and north of the area showed several sites, but it was unclear if they needed zoning changes, environmental assessment, etc., and it was unclear if they were shovel ready.
    - Real estate listings identified several 25-35–acre sites, about half for warehouses; but there was limited information about the suitability of these buildings for modern manufacturing. Distribution uses are absorbing many prime industrial properties according to broker interviews.
    - The former Pratt & Whitney site in North Haven is the largest and most promising site opportunity identified; but structures there are still being demolished, environmental remediation is not complete, and it is unknown when it will be available for a new industrial user.
    - Szatan & Associates clients typically want to be up and running in about 12 months; food processing or other technical facilities may take 18-24 months or more.
    - Understanding the region's available building and shovel ready site inventory is important to judging its near term readiness for development. REX is conducting a brownfield survey which appears to be a good first step.
    - Given the likely importance of entrepreneurial start-ups for creating growth, it would be useful to review the availability of space suitable for start-ups, especially lab space.

- Acknowledged high electrical rates will be a drawback for large water using companies; large water users often are process operations also needing large volumes of electricity. This may be offset by superior reliability and quality, which also typically are valued. If a case can be made for superior reliability, it should be noted in marketing.

- Most of the interviewees cited a lack of regional cooperation and community competitiveness as a drawback, though some recognized the value of marketing the region initially and noted that the situation is better today; companies first have to consider the region before picking a specific site and community.

Conclusion

New Haven County and Connecticut will face some challenges in marketing when it comes to costs, available sites/buildings, regional cooperation and higher wages, but also clearly hold some advantages in an available, skilled workforce. The higher educational attainment, per capita income, and wages point to an attractive market for jobs and industry. New Haven County and Connecticut are clearly competitive to other Northeast areas and will typically compete most heavily with this region. Access to this highly populated area of the United States is also an advantage over the Midwest areas. New Haven should highlight its skilled workforce, industry experience, and knowledge advantages when marketing the area.