MINUTES

Lakes Region Comprehensive Economic Development Strategies (CEDS)
Strategy Committee Meeting

Meredith Savings Bank
South Main Street,
Laconia, New Hampshire

April 25, 2007

Committee Members Present:

Bill Beyer, Meredith Village Savings Bank
Mel Borrin, Preferred Properties
Jennifer Boulanger, BCEDC
Rick Demark, North Country Resource Conservation & Development Council
Mark Edelstein, NH Community Technical College
Debbie Frawley-Drake, Lakes Region Linen
Gary Groleau, N.H. Ball Bearing
Moe Lafreniere, The Common Man
Theresa Lamson, Greater Laconia-Weirs Beach Chamber of Commerce
Henry Lipman, LRGH
Linda Normandin, Laconia Savings
Carol Pierce, Laconia Human Relations Committee
Jack Terrill, Lakes Region United Way
Denise Sharlow, FBIDC
Dick Waitt, LRPC
Chris Williams, Williams Architects

Others:

Miller Lovett, Meredith Board of Selectmen
Carol Cantin, NH Department of Employment Security
Deborah Avery, NH Department of Resources and Economic Development
Carmen Lorenz, Camoin Associates
Michael N'dolo, Camoin Associates
Kimon Koulet, LRPC
Michael Tardiff, LRPC

Call to Order and Introductions

The meeting was called to order by Bill Beyer at 5:10pm. Members of the CEDS Strategy Committee and others in attendance introduced themselves.

B. Beyer gave a quick overview of the meeting topics and asked for any comments related to the minutes of Feb. 28, 2007 CEDS Strategy Committee meeting. The minutes were accepted as written by a unanimous vote of the committee.

CEDS Status Report

Kimon Koulet provided an update regarding the overall CEDS process. He noted that the process is designed to identify strengths in the regional economy and to spread those opportunities across the region. He noted also that the intent is to create jobs for the region led by the private sector.

B. Beyer then stated that he hoped to further discuss, possibly at the next meeting, the definition of economic development as he is concerned that the committee has been looking at too narrow of a definition of economic development to this point in the CEDS process.

Draft Cluster Analysis

B. Beyer introduced Carmen Lorentz of Camoin Associates (CA) to present the results of the Industry Cluster Analysis.

C. Lorentz noted that the objectives of the presentation were to present the initial findings of the study and receive feedback from the CEDS committee so the draft study can be refined. She was asked if the analysis included all of Merrimack County. She replied that the study actually included all of Belknap, Carroll, Grafton, and Merrimack counties, due to data collection problems.

She then described clusters as "*geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions in a particular field that are present in a nation or region. Clusters arise because they increase the productivity with which companies can compete*," citing examples such as Silicon Valley and the Route 128 corridor. She noted that the idea of clusters is not new, with agricultural villages and manufacturing towns early examples, and that recent focus in economic development has been on high-tech and information, although many other clusters are important to local economies including health care and tourism.

She then described how there is no typical method for the development of a cluster analysis, but the use of employment data is standard. CA used the Quarterly Census of Employment and Wages (QCEW). She noted that the QCEW is a federal/state cooperative program that measures jobs based upon place of work, not by place of residence. To undertake the study, data on all private industries in all four counties (Belknap, Carroll, Grafton, and Merrimack) for 2001 and 2005 were used. She noted that she felt the use of the broader geographic data gave a better picture of economic activity in the overall area and also noted that the use of data that was limited to the Lakes Region communities would result is a number of gaps in the data as the QCEW does not report certain information at the town level because of confidentiality issues.

She then described the work that was done, including the identification of major employment sectors which was used to identify concentrations of employment in the Lakes Region counties relative to New England and the U.S. The primary indicator is the location quotient analysis. CA then tried to identify the portion of growth due to local factors – this is the shift share analysis. These tools were then used together to classify industries and define potential clusters.

She then presented the top five major employment supersectors in the Lakes Region counties, New Hampshire and New England in 2005. The supersectors are based upon the 2 digit North American Industrial Classification System (NAICS). In the Lakes Region, the top five were Retail, Health Care, Manufacturing, Accommodation and Food Service, and Construction. The top four are the same in each geographical area, with construction the fifth in the Lakes Region and New Hampshire. The fifth employment supersector in New England is Professional and Technical Services.
She then provided more detailed information on Lakes Region counties employment by presenting major sector (3 digit NAICS) data by industry. In 2005, total private employment in the four counties

was 142,272. She presented the top 22 employment sectors by NAICS code, and outlined the groupings that were beginning to become evident from the data, including high rankings for health care and tourism related industries.

Location Quotients (LQs) were then further described. To determine the LQ, you compare the percentage of employment in a particular industry in the Lakes Region to a reference area, which in this case is either New England or the U.S. as a whole. Basically, you take the percentage of total employment for that industry in the Lakes Region counties and divide it by the percentage of total employment in the reference area. The ratio is called the Location Quotient. An LQ of 1.00 means the concentration is roughly the same as in the reference area, an LQ greater than 1.00 means the industry has a high concentration relative to the reference area, and an LQ less than 1.00 means the industry has a lower concentration relative to the reference area. Anything between 0.80 and 1.20 are not considered significantly different from 1.00.

Industries with an LQ higher than 1.20 in the Lakes Region counties in 2005 were presented by NAICS code to outline those clusters or groups of industries that have a relatively high concentration. She noted manufacturing, retail and tourism-related industries as having high LQs as compared with both New England and the U.S, and stated that as compared to New England, the Lakes Region had a higher LQ related to construction, and as compared to New England, publishing industries stood out.

Changes in LQs over time were then discussed, separated into three categories. The first category is high LQs that are increasing over time, which suggest industries that are important to the local economy and continue to remain strong. Miscellaneous manufacturing, retail, and gambling/recreation/amusement industries were highlighted.

The second category is high LQs that are decreasing, which can indicate industries that are important and may be experiencing problems and losing its relative advantage. Several retail subsectors were highlighted (motor vehicle and parts dealers, food and beverage stores, and miscellaneous retailers). The third category is low LQs that are increasing, which can indicate industries that may be important in the future and the region may wish to encourage. Several manufacturing subsectors, information industries, and finance related industries were highlighted.

The shift-share analysis process was then outlined. The process basically aims to pull out the component of growth that occurs that is due to local factors. The analysis looks both at national growth for all private industries and how the specific industry is doing at the national level. The competitive share (or local share) is what remains after the national growth and industry factors are subtracted from local employment figures. If the number is positive it suggests a local comparative advantage in that industry. Industries that had a larger regional growth rate that the national rate were then highlighted by NAICS code. Construction, multiple retail categories, motion picture and sound recording, finance and real estate related industries, health care, and tourism-related industries were noted.

Next, industries that are declining nationally but growing in the Lakes Region area were described, including several manufacturing, wholesale and retail categories. Finally, those industries that are declining both nationally and regionally, but have a positive local share were presented. These industries include a variety of manufacturing categories.

C. Lorentz then classified industries as follows:

<u>Key Industries:</u> Employment of 1,000 or more, positive changes in LQ over time and positive local share.
<u>Potential Growth Industries</u>: Employment of less than 1,000, with strong employment growth between 2001 and 2005 and positive LQ changes of 20% or more.
<u>Dormant Industries</u>: Employment of 1,000 or more with decreases in employment between 2001 and 2005, but positive LQ change.
<u>Declining Industries</u>: Significant decreases between in employment between 2001 and 2005 and negative LQ changes.

Under key industries, she noted construction, manufacturing, wholesalers, a variety of retail categories, publishing, credit intermediation (mortgages), management of companies and enterprises, nursing and residential care facilities, and gambling/recreation. For potential growth industries, she highlighted nonmetallic mineral product manufacturing, electronics and appliance stores, a number of information related industries, rental and leasing services, waste management and remediation services, and performing arts and spectator sports. The dormant industry list included only printing and related support activities, and computer and electronic product manufacturing. Industries highlighted in the declining industries included a variety of manufacturing categories, food and beverage stores, several transportation related industries including warehousing and storage, real estate, professional and technical services, and accommodations. She noted that accommodations were included in the declining industries category, and it may be caused by changes in the national travel market or the increase in second home ownership.

Based upon the analysis, the following clusters in the Lakes Region counties were highlighted: retail, health care, diversified manufacturing, information industries, entertainment/tourism, and construction.

She then asked the CEDS committee for their feedback on the cluster information that had been presented. Carol Pierce stated that it was hard to believe that real estate was not a cluster. C. Lorentz responded that CA had not found a strong finance, insurance, and real estate (FIRE) cluster, but several sub-categories of the FIRE cluster could be found in the data. It was also noted that if 2006/07 data were used instead of 2005 data, construction and entertainment/tourism figures would be lower as they are so cyclical. Debbie Frawley-Drake noted that the overall area covered by the data, such as the Steeplegate Mall, does not necessarily represent the Lakes Region. It was noted by C. Lorentz that a reason for this was the limitation of available data, but that it was also important to look beyond the Lakes Region for impacts to the local economy. K. Koulet noted that the NH Department of Employment Security had been asked for town data, and 2005 data were just made available for the 30 Lakes Region municipalities, and 2000 data may be available in the future. He also noted that another approach might be to look at the four counties individually rather than altogether.

Chris Williams asked if there is a way to tell what the percentage of overall employment is self-employed as well as seasonal as compared to other areas. C. Lorentz noted that employment data averaged over the entire year was used, so it does not account for seasonal changes. She also noted that data related to the self-employed are available. Deborah Avery stated that state employment data are available both as seasonally adjusted and non-seasonally adjusted.

In responding to a question on how to use the data in the future, C. Lorentz emphasized the importance of understanding the region's employment trends when looking at national business recruitment – you want to know what industries have a comparative advantage.

The cluster analysis presentation then concluded with a discussion of next steps. C. Lorentz noted that CA would look again at the finance, insurance, and real estate categories for addition to the cluster list and then use the list to work on the input-output model called IMPLAN, which develops a transaction table that roughly describes how much the industries in these sectors purchase from other local industries. K. Koulet stated that the analysis piece of the process must be used with the experience and judgment of committee members to develop the vision and strategic objectives that lead to implementation.

Business Survey Results

Michael Tardiff gave a quick overview of the results of the business survey. He stated that there had been approximately 20 responses to the survey to this point, which was approximately an 8% response rate from the population of Lakes Region "traded-industries" that was targeted. Despite the low number of responses he noted the results added more depth to the overall information. He then proceeded to note highlights of the results.

Related to the quality of the region's communications infrastructure, he said some felt it was harmful to their business while others (a combined total of more than 56%) felt it was either beneficial or very beneficial to their business. He then noted that in question #3 related to the cost of real estate, the highest number of responses said that it was neither harmful or beneficial to their business, but a much higher rate (48%) said that the cost of wages, health insurance and utilities was either harmful or very harmful to their business. A comment was made regarding the number of respondent (35%) that stated that the cost of real estate was either harmful or very harmful to their business.

He then noted that there was no surprise that a majority of respondents felt the region's natural environment was either beneficial or very beneficial to their businesses, and the regions' overall quality of life was also noted as very beneficial to businesses.

Looking at question #14, he noted that a number of businesses were concerned about the availability in the region of workers with skills that are required by their business, while no one responding to the survey said the availability of top managers with the qualifications their business requires was either beneficial or very beneficial to their business.

When responding to questions related to the level of taxation affecting business, specifically the business profits tax and business enterprise tax, a total of eight respondents answered that it was either very harmful or harmful to their business, while another eight said that the level of taxation was neither harmful nor beneficial to their business.

He then reviewed the answers to question #38, which provided a list of local services and asked those responding to check those that they would like to see improved. Transportation and housing related categories received the most responses, with 16 noting affordable/ workforce housing. The inadequacy of highways/roadways and public transportation was also noted.

M. Tardiff concluded the business survey highlights by noting the open-ended responses to the question "How important to your business is the condition of the region's natural resources?" He noted the overall emphasis from those responding to the survey on the importance of the region's environment to their businesses.

K. Koulet then added that the survey questions were based upon a model developed by the Council on Competitiveness and seeks to learn about regional innovation from local business leaders. He also noted that the implementation of the business survey was beyond the initial scope of the CEDS process and we hope to build upon the business survey in the future together with the local economic development organizations and chambers of commerce.

Strengths, Weaknesses, Opportunities, and Threats

B. Beyer then introduced C. Lorentz again to discuss the Strengths, Weaknesses, Opportunities, and Threats (SWOT) process. She gave an overview of the process and noted that it gives an opportunity for the group to organize its thoughts on the advantages of the region. She noted that the process began with the development of a survey with a subcommittee of the CEDS Strategy Committee. The survey was completed online by two-thirds of the CEDS committee, and the responses organized into a summary that was distributed to the committee.

She noted a series of observations she had made when compiling the results of the initial online SWOT survey, beginning with the region obviously having a strong tourism industry that attracts a great deal of visitors and second home owners, many who are relatively affluent and many of whom are retirees. She then noted that this success also contributes to some of the weaknesses in the economy, including a lack of diversity in employment opportunities for recent college graduates, high housing costs, a lack of year-round economic activity, and the lack of a highly skilled workforce. Other observations she described included a strong telecommunications infrastructure, the relative low cost of doing business, and the high quality of life and noted that there are opportunities to harness presented by demographic changes, specifically the availability of highly trained retirees, and noted that it seemed an ultimate goal was to diversify the economy and build industry sectors other than manufacturing, tourism and services.

She then reviewed the online SWOT survey results where key economic factors were given a score between 1 to 5 (1 being strongest), and noted that the natural environment received the highest average score, followed by location. Factors receiving an average weak score were the cost of utilities and the accessibility of housing. Next, she described the response to the question where respondents ranked the viability of different industry sectors. Tourism was rated the strongest, followed by construction, health care, retail, the FIRE category (finance, insurance and real estate), high-tech and manufacturing.

Results were separated into the categories of Strengths, Weaknesses, Opportunities and Threats; the top ten in each are shown below:

Strengths

- Natural beauty, lakes, mountains
- Rural New England character and charm
- Location – near Boston, offers diverse outdoor recreational options
- Welcoming business community
- Safe and friendly place to raise a family or retire
- Strong sense of community
- Environmental awareness of many residents & businesses
- Low overall tax burden
- Traditional independence of towns
- Accessibility – airport, I-93

Weaknesses

- Labor force – lack of abundant supply of quality employees, highly skilled workers, shrinking workforce due to demographic changes

- High energy costs
- High real estate costs
- Lack of affordable housing for workforce, local communities not supportive of workforce housing
- Lack of year-round customer base
- Poor growth management at local level – not enough coordination at County level, not enough regional "smart growth," inconsistent support and guidance for growth across the region, unbalanced strip and big box development detracts from New England charm
- Lack of professional opportunities for young adults; out-migration of young adults
- Over-reliance on tourism and retail sectors, which typically provide low-wage jobs
- Aging population perpetuates increase in demand for low-wage service jobs
- High property taxes

Opportunities

- Vacationers moving to Lakes Region permanently after visiting brings in professionals with diverse backgrounds
- Capture more of Boston Brain Trust and Boston seed capital by targeting businesses that sell to larger companies in Boston area
- Tap into expertise of significant retiree population in the area – many are former CEOs, entrepreneurs, academics or policy wonks and could be a resource
- Trend of people who grew up in the Lakes Region returning later in life after becoming successful
- Granite Media Center fostering growth of media industry (movies, animation, etc)
- Conversion of old mill buildings into "cool spaces" for creative businesses
- New conference & convention center at Lakes Opechee Inn will be largest venue in NH and can draw trade shows and conventions
- Growing retiree population creates demand for more health care jobs and cultural and entertainment jobs
- Large number of retirees could fill needs of seasonal employers
- Over-development and cost of real estate in southern NH will make Lakes Region more attractive

Threats

- Second home market and influx of affluent retirees could continue to drive up housing costs
- Changes in travel market could erode Lakes Region's tourism economy (i.e., trend of cottages converting to condos)
- International ownership of corporations makes it difficult to influence location or re-location decisions
- Continued decline of manufacturing sector in U.S.
- Weather patterns affect the tourism industry (skiing, ice fishing, boating, etc)
- Federal immigration restrictions could impact availability of seasonal tourism labor
- NH business profit tax is a disincentive that could undermine desire for businesses to locate in the state
- Continued increase in health care costs and malpractice insurance costs for doctors could be compounded in the region because aging population will require more health care services as the industry is becoming less profitable and more difficult to work in
- Rising cost of living combined with fixed incomes of many seniors could lead to increased poverty among this age group and more demand for public assistance to care for them
- Newcomers that have a different perspective on quality of environment, sense of community, cultural heritage

CEDS Strategy Committee were then asked to identify five topics in each category that each felt were most important to address or include in the CEDS. The results were as follows:

Strengths: (1) Natural beauty, lakes, mountains, (2) NH Community Technical College partnerships with LRGH and other local businesses to establish business-specific training programs, (3) Local and regional economic development councils' support for business growth, and (4) Internet access.

Weaknesses: (1) Over-reliance on tourism and retail sectors, (2) Lack of affordable housing for workforce, local communities not supportive of workforce housing, (3) Labor force – lack of abundant supply of quality employees, highly skilled workers, shrinking workforce due to demographic changes, and (4) Lack of support for quality education statewide, reliance on local property taxes only for school funding, local conflicts over support for schools.

Opportunities: (1) Tap into expertise of significant retiree population in the area – many are former CEOs, entrepreneurs, academics or policy wonks and could be a resource, (2) Digital age allows people to work remotely, making the Lakes Region a more viable location for a variety of businesses, (3) Growing retiree population creates demand for more health care jobs and cultural and entertainment jobs, and (4) Conversion of old mill buildings into "cool spaces" for creative businesses.

Threats: (1) Rising cost of living combined with fixed incomes of many seniors could lead to increased poverty among this age group and more demand for public assistance to care for them, (2) Second home market and influx of affluent retirees could continue to drive up housing costs, (3) Continued increase in health care costs and malpractice insurance costs for doctors could be compounded in the region because aging population will require more health care services as the industry is becoming less profitable and more difficult to work in, and (4) Changes in travel market could erode Lakes Region's tourism economy (i.e., trend of cottages converting to condos).

After a quick discussion of the SWOT prioritization, B. Beyer noted the time of the meeting and recommended that the committee plan to further discuss the results at the May 23 meeting.

Public Comment
There was no public comment.

Next Steps
It was then agreed that the next meeting of the CEDS Strategy Committee will be on Wednesday, May 23 beginning at 5:00 pm. The meeting will be held at the MVSB Laconia Branch conference room.
The meeting adjourned at approximately 7:35 pm.