ATLANTA REGIONAL COMMISSION

COMPETITIVE ASSESSMENT
METRO ATLANTA

Submitted by Market Street Services Inc.
www.marketstreetservices.com

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PROJECT OVERVIEW

The ten-county metro Atlanta region – comprised of Cherokee, Clayton, Cobb, DeKalb, Douglas, Fayette, Fulton, Gwinnett, Henry and Rockdale Counties – is a diverse region anchored by the state capital, multiple universities and colleges, numerous Fortune 500 headquarters, and the world's busiest airport. The region has enjoyed tremendous growth in recent decades and has positioned itself among the most competitive economic regions in the world. But no region, regardless of its competitive position, has been immune to the effects of the recent Great Recession. As metro Atlanta emerges from this recession, it must have a clear roadmap to continually strengthen its position within an increasingly competitive, global environment for jobs and workers.

The development of this roadmap, the Metro Atlanta Regional Economic Development Strategy, will be a collaborative process, designed to unify multiple stakeholders in the public, private, and non-profit sectors behind a consensus vision for the region's economic future. The final product will support the goals and objectives of PLAN 2040, the Atlanta Regional Commission's comprehensive blueprint to sustain metro Atlanta's livability and prosperity through mid-century and will meet the Economic Development Administration's requirements for a Comprehensive Economic Development Strategy (CEDS). This Competitive Assessment represents the first phase of the strategic planning process, presenting a thorough review of the competitive issues facing metro Atlanta as the region emerges from recession and into economic recovery.

Scope of Work

The nine-month strategic planning process includes stakeholder input, quantitative research, the development of strategic recommendations, the creation of an implementation plan, and the establishment of performance metrics to measure implementation success.

STRATEGIC INITIATIVE INVENTORY

One of the first steps in ensuring that the regional strategy is a coordinated effort, and not duplicative or uninformed of ongoing efforts, is the creation of a Strategic Initiative Inventory. *Market Street Services* and ARC will assess current local and state economic development priorities, goals, and strategies, with input and assistance from the Work Group. The Strategic Initiative Inventory will inform the development of new strategic recommendations for the metro Atlanta region.

COMPETITIVE ASSESSMENT

This Competitive Assessment analyzes the key strengths, weaknesses, opportunities, and challenges facing the metro Atlanta region. The region's performance, as measured by a variety of demographic, economic, and quality of life indicators, will be benchmarked against three peer metropolitan areas that metro Atlanta competes with for jobs and workers.

ECONOMIC CLUSTER REVIEW

The Economic Cluster Review will evaluate and assess the competitiveness of various business sectors that are currently being targeted by local, regional, and state economic development partners. The most competitive clusters and targets in the metro Atlanta region will be identified, as well as specific niche opportunities for distinct communities and counties within the region.

REGIONAL ECONOMIC DEVELOPMENT STRATEGY

The five-year Regional Economic Development Strategy represents the culmination of the three previous phases and the beginning of the in-depth dialogues about the strategic goals and objectives that can best address regional challenges and capitalize on competitive advantages and assets. The Strategy answers the critical question – "What economic development goals should the metro Atlanta region pursue?" Best practices from around the country will be identified and referenced when relevant and appropriate.

IMPLEMENTATION PLAN

While the Strategy identifies **what** the metro Atlanta region should pursue, the Implementation Plan will help answer **how** the region will pursue these strategic initiatives. Specifically, it will identify lead and supportive entities in implementing individual recommendations, prioritize actions, examine funding capacity and sources, and provide a set of performance metrics to gauge implementation success.

Facilitators

MARKET STREET SERVICES

Market Street Services, a national economic, community, and workforce development consulting firm headquartered in Atlanta, was engaged to facilitate the development of the Regional Economic Development Strategy, and will lead the region through a process to identify actionable strategies that will help ensure that metro Atlanta sustains its livability and prosperity, and continually elevates its competitiveness in today's global economy. Market Street has worked in more than 140 communities nationwide, with extensive work in multiple communities throughout metro Atlanta since the company's founding in 1997.

ATLANTA REGIONAL COMMISSION

The Atlanta Regional Commission (ARC) is the regional planning and intergovernmental coordination agency for the 10-county area including Cherokee, Clayton, Cobb, DeKalb, Douglas, Fayette, Fulton, Gwinnett, Henry and Rockdale counties, as well as the City of Atlanta. For 60 years, ARC and its predecessor agencies have helped to focus the region's leadership, attention, and resources on key issues of regional consequence. ARC is dedicated to unifying the region's collective resources to prepare the metropolitan area for a prosperous future. It does so through professional planning initiatives, the provision of objective information and the involvement of the community in collaborative partnerships.

STEERING COMMITTEE

The strategic planning process is guided by a diverse Steering Committee of leaders from the public, private, and non-profit sectors. These individuals will oversee the entire planning effort, help identify the region’s strategic priorities, build consensus throughout the region, and serve as public advocates for the betterment of the region and its economic development.

WORK GROUP

In addition to the Steering Committee, the research and strategic planning phases are guided by significant input from a group of community, economic, and workforce development practitioners from individual communities and organization’s throughout the ten-county metro Atlanta region. The Work Group will meet eight times throughout the process to share their in-depth knowledge of the assets, challenges, opportunities, strategic priorities facing their individual communities.

COMPETITIVE ASSESSMENT

This analysis of the issues facing metro Atlanta leverages Market Street's framework of investigating three critical aspects of a community that reveal its economic competitiveness: its **people**, their **prosperity**, and its quality of **place**. This Competitive Assessment presents multiple stories surrounding the greatest issues facing the region within the context of these three community attributes.

When talking with residents, businesses, and community leaders throughout the region, it is apparent that there is an appreciation for the increasingly diverse and well-educated **people** in metro Atlanta, cautious optimism that the region can return to a new era of **prosperity**, yet concern that certain challenges are threatening the region's quality of **place**. The region is home to many enviable assets that have – ~~,~~and will continue to – position it well among its competitors for jobs and workers. This includes but is not limited to a relatively young and well-educated workforce, supportive tax climate for business, low cost living, strong higher education assets, and the world's busiest airport. These assets and others supported tremendous population and economic growth in recent decades, but this growth has not come without consequences. The region's infrastructure – from water to transit – has struggled to keep pace with the demands of its new residents and businesses. And as the Great Recession took hold nationwide, metro Atlanta's families, workers, and employers were hit hard. As of early 2012, the pace of economic recovery has been sluggish at best. But with adequate vision, leadership, and political will, the region's residents, businesses, and policymakers can lead the region into a new era of prosperity.

This Competitive Assessment will provide greater detail on the challenges facing the region and the asset base that supports its economic competitiveness. A few technical notes are necessary to provide context for the remainder of this assessment.

GEOGRAPHIES

While the ten-county ARC service area serves as the geographic scope for the strategic planning efforts, this research effort will focus on the larger, 28-county Atlanta-Sandy Springs-Marietta, GA metropolitan statistical area, a federally-defined region based on commuting patterns that more closely approximates the labor shed for the smaller 10-county ARC service area. Within this research deliverable, the term "metro Atlanta" refers to the larger, 28-county metropolitan statistical area that is being analyzed.

Throughout this Competitive Assessment, the metro Atlanta region will be benchmarked against three other economic regions that metro Atlanta competes with jobs and workers. These three regions are:

- ✓ Dallas-Fort Worth Metroplex: The Dallas-Fort Worth-Arlington, TX metropolitan statistical area is the fourth largest metropolitan area in the country and possesses many similarities to metro Atlanta in terms of socioeconomics, growth patterns, and economic structure. The region is home to a robust information technology and telecommunications sectors (similar to metro Atlanta) as well as the high-capacity Dallas-Fort Worth International Airport, a primary competitor to

Hartsfield-Jackson Atlanta International Airport. The Metroplex is frequently mentioned by economic development practitioners as metro Atlanta's greatest competition.

- ✓ Charlotte Metro: The Charlotte-Concord-Rock Hill, NC-SC metropolitan statistical area has emerged as the second largest banking and finance center in the United States and the financial capital of the South. The region's recent investments in light rail and research facilities have made it an increasingly attractive destination for diverse economic activities and young professionals.
- ✓ Greater Boston: The Boston-Cambridge-Quincy, MA-NH metropolitan statistical area is the nation's tenth largest metropolitan area, overtaken by metro Atlanta during the last decade (currently ninth largest in terms of population). Greater Boston is well known for its tremendous higher education assets, access to venture capital, and its extensive public transportation network including commuter rail, heavy rail, light rail, and bus rapid transit.

In addition to comparisons to these competing regions when relevant and appropriate, trends across metro Atlanta will also be compared to national trends. Intra-regional dynamics at the county-level will also supplement the analysis of trends at the metropolitan-level.

FOCUS GROUPS

A thorough assessment of the region's strengths, weaknesses, opportunities, and challenges must be informed by qualitative input, complementing the quantitative research. A series of focus groups have been conducted throughout the metro Atlanta region to solicit input from residents, businesses, educators, and community leaders. This input is invaluable to the research and strategic planning processes.

In recent years Market Street Services has conducted extensive public input via focus groups and interviews in multiple communities throughout the metro Atlanta region. Focus groups and interviews facilitated by Market Street staff in Cobb, DeKalb, Gwinnett, Henry, and North Fulton counties in 2010 and 2011 have collectively solicited input from more than 400 individuals. Additional focus groups conducted by Market Street staff in Cherokee, Clayton, Douglas, Fayette, and Rockdale counties in 2012 have solicited input from more than 100 individuals.

In addition to focus groups facilitated by Market Street staff, input has been gathered by key partners facilitating the ARC's Fifty Forward Forum series as well as the Georgia Competitiveness Initiative. Input received from residents and businesses during these processes has been summarized and incorporated into this assessment when relevant and appropriate.

ONLINE SURVEY

In addition to in-person input solicited via focus groups, interviews, and discussions with the Work Group and Steering Committee, an online community survey was open to the public for four weeks. This survey received nearly 1,200 responses. This region-wide survey complements the nearly 2,500 additional responses that Market Street has received from residents and businesses that completed online surveys in individual client communities in Metro Atlanta that Market Street has worked in from 2010 – 2012. Input received from Market Street client communities (via online surveys and focus groups) that was gathered prior to 2010 has also been taken into consideration but is not presented in these totals. Brief summaries of input gathered via focus groups and the online survey are included throughout this assessment in red text.

People

This section of the Competitive Assessment will focus on the ways in which metro Atlanta's population is growing and changing. It will examine how the region's greatest asset – its people – are faring in light of recent instability in housing and labor markets. Finally, it will assess the region's ability to produce a sustainable workforce and adequately prepare existing and future generations for a rapidly evolving and increasingly knowledge-intensive economy.

METRO DEMOGRAPHICS

Continued Growth Brings Continued Change

Metro Atlanta's population burgeoned over the last decade, adding more than a million new residents. With the addition of each new resident, metro Atlanta is becoming an increasingly diverse and better educated region. This growth is playing itself out in distinct ways across each county in the region. Those counties on the outskirts of the metro area tended to experience larger population growth and brain gain – an increase in the percentage of residents with a bachelor's degree or higher – relative to those counties nearer to the urban core. Although the region has attracted hundreds of thousands of net new residents from other parts of the country and across the globe throughout the 2000s, the region's ability to draw new residents in the latter half of the decade was inhibited by the lack of worker mobility and a dearth of job opportunities that have characterized the Great Recession.

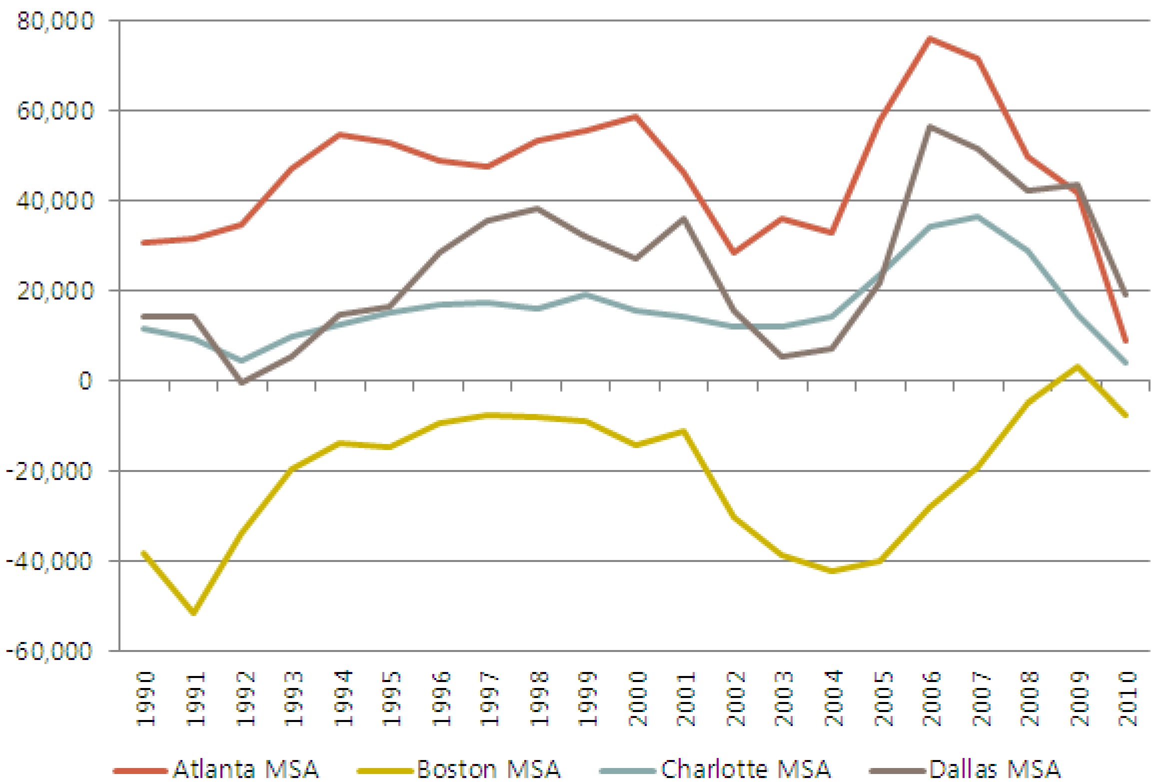
CHANGE IN POPULATION BY DECADE (1990 – 2010)

	Total Population			*Net Change*		*Percent Change*	
	1990	2000	2010	1990-2000	2000-2010	1990-2000	2000-2010
Atlanta MSA	3,091,278	4,277,944	5,287,287	1,186,666	1,009,343	38.4%	23.6%
Boston MSA	4,137,302	4,401,256	4,560,689	263,954	159,433	6.4%	3.6%
Charlotte MSA	1,030,945	1,339,903	1,764,313	308,958	424,410	30.0%	31.7%
Dallas MSA	4,014,341	5,192,445	6,403,102	1,178,104	1,210,657	29.3%	23.3%
United States	249,622,814	282,162,411	309,349,689	32,539,597	27,187,278	13.0%	9.6%

Source: United States Census Bureau

The region's population growth over the last two decades has been tremendous. Metro Atlanta added nearly 2.2 million new residents over the last two decades, equivalent to roughly 71 percent growth between 1990 and 2010. This rate of growth was nearly three times the national rate (23.9 percent). The Charlotte Metro grew at a nearly identical 71.1 percent, while metro Atlanta's rate of growth outpaced that of the Dallas Fort-Worth Metroplex (59.5 percent). With over half of the region's growth between 2000 and 2010 attributed to domestic and international migration, metro Atlanta remains a destination of choice for many individuals looking to relocate. However, dwindling job opportunities and a still beleaguered housing market is taking its toll on migration patterns. By 2010, net in-migration to metro Atlanta declined to its lowest level since 1993. In 2006, net migration to metro Atlanta stood above 76,000, considerably higher than the Dallas-Fort Worth Metroplex (56,511), the Charlotte Metro (34,148) and Greater Boston (-28,177), which has experienced net out-migration for more than two decades. By 2010, net in-migration to metro Atlanta had fallen to 8,858 net new residents during the year, while the Dallas region's more robust and expedient economic recovery buoyed net in-migration (19,050).

TRENDS IN ANNUAL NET MIGRATION (1990 – 2010)

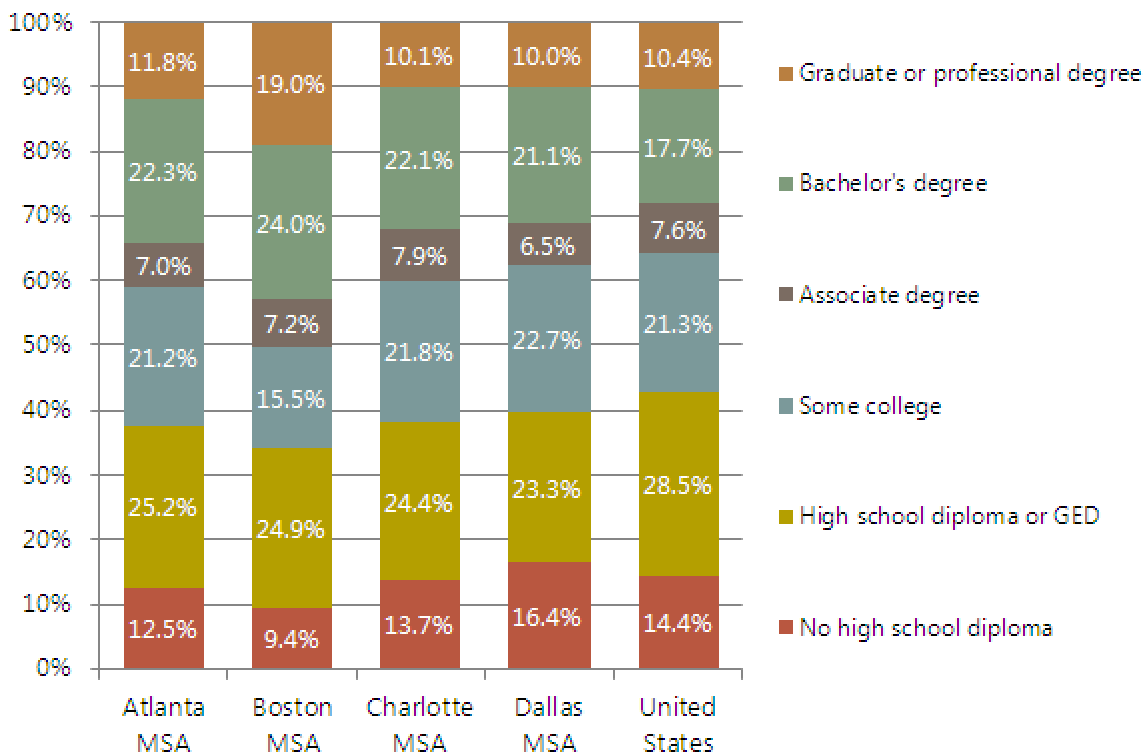


Source: Internal Revenue Service

As metro Atlanta's population rose, so too did educational attainment levels within the region. In 2010, 33.4 percent of metro area residents aged 25 or older held a bachelor's degree or higher, representing a

2.0 percentage point increase since 2000. Among the three comparison regions, only Greater Boston (43.0 percent) had a higher percentage of its residents with a bachelor's degree or higher. Among the 51 metropolitan areas with at least one million residents, metro Atlanta is home to the 13th most highly-educated population. Survey respondents cited the diversity and educational attainment levels of the region's workforce as its greatest strengths. Metro Atlanta's African-American residents are particularly well-educated as compared to their counterparts in the Boston, Charlotte, and Dallas regions, as well as the average community nationwide. In 2010, 25.8 percent of African-Americans in metro Atlanta possessed a bachelor's degree or higher, nearly eight percentage points above the national average (17.9 percent). However, metro Atlanta's minority residents (including Africa-Americans, Asians, Hispanics, and all other races and ethnicities) are not increasing their educational attainment levels as fast as minorities in the Boston, Charlotte, and Dallas regions. Most troubling, the percentage of the adult Hispanic population in metro Atlanta with at least a bachelor's degree declined by one percentage point, contrary to rising educational attainment levels for Hispanics across all comparison metros and the nation.

EDUCATIONAL ATTAINMENT, ADULTS AGE 25 AND OVER (2010)



Source: United States Census Bureau

Furthermore, the region's brain gain is also geographically segmented: some metro Atlanta counties are benefiting from rising educational attainment levels more than others. Counties that successfully attracted more highly-educated residents in the 2000s include Cherokee (8.1 percentage point growth in the percentage with a bachelor's degree or higher), Fayette (5.9), Cobb (5.3), and Henry (5.0) counties. Gwinnett County – which added more new residents (213,000) than any other county in metro Atlanta during the 2000s – experienced no change in the percentage of adults with a bachelor's degree or higher during the decade. Clayton (0.1), DeKalb (1.3) and Rockdale (2.0) counties all experienced modest improvements. The continued elevation of educational attainment levels throughout the region will be critical to maintaining what is certainly one of metro Atlanta's existing advantages among large metropolitan markets: a well-educated workforce. Providing equitable opportunities for educational advancement to all residents, from quality preK-12 to higher education in all of the region's counties, is important to supporting the development of a homegrown talent pipeline (a topic to be covered in greater detail in subsequent sections).

In 2010, metro Atlanta had the highest percentage of residents between the ages of 20-44 among all comparison regions (36.7 percent) – indicative of a workforce capable of sustaining itself during and after the retirement of the Baby Boom generation. However, striking a balance between quality of life options that appeal to younger generations and those that appeal to the region's retirement (65 years-old and over) and near-retirement (45-64) age populations present a challenge to the region. Only nine percent of the region's population was age 65 or over in 2010, considerably lower than the national average (13 percent). Building communities where residents feel comfortable "aging in place" will be critical to metro Atlanta as the Baby Boom generation approaches retirement. The retiree population, as measured by the percentage of all residents age 65 and over, was largest in Fayette County (12.7 percent) and Rockdale County (10.6 percent), yet both of these counties still possess a smaller retiree population as of share of all residents than the average community nationwide. Clayton County and Gwinnett County had the smallest relative retiree population, with those aged 65 and over representing less than seven percent of all residents. When examining the change in the retiree population from 2000 to 2010 as a share of all residents within the county, Fayette, Cherokee, and Cobb counties were shown to be increasingly attractive destinations for retirees and "aging in place" within the metropolitan area.

Although the region has a relatively small retiree population, it continues to be an attractive location for minorities. Growing diversity in the region provides a number of benefits, including the ability to offer new and existing residents with a wide assortment of distinct environments in which to live, work, and play. Minorities as a share of total population in the region rose from 39.0 percent in 2000 to 48.2 percent in 2010. Nationwide, minorities increased their share of total population from 29.9 percent to 34.7 percent, indicating that Metro Atlanta's population growth was fueled by minorities more than the average American community.

Distinct neighborhoods (as defined by census tracts) within metro Atlanta are benefiting from the region's growing diversity and developing their own cultural identities, providing a cornerstone for vibrant, multicultural communities attractive to a wide gamut of populations, from young professionals to in-migrants from larger metropolitan areas where cultural diversity and ethnic variations in food and entertainment options are more plentiful. And while these concentrated ethnic communities provide a welcoming environment to diverse populations, the metro Atlanta region is actually becoming more spatially integrated. Between 2000 and 2010, metro Atlanta's dissimilarity index – a measure which describes how many people of a given racial group would have to move in order to ensure that every census tract within a metro area matched the overall racial and ethnic composition of the region – underwent the largest decline of the comparison metro areas. While still considered to have moderate levels of spatial segregation, metro Atlanta's diversity is increasingly spread across neighborhoods within the region. When asked if the region was becoming more accepting of diverse backgrounds, races, ethnicities, and religions, nearly half (49.2 percent) of self-identifying white respondents indicated that the region was becoming more accepting, as compared to only 36 percent of African-Americans. While only 12 percent of white respondents felt that the region was becoming less accepting of diverse backgrounds, races, ethnicities, and religions, 42 percent of self-identifying Asians indicated that the region was becoming less accepting. It will be critical for metro Atlanta's communities – and particularly their businesses, educators, and social service providers – to carefully consider the ways in which the region's changing demographics necessitate increased attention, openness, and dialog.

While there have been many benefits from the region's rapid growth, this growth certainly has not come without its share of challenges and costs: metro Atlanta's development patterns continue to place strains on the region's infrastructure, potentially decreasing the quality of life experienced by existing residents and expected by prospective residents. Without question, traffic congestion and transportation infrastructure are the greatest concerns of residents that participated in public input. Quality of development planning, traffic flow, public transit, accessibility to sidewalks and bike paths, and water capacity – all of which are inextricably tied to the region's rapid growth – were the lowest rated aspects of public infrastructure and quality of life by online survey participants. Focus group participants supported these assertions, pointing to uncertainty surrounding the regional water supply and ever lengthening commute times as indication that growth is stretching regional infrastructure, threatening quality of life and suppressing economic development opportunities. As the most rapid population growth continues to occur at the region's fringes, this suburban and exurban growth will place increasing demands on the region's infrastructure and social services as the challenges of dealing with a geographically disperse population present themselves in new and unexpected ways. Census tracts located within or near the cities of Douglasville, Kennesaw, Canton, Lawrenceville, Conyers, McDonough, and Fairburn were among those which experienced rapid expansion in the most recent decade while census tracts located nearer the urban core were more likely to see population declines over the ten year period.

HOUSEHOLD WELL-BEING

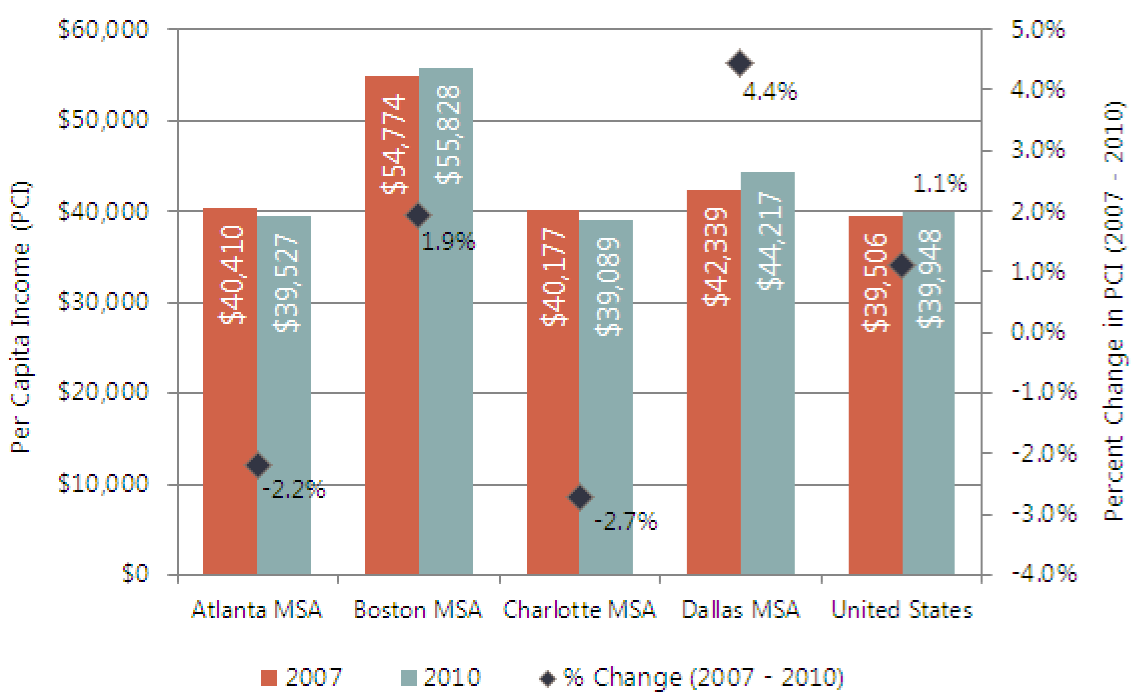
Impacts of Labor and Housing Market Destabilization on Metro Families

Although recent data indicate that households are slowly regaining some wealth that was lost in the Great Recession, metro Atlanta's households have been disproportionately hit by the destabilization in labor and housing markets. Even as families nationwide have seen wealth deteriorate, metro Atlanta's families experienced steeper declines in home prices, higher foreclosures rates, declining per capita income, and increased rates of personal bankruptcy relative to the nation and the region's peers since the onset of the recession in late 2007. Over the short-term, the erasure of existing wealth for many metro Atlanta families reduces the region's overall buying power. Long-term impacts will vary between different demographics; young families may delay homeownership as they attempt to rebuild savings for a down-payment, while

Baby Boomers may delay retirement as they rebuild their nest eggs, placing potential job openings on hold.

The Great Recession's impact on earnings in metro Atlanta is pervasive. The average annual wage in metro Atlanta rose by just 10.6 percent between 2005 and 2010, slower than the rate of inflation (12.1 percent). By comparison, the average annual wage grew by 14.9 percent nationwide, 15.2 percent in Greater Boston, 12.7 percent in the Dallas-Fort Worth Metroplex, and only 10.4 percent in the Charlotte Metro. Historically low interest rates and stock market devaluation substantially reduced individuals' earnings from other forms of income such as dividends, capital gains, or earned interest. Stagnant wages in many sectors coupled with devalued investment income placed strenuous pressure on the region's per capita income. Residents, on a per capita basis, earned $833 dollars less in 2010 than in 2007, a decline of 2.2 percent. Nearly nine out of every ten survey respondents indicated that the region's wages and benefits were not improving or getting worse, indicating continued concern over metro Atlanta's ability to increase the economic well-being of its residents during this time of sluggish recovery.

CHANGE IN PER CAPITA INCOME (2007 – 2010)



Source: Bureau of Economic Analysis; Moody's Economy.com

Despite the prevalent impacts of the recession, per capita income (PCI) in metro Atlanta ($39,527) remained above the Charlotte Metro ($39,089) and the average community nationwide ($36,090) as of 2010. Residents of the Dallas ($44,217) and Boston ($55,828) regions earn considerably higher incomes than metro Atlanta's residents on average. All other comparison communities, however, experienced faster growth in their PCI over the last decade. Despite metro Atlanta's overall per capita growth, these improvements have not been distributed equitably across racial and ethnic groups. Between 2000 and 2010, the region's fastest growing racial and ethnic segment, Hispanics, who also saw their educational attainment decline in the region, experienced a 19.8 percent decline in their median income between 2000 and 2010. While data is not available on the educational attainment or income levels of migrants by race and ethnicity, it is likely that these declines are indicative of a trend whereby new Hispanic in-migrants possess lower educational attainment levels, and therefore lower earning potential, than pre-existing Hispanic residents. It is also plausible that Hispanics, stricken by higher unemployment rates nationwide, have fewer available employment opportunities than the average resident, further depressing PCI for this demographic. Meanwhile, the Hispanic population in all three comparison regions experienced considerable increases in income during the decade. In addition, the racial income gap between whites and African-American residents in metro Atlanta increased between 2000 and 2010, as it did nationwide and in all comparisons. However, despite this increase, the racial income gap (measured as the ratio of median African-American household income to median white household income) is smaller in metro Atlanta than in all comparisons and across the nation. With the exception of Hispanics, minority households experienced rising median incomes between 2000 and 2010.

In addition to the downward pressure on wages and other sources of income, declining home values further exacerbated the financial strains facing homeowners, lowering purchasing power and inhibiting their ability to save. For much of the 1990s and 2000s, the Atlanta region saw its housing market swiftly expand. Demand exceeded supply, resulting in relatively low vacancy rates and rapidly rising prices for single-family housing (to be examined in greater detail in subsequent sections). However, with the onset of the recession and the bursting of the national housing bubble, net in-migration dropped and demand for new housing came to a screeching halt. As unemployment surged and the veil was pulled back on questionable mortgage lending practices nationwide, so too did mortgage delinquency and home foreclosure. This placed additional downward pressure on home values. Single-family vacancy rates had risen to nearly ten percent by the second quarter of 2007, well above the three percent rate that characterized much of the mid-1990s and early 2000s. And although the story is similar in many housing markets across the country, metro Atlanta was particularly hard hit: home prices declined by more than 41 percent across metro Atlanta between the third quarters of 2005 and 2011, more than three times the rate of decline experienced across the Dallas-Fort Worth Metroplex (-13.1 percent), and significantly higher than the national rate of decline (-24.2 percent) during this six-year period. Despite the tremendous impact of the financial crisis on the Charlotte region – the South's financial center – the median single-family home price actually increased by 11.6 percent.

The extent of the collapse in metro Atlanta is perhaps best illustrated by examining the effects over the last two decades. Despite significant gains in the 1990s and early 2000s, the recent housing crisis has negated much of these gains, resulting in a rise of only $10,478 (or 12.1 percent) in the median single-family home price in metro Atlanta between the third quarters of 1991 and 2011. By comparison, gains of $192,369 (122.0 percent), $100,601 (107.7 percent), and $53,550 (60.0 percent) were experienced in the Boston, Charlotte, and Dallas-Fort Worth metropolitan areas, respectively, over the same period. With many homeowners losing equity and holding mortgages that are currently "underwater" (debt outstanding exceeds home value), the ability of the region to produce new employment opportunities, attract new residents, and boost demand for existing housing is critical to improving the well-being of families in the region. A home represents both a place to live and a form of savings for the homeowner; metro Atlanta's falling home values have all but erased this form of savings.

Declining wages, dwindling employment, lost home equity, and rising foreclosures led to significant increases in personal bankruptcies. Personal bankruptcies can have a profound effect on an individual's ability to access credit markets especially in home and car purchase. During 2010, 9.2 people filed for bankruptcy for every 1,000 metro Atlanta residents, nearly three times as many filings per capita than the level observed in Greater Boston (3.2), the comparison region with the next highest bankruptcy rate, and nearly double the national rate (5.0). Since the official start of the recession, personal bankruptcies have climbed 76.6 percent in metro Atlanta, roughly equivalent to the rate of growth in Greater Boston but below the national rate of increase (86.8 percent) during the recession. Filings in Metro Charlotte (43.0 percent) and the Dallas region (38.8) grew at a slower rate.

HOUSEHOLD WELL-BEING

	Total Poverty Rate			Child Poverty Rate			Personal Bankruptcies per 1,000 Residents		
	2000	2010	Change	2000	2010	Change	2007	2010	% Change
Atlanta MSA	9.5%	14.8%	5.3%	12.1	20.5%	8.4%	5.5	9.2	76.7%
Boston MSA	8.5%	10.3%	1.8%	10.5	11.9%	1.4%	1.8	3.2	77.8%
Charlotte MSA	9.4%	14.5%	5.1%	12.1	19.4%	7.3%	1.9	2.5	43.0%
Dallas MSA	10.8%	14.6%	3.8%	14.3	21.2%	6.9%	2.4	3.1	38.8%
United States	12.4%	15.3%	2.9%	16.6	21.6%	5.0%	2.7	5.0	86.8%

Source: United States Census Bureau; U.S. District Courts; Moody's Economy.com

The aforementioned factors have resulted in more families and children living in poverty and requiring greater federal and state assistance. Over the last decade, metro Atlanta's poverty rate climbed by 5.3 percentage points, outpacing all other peer communities and the nation. By 2010, nearly three out of every 20 residents in metro Atlanta lived at or below the federal poverty threshold, which, for a family of four with two children, was only $22,811. While metro Atlanta's poverty rate (14.8 percent) is still below the national average (15.3 percent), certain segments of the population have been harder hit than others. The poverty rate for minorities (22.8 percent) was significantly higher than whites (9.9 percent), although the size of this gap was roughly equivalent to that of Metro Charlotte and just slightly above the national gap.

Weakened household well-being will continue to have pervasive implications for the regional economy. Over the short-term, homeowners, faced with a decline in home equity, may delay the purchase of "big ticket" items or upgrading their home. Prospective homeowners are also faced with the tough decision to either wait for "bottom" or purchase their home risking short-term negative equity. Over the long-term, upward mobility may be at risk in metro Atlanta as dwindling job opportunities and first-time home buyers who purchased at the height of the construction boom struggle with the financial burden of negative home equity. Ultimately, the pace of the recovery in the job market will dictate the pace of the housing market's recovery and the well-being of metro Atlanta's families. And while metro Atlanta has yet to fully enter an economic recovery, the most recent economic data indicates that the worst is behind the region; metro Atlanta is no longer shedding thousands of jobs each month and bankruptcy filings have stopped rising. But the fact remains the same: families in metro Atlanta have unquestionably fared worse than some of their counterparts in competing regions, including the Boston, Charlotte, and Dallas metropolitan areas.

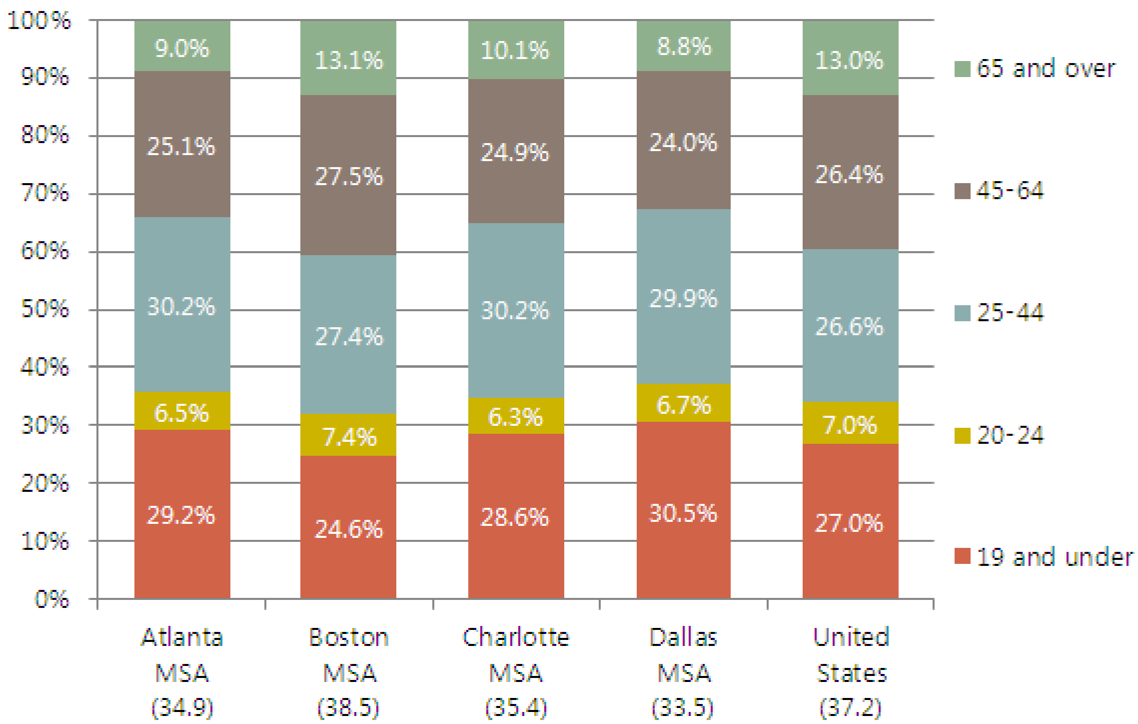
METRO ATLANTA'S TALENT PIPELINE

Building a Homegrown, Sustainable Workforce

Metro Atlanta's growth in recent decades has been fueled by an influx of young professionals, similar to Dallas and Charlotte. The region, as well as its competitors in the South, will benefit from a relatively large supply of younger workers (ages 25-44) that will help replace those retiring in the decades to come (ages 45-64) and support new employer demands. Metro Atlanta's sluggish recovery will undoubtedly impact its ability to attract and retain recent college graduates and waning net in-migration will further impact regional labor availability. Without question, the recovery of the region's labor market is critical to maintaining its demographic advantages, but in the years leading up to the recession many individuals, particularly recent college graduates, were choosing where to live before choosing where to work. And while the recession has certainly impacted this trend, it is likely to swing back into full gear once the recovery takes hold and jobs are more plentiful. Community character, cultural amenities, transportation infrastructure, and vibrant urban environments are among the many aspects of a community that heavily influence the location decisions of young professionals and young families. And while investments are necessary in these areas to maintain the region's attractiveness to the next generation of workers, the region cannot afford to rely on talent attraction alone. Simply put, metro Atlanta must heavily invest in public education at all levels – from pre-K to professional education – to ensure that the region is producing high quality, homegrown talent.

As previously noted, metro Atlanta has a wealth of young talent to replace the Baby Boom generation as they approach retirement. Across the country a number of communities are facing a demographic challenge as the Baby Boom generation approaches retirement: they simply do not have enough younger workers to replace those approaching retirement. Nationwide, the percentage of the population aged 25-44 (26.6 percent) is only slightly larger than the percentage aged 45-64 (26.4 percent) as of 2010. However, the Atlanta region's 25-44 year-old population (30.2 percent of the total population) was significantly larger than its population aged 45-64 (25.1 percent). The Charlotte and Dallas regions – both of which have been equally successful in recent decades attracting and retaining young professionals – have a similarly large advantage in terms of the incoming pipeline of workers. On the other hand, the Boston metropolitan area is among the aforementioned communities potentially facing a declining workforce if it cannot reverse its long-standing trend of net out-migration; the population aged 25-44 is slightly smaller than the population aged 45-64.

WORKFORCE SUSTAINABILITY: AGE DISTRIBUTION (2010)



Source: United States Census Bureau

With many Southern communities sharing favorable age dynamics, metro Atlanta clearly has strong competition in attracting and retaining young talent. Between 2000 and 2010, the region's 25-44 year-old population increased by 6.2 percent. While this age demographic declined in Boston (-12.6 percent) and the nation (-3.4 percent, due to "aging out" of some Boomers - a numerically larger generation than those following - into older age brackets), growth in Dallas-Fort Worth Metroplex (8.0 percent) outpaced the Atlanta region despite the fact that metro Atlanta's total population expanded more rapidly during this period. This is likely due in part to the Dallas region's more expedient economic recovery, but also signals that the region may simply be more attractive to this younger demographic from a quality of life standpoint. Within the ten-county ARC service area, only Fayette County had a larger soon-to-be retirement population (45-64 year-old) than its young professional age (25-44 year-old) population.

Specific sectors in metro Atlanta will benefit from the region's sustainable workforce while others will be more heavily burdened by looming retirements. When examining the percentage of the workforce aged 55 and over by subsector, it is apparent that the finance and insurance and public administration sectors in metro Atlanta have relatively older workforces than the same sectors in the Boston, Charlotte, and Dallas regions. Relative to their peers in the three comparison communities, organizations in these sectors will need to invest more heavily in attracting, retaining, and developing young professionals to fill more senior positions that will be vacated by impending retirements. If some individuals in metro Atlanta are more likely to delay retirement than their counterparts in the Boston, Charlotte, and Dallas regions – certainly plausible given the aforementioned disproportionate impacts of the recession on household wealth in metro Atlanta – then these potential shortages may be mitigated.

Subsectors in metro Atlanta with a competitive advantage in terms of possessing a relatively young workforce as compared to the same sectors in the majority of the three comparison communities include information services, transportation and warehousing, and manufacturing. While many manufacturers are struggling to find younger workers that are interested in manufacturing operations and possess technical skill sets, the data appear to indicate that – as a whole – the metro Atlanta manufacturing sector may not have as difficult of a time replacing retirees as some competitors. However, this does not imply that the development of young talent with manufacturing skill sets is not a critical concern for the metropolitan area. The fact remains that roughly one in five manufacturing workers in metro Atlanta is aged 55 or older, as compared to only 13.7 percent of workers in the relatively-young information services sector.

While attracting and retaining the next generation of workers is critical, the short-term and long-term development of the region's talent pipeline is inherently tied to the ability of the region's public and private education systems to produce capable graduates with a diversity of skill sets. In addition to transportation and traffic-related issues, residents mentioned public preK-12 education as one of the greatest challenges facing metro Atlanta. Only 21.2 percent of all survey respondents felt that the region's public education systems afforded the region with a competitive advantage. Fayette County residents were overwhelmingly positive about their school systems, with 93 percent indicating that the quality of the county's schools system was a competitive advantage. Residents in Cherokee (81.7 percent), Gwinnett (76.1 percent) and Cobb (73.7 percent) counties also felt that their school systems afforded their communities with a competitive advantage. A larger percentage of residents in DeKalb and Fulton counties indicated that their school systems placed the county at a competitive disadvantage than those who felt they supported a competitive advantage. Residents of Clayton County were very polarized.

Without question, negative publicly surrounding Atlanta Public Schools (teacher cheating scandal in 2011) and Clayton County Public Schools (loss of accreditation in 2008) have eroded confidence among existing and potential residents and businesses. This negative publicity has direct consequences for economic development and growth patterns through a variety of channels. Relocating families may not view the City of Atlanta as an attractive location within the region, exacerbating suburban and exurban growth. And as businesses increasingly value the quality of a community's public education system in the site location process, some may shy away from a region that has possessed its share of poor publicity, potentially inhibiting their ability to attract the best and brightest workers. Local employers understand national media portraying Georgia's underachievement and scandals plaguing the region's school system continue to weigh heavily on prospective workers' and businesses' location decisions. These concerns are already influencing where metro Atlanta residents choose to send their children for schooling. Between 2000 and 2010, the percentage of students attending private school rose from 9.4 percent (74,776 students) to 10.4 percent (105, 643 students) in metro Atlanta while declining in all three comparison regions.

The City of Atlanta, Clayton County, and DeKalb County Public School Systems all received the lowest ratings by survey respondents across eleven different statements aimed at discerning the quality of the region's public school systems. Quality of student education, dropout rates, and insufficient career guidance were particularly concerning to respondents familiar with these school districts. Respondents with children in other school systems throughout the region echoed these same concerns for their district. Students' exposure to technology, the community's commitment to education, and classroom safety received the highest ratings from respondents.

In terms of graduation rates and student performance on standardized testing, four school districts stand out as underperforming relative to their regional peers: Atlanta Public Schools, Douglas County, DeKalb County, and Clayton County Public Schools. While there are bright spots in each district, student proficiency (the percentage meeting or exceeding state standards) in these school districts was 70 percent or lower on at least two Criterion-Referenced Competency Test criteria for both 3rd and 8th grades. Moreover, these school districts possessed lower ACT scores and graduation rates than the majority of their local peers. While the region does have highly achieving school districts with positive reputations among community members, the quality of these school districts may be overshadowed on a national scale by recent negative media coverage. Furthermore, these systems suffer from the poor reputation attached to public education for the state of Georgia as a whole. Georgia's public education system continually ranks below other states in terms of student achievement – a recent Education Week rating gave Georgia schools a D+ for student achievement.

STUDENT PERFORMANCE AND OUTCOMES: PRE-K-12 PUBLIC SCHOOL DISTRICTS (2009 – 2010)

	8th Grade CRCT Proficiency % of Students Meeting or Exceeding State Standards						
School System	**Reading**	**English**	**Math**	**Social Studies**	**Science**	***ACT Composite***	***Graduation Rate***
City of Atlanta	93%	88%	75%	55%	52%	16.6	66.3%
Cherokee County	99%	96%	91%	82%	79%	21.1	82.4%
Clayton County	96%	91%	74%	51%	46%	17.5	81.6%
Cobb County	98%	96%	89%	79%	72%	21.1	87.3%
City of Decatur	97%	92%	92%	80%	83%	19.1	88.7%
DeKalb County	94%	88%	76%	52%	49%	18.0	79.2%
Douglas County	96%	91%	77%	63%	61%	18.6	80.6%
Fayette County	99%	98%	96%	88%	85%	22.4	94.0%
Fulton County	98%	94%	86%	75%	72%	21.1	85.3%
Gwinnett County	96%	94%	88%	81%	78%	21.6	84.7%
Henry County	98%	94%	83%	71%	64%	19.7	82.3%
City of Marietta	97%	92%	86%	81%	61%	21.2	80.3%
Rockdale County	98%	95%	91%	78%	71%	20.7	84.0%

Source: Governor's Office of Student Achievement; National Center for Education Statistics

High school graduates from metro Atlanta, the state of Georgia, and across the world have access to a wealth of top-tier higher education institutions to choose from within metro Atlanta. Prospective college students from metro Atlanta benefit from the state's HOPE Scholarship, a tremendous asset supporting the region's ability to develop "homegrown" talent. Without question, the quality and capacity of the region's higher education institutions is a great advantage for metro Atlanta, an advantage in both quality and capacity that far exceeds that of its Southern peers in Metro Charlotte and the Dallas-Fort Worth Metroplex. The Greater Boston region is home to numerous top-tier public and private institutions of higher education, an advantage that has supported the development of an extremely well-educated workforce and an innovation economy admired by many. From a higher education standpoint, Metro Atlanta's greatest competitor within the South is likely the Research Triangle region, home to Duke University, the University of North Carolina, and North Carolina State University.

Engineering programs at the Georgia Institute of Technology (with twelve engineering programs at the institute ranked 5th or above in the country) and health sciences courses at Emory University continue to earn top national ranks and serve as epicenters for higher learning in the region. Other institutions and specializations, from Georgia State's health law program to nationally-recognized historically black colleges and universities (Spelman, Morehouse, and Clark Atlanta), create an incredibly diverse environment where top-quality programs in nearly every degree path are available. These institutions, among many others, act as an important beacon attracting young talent from all over the globe into the Atlanta region. For these students, their experiences in metro Atlanta will leave an impression that will weigh heavily on their decision to remain within the metro Atlanta area after completion of their studies. From a talent development standpoint, metro Atlanta's tremendous higher education institutions are only an advantage if the region can successfully retain these students after graduation.

Metropolitan Atlanta's youthful population is a competitive advantage relative to competitors in certain parts of the country (particularly the Northeast and Midwest) but is one that is shared by many communities within the South. Simply put, the region must focus on attracting, retaining, and developing homegrown talent if it wishes to strengthen its competitive advantage. This requires strong preK-12 education systems that residents and businesses can trust, and which are capable of equipping the next generation with the skill sets that will be in demand. When married with a world-class higher education system that is constantly innovating, a stronger preK-12 system in metro Atlanta and indeed, the entire state of Georgia, is unquestionably one of the greatest improvements that this region can make for its future economic competitiveness.

Prosperity

The Great Recession has been a defining period for the American economy, and while it technically ended in 2009, metro Atlanta has been slow to recover. Although the region possesses many enviable assets that have supported its economic growth in recent decades, the competition for jobs and workers is stronger than ever before while the available opportunities have dwindled. This section will provide a comprehensive review of the ways in which metro Atlanta's economic prosperity has been impacted the Great Recession. It will then provide an assessment of the region's business climate and infrastructure for innovation as it seeks to build a more prosperous future through rapid recovery.

THE LOST DECADE

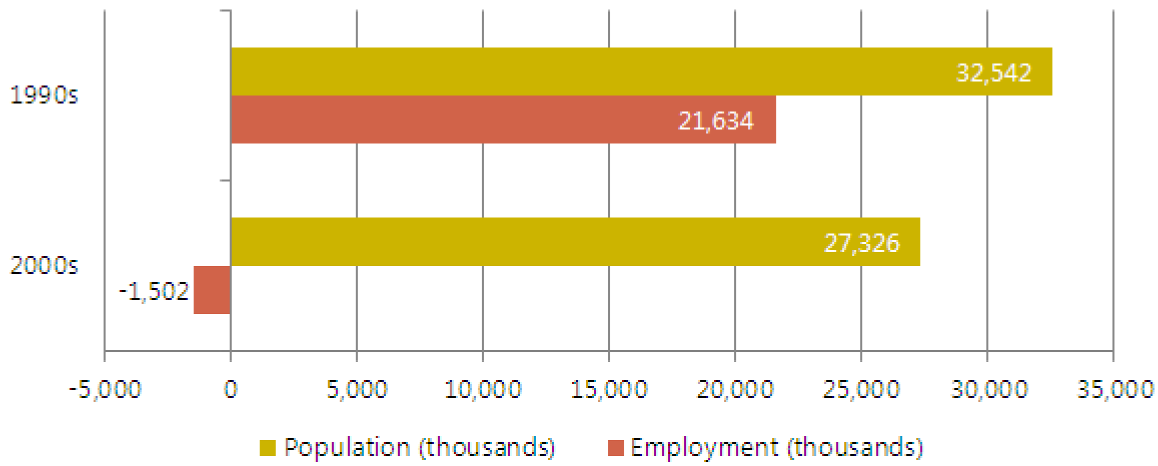
How the Great Recession Turned Backed the Clock

As previously illustrated, metro Atlanta's residents experienced deterioration in personal wealth and home equity in recent years, largely due to the impacts of destabilization in housing and labor markets that coincided with the Great Recession. For anyone living, working, or doing business in metro Atlanta, it is no secret that the region has been hit particularly hard by the Great Recession. The headlines have told the story: "ATL hammered by Great Recession[1]," "Legislature facing revenue meltdown[2]," "Atlanta homebuilding market nation's hardest hit.[3]" But lost in these headlines is a harsh reality facing the United States and even more so, metro Atlanta. The first ten years of the new millennium was truly a "lost decade."

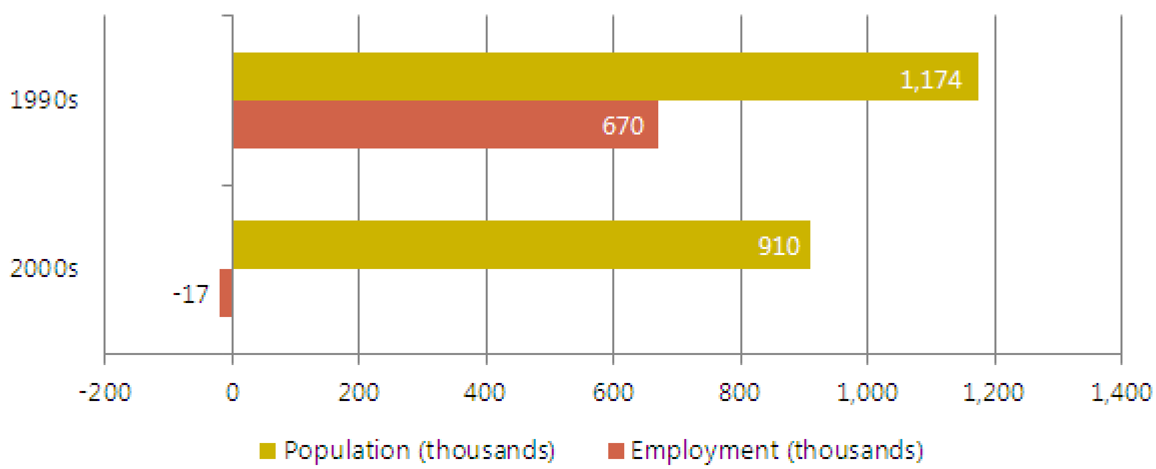
Between 2000 and 2010, the United States added nearly 28 million new residents. During that same period, the country shed over 1.5 million jobs. Meanwhile, metro Atlanta added more than one million new residents and lost 17,400 jobs. While other regions around the country are well into their economic recoveries, metro Atlanta's labor market remains stagnant. When metro Atlanta's labor market bottomed out in February 2010, all job creation since September 1999 had been erased by the Great Recession in the 28-county metropolitan area. In effect, metro Atlanta's labor market – and economic progress – was set back by an entire decade.

[1] Atlanta Business Chronicle, "Brookings: ATL hammered by Great Recession," November 30, 2010
[2] James Salzer, "Legislature Facing Revenue Meltdown: Tax, Fee Hike Not Expected," The Atlanta Journal Constitution, January 11, 2011
[3] Atlanta Business Chronicle, "Atlanta's Home Building Market Nation's Hardest Hit," August 24, 2011

THE LOST DECADE: NET CHANGE IN POPULATION AND EMPLOYMENT BY DECADE, UNITED STATES



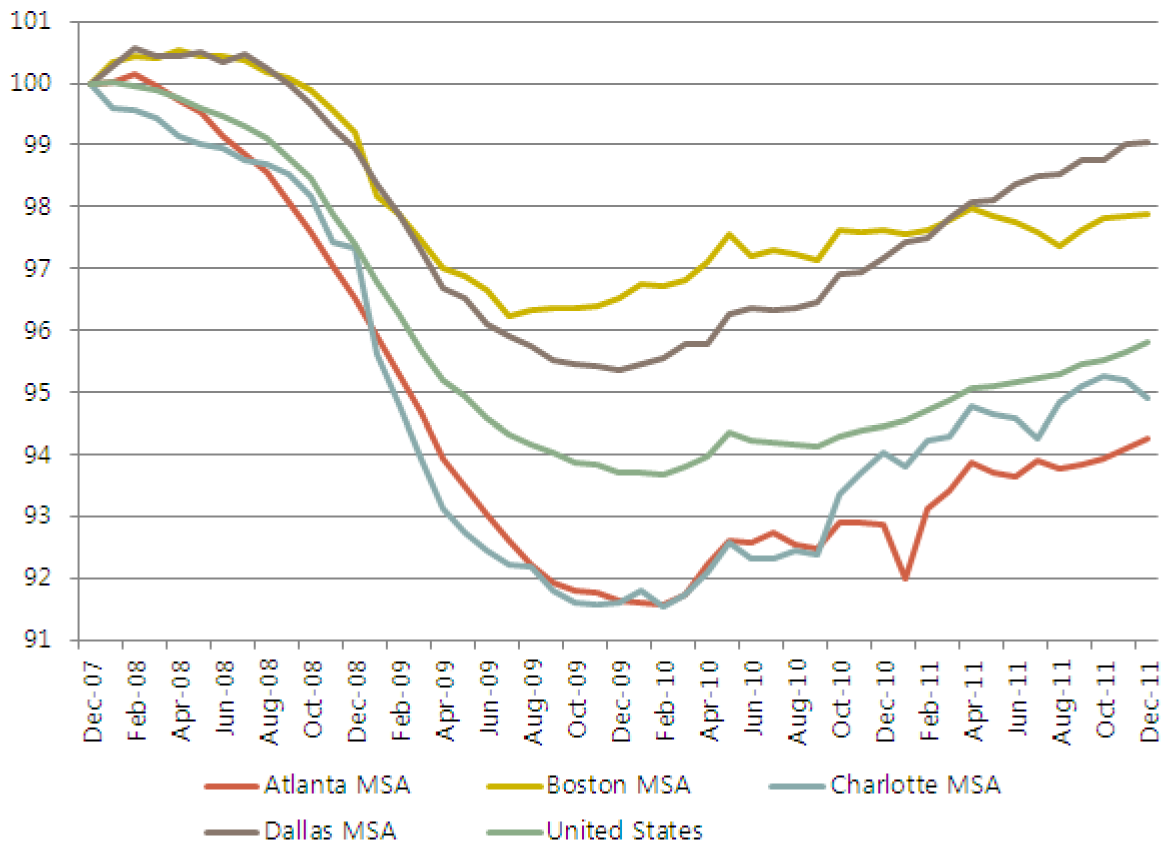
THE LOST DECADE: NET CHANGE IN POPULATION AND EMPLOYMENT BY DECADE, METRO ATLANTA



Source: United States Census Bureau; Bureau of Labor Statistics

That is not to say that great investments supporting metro Atlanta's potential future prosperity were not made during this period, but simply, that the greatest fuel for the region's economic progress – the employment status of its residents – has significantly deteriorated, and at a rate that exceeds that of its primary competitors. While metro Atlanta represents 1.7 percent of the nation's population, it accounts for 2.5 percent of all job losses nationwide since the onset of the recession (Dec. 2007 – Dec. 2011). However, recent data revisions from the Georgia Department of Labor and U.S. Bureau of Labor Statistics indicate that recovery in metro Atlanta's labor market likely began much sooner than previously thought.

RECESSION AND RECOVERY: INDEX OF NONFARM EMPLOYMENT (DECEMBER 2007 = 100)



Source: Bureau of Labor Statistics

Note: Indexing is a process in which employment levels in a specific period (in this case, December 2007) are set to an equal value (in this case, 100) across geographies, and all subsequent changes in employment are expressed relative to this starting value and time period. Indexing allows for a simple way to understand the relative changes over time and across geographies for a given indicator.

For much of 2010 and 2011, nonfarm employment data indicated that metro Atlanta's labor market had yet to enter a healthy recovery – and actually continued to shed jobs – while its competitors and the nation began to experience modest employment gains. With a new data release in March 2011, employment estimates leveraging more reliable information from unemployment insurance records indicated that metro Atlanta's labor market actually began to recover around the same time as other regions in the South, including the Charlotte Metro and the Dallas-Fort Worth Metroplex, as well as the nation (2010 Q1). And while this is encouraging news for the region, metro Atlanta experienced far more significant employment losses during the recessionary period than the average community nationwide. Between December 2007 and February 2010 – when employment bottomed out in metro Atlanta – the region shed more than 200,000 jobs, equivalent to 8.2 percent decline. Meanwhile, national employment declined by 6.3 percent during the same period.

CHANGE IN NONFARM EMPLOYMENT SINCE THE ONSET OF THE RECESSION

	December 2007	December 2011	Net Change	% Change
Atlanta MSA	2,459,700	2,318,100	-141,600	-5.8%
Boston MSA	2,465,952	2,413,745	-52,207	-2.1%
Charlotte MSA	872,600	828,200	-44,400	-5.1%
Dallas MSA	2,971,200	2,942,500	-28,700	-1.0%
United States	137,982,000	132,186,000	-5,796,000	-4.2%

Source: Bureau of Labor Statistics

Mounting job losses were likely contributing factors in survey respondents' economic outlook. Nearly three-fourths of survey respondents characterized metro Atlanta's overall economy and labor market was either stuck in neutral or getting worse. Focus group participants frequently cited improvements in transportation infrastructure and the development of new economic incentives as critical factors in the supporting the region's short-term and long-term economic prosperity.

Adding to the region's stagnating labor market is the construction sector whose steep job losses continue to offset employment growth in other areas of the metropolitan economy. Between the second quarter of 2009 and the second quarter of 2011, the construction sector shed over 12,990 jobs representing a drop of -13.1 percent. Job losses in the construction sector nearly outweighed employment growth in metro Atlanta's two largest growth sectors: health care and social assistance (9,790 jobs gained during the two year period) and transportation and warehousing (3,690 jobs gained). Pervading through the local economy are also job losses in sectors tied to housing market, including metro Atlanta's finance and insurance industry (-6.0 percent over the most recent two-year period) and real estate, rental and leasing (-8.8 percent). Georgia's record number of bank failures (76 institutions have failed since the mortgage meltdown) will continue to exert negative pressure on the finance, insurance, and real estate sectors within the state. After suffering through a lost decade, steep employment declines provide a false start to what will, hopefully, be a more prosperous decade. As the ensuing section will detail, metro Atlanta is particularly ripe for leveraging its high innovation capacity to foster businesses in emerging technology sectors.

Without question this is a challenging time for metro Atlanta. Between 1990 and the onset of the Great Recession, metro Atlanta's labor market expanded at a rate much faster than the national average and the pace of growth exceeded that of its primary competition in the South, the Dallas and Charlotte metropolitan areas. The rate at which new jobs were being created was tremendous, keeping pace with rapid in-migration and thereby maintaining a relatively low unemployment that remained roughly one percentage point below the national average throughout the various business cycles from 1990 until 2004. That trend has been reversed since the onset of the recession; as of January 2012, the unemployment rate in metro Atlanta (9.2 percent) stood nearly one percentage point higher than the national average (8.3 percent). While metro Atlanta, and to a lesser degree the Charlotte region, remain stuck in stagnation, the Dallas and Boston regional economies have rebounded.

Underlying the region's economic stagnation is wearying local businesses health. Business bankruptcies, after reaching a lull between the first quarter of 1996 and the fourth quarter of 2003, have risen to new heights. In 2010, more than 12.1 businesses per 1,000 establishments filed for bankruptcy protection in metro Atlanta, nearly double the national rate (6.4 per 1,000 establishments). The Great Recession significantly contributed to the rising bankruptcy rates in the region; already inflated bankruptcy rates rose another 63.1 percent – albeit at a slower pace than Metro Charlotte (246.3 percent) and the United States (99.0 percent). Furthermore, business output as measured by real (inflation-adjusted) gross metropolitan product (GMP) per capita declined 8.6 percent between 2007 and 2010 in metro Atlanta. Only fifty-nine other metropolitan areas (out of 365) suffered a more significant drop, placing metro Atlanta in the bottom fifth. By 2010, the region's GMP per capita ranked 49th, dropping 14 spots in three years. Despite diminishing GMP per capita, Charlotte (17th) and Dallas (22nd) outranked metro Atlanta, while Boston (12th) moved up the list with modest output growth of roughly one percent. Declining output of the metropolitan economy and relatively high business bankruptcies underline the frailty of the metropolitan economy and the struggles facing many business owners.

A lost decade denotes a decade in which economic stagnation has left an economy no better off than where it started. There were fewer jobs in 2010 than in 2000, the median-priced home was worth less in 2010 than in 2000, and inflation-adjusted business output per person remains lower today than a decade ago. Metro Atlanta is at a vital turning point in its economic future; decisions, or indecisions, today will play a decisive role in whether metro Atlanta's next decade is a prosperous one.

Although the 2000s will go down as a lost decade in measurable terms for many families and businesses, the region has many enviable assets. As subsequent sections will demonstrate, its capacity for innovation and its supportive business climate are pivotal assets, and, as previous sections have demonstrated, its people are the pillar of this asset base. Metro Atlanta's future economic momentum and sustainability relies on maximizing the ideas, resources, and human capital already embedded in the region and creating new opportunities through innovation and bold, aggressive tactics, while providing an environment that is attractive and welcoming to diverse lifestyles and economic activities.

CULTIVATING IDEAS

Metro Atlanta as an Incubator of Innovation

Metro Atlanta has a strong base of entrepreneurs, research-intensive institutions of higher education, and technology-intensive and highly innovative companies. The region has seen success in attracting technology companies, especially in the information and telecommunications fields, but these companies are disproportionately concentrated in a few areas of metro Atlanta. And much like the rest of the South, the region lacks an abundance of readily-available, non-traditional sources of capital which are highly concentrated in only a few areas of the country. If the region is going to be a leader in technology development and innovation it must expand financing capacity and continually support expansions to the region's technology infrastructure – from fiber optic networks to power grids – in order to produce innovations and retain the job- and income-producing capabilities that come with them. While it may not provide the same financing capacity as other highly-competitive regions, metro Atlanta can certainly enhance its competitive position relative to areas such as Boston's Route 128, Silicon Valley, and New York.

Entrepreneurship is increasing within the metro Atlanta area; however, businesses in the region will continue to face challenges securing even traditional financing. Between 2004 and 2009, the number of establishments that employed one to nine people increased by 4.4 percent in metro Atlanta – only Charlotte (8.6 percent) saw a faster rise in small business creation. New startup enterprises often emerge during recessions as individuals that have been laid off step out on their own. However, they often do so at a time when capital is not readily available. The number of small business loan originations in metro Atlanta more than halved between 2005 and 2010, the highest of all comparison metro areas and above the rate of national decline (-46.7 percent). While the average loan size ($39,712) has increased in the metro area by 10.8 percent, other metro areas such as Boston (27.1) and Dallas (32.3) saw more substantial increases. Lending standards have been elevated in many institutions, resulting in fewer but often more qualified businesses receiving loans.

In addition to private entrepreneurs, the region's institutions of higher education are undoubtedly tremendous incubators of innovation in metro Atlanta. In 2009 (the most recent data available), colleges and universities in metro Atlanta combined for more than $1.1 billion in academic research and development expenditures. These expenditures were concentrated in the life sciences and engineering fields: life sciences constituted 44.6 percent of all R&D funding while engineering comprised 34.9 percent. Out of 697 institutions reported by the National Science Foundation, Emory University ranked 22nd in life sciences – ahead of Harvard (33rd) and Massachusetts Institute of Technology (42nd) in the competitive Boston metropolitan area. The research and development capacity of the metro Atlanta region's higher education institutions is far superior to that of the Charlotte and Dallas metropolitan areas research institutions; perhaps the region's true life sciences competitor in the South, North Carolina's Research Triangle Park, is a more apt comparison. Both Duke University (3rd) and University of North Carolina – Chapel Hill (13th) spent more than double on life sciences research and development than Emory University, indicating that there is a significant gap in life sciences funding in metro Atlanta relative to the pharmaceutical and bioscience hub that is the Research Triangle. In contrast, the Georgia Institute of Technology is highly competitive in terms of engineering-related R&D expenditures. Georgia Tech spent the second highest amount on engineering R&D ($379 million) in the nation – only Johns Hopkins University ($703 million) spent more.

ACADEMIC RESEARCH AND DEVELOPMENT EXPENDITURES, THOUSANDS (FY 2009)

Rank (All R&D Exp.)	Institution	All R&D Exp.	Life Sciences	Math and Comp. Sciences	Physical Sciences	Eng.
	Metro Atlanta					
28	Georgia Institute of Technology	$561,631	$23,457	$73,988	$39,230	$379,305
35	Emory University	$449,419	$416,968	$1,558	$15,348	$10,445
167	Georgia State University	$60,557	$24,661	$1,249	$7,952	$0
220	Morehouse School of Medicine	$27,392	$27,392	$0	$0	$0
309	Clark Atlanta University	$7,861	$3,371	$448	$3,698	$170
318	Morehouse College	$6,993	$384	$79	$3,676	$121
390	Spelman College	$2,944	$1,801	$167	$593	$0
582	Southern Polytechnic State University	$599	$0	$23	$0	$389
588	Kennesaw State University	$592	$349	$36	$71	$0
	Total	*$1,117,988*	*$498,383*	*$77,548*	*$70,568*	*$390,430*
	Greater Boston					
11	Massachusetts Institute of Technology	$736,102	$257,208	$52,328	$114,870	$230,997
33	Harvard University	$462,193	$325,469	$4,749	$45,595	$33,077
72	Boston University	$280,814	$174,803	$3,436	$36,516	$29,520
109	Tufts University	$147,903	$110,873	$2,238	$8,466	$13,737
187	Boston College	$41,132	$8,615	$6,566	$8,815	$0
196	University of Massachusetts - Boston	$36,637	$9,237	$1,694	$507	$209
	Total	*$1,704,781*	*$886,205*	*$71,011*	*$214,769*	*$307,540*
	Metro Charlotte					
230	University of North Carolina - Charlotte	$24,814	$4,886	$7,269	$2,784	$5,837
443	Davidson College	$1,873	$94	$3	$45	$0
	Total	*$26,687*	*$4,980*	*$7,272*	*$2,829*	*$5,837*
	Dallas-Fort Worth Metroplex					
42	Univ. of Texas SW Medical Center - Dallas	$402,087	$402,087	$0	$0	$0
166	University of Texas - Dallas	$61,214	$13,284	$8,747	$9,102	$21,451
174	University of Texas - Arlington	$51,673	$3,114	$4,110	$9,318	$31,551
213	Univ. of N. Texas Health Science Center	$29,582	$29,582	$0	$0	$0
243	University of North Texas	$19,552	$5,409	$1,889	$4,243	$5,691
259	Southern Methodist University	$14,338	$1,596	$1,290	$2,223	$4,791
	Total	*$578,446*	*$455,072*	*$16,036*	*$24,886*	*$63,484*

Source: National Science Foundation

Along with direct spending on research and development, metro Atlanta's higher education institutions contribute positively to the economy by enhancing commercialization opportunities as well as fostering startup companies from researchers at these institutions. Combined, Emory University and the Georgia Institute of Technology created 12 startups, earned $16.7 million in licensing income generated from 715 active licenses, and obtained 66 new patents in 2011. By comparison, Greater Boston (and its five reporting institutions for higher education) created 28 startups, earned $88.3 million in licensing income from 1,707 active licenses and obtained 256 patents.[4] Boston's competitive position is aided by the private institutions of Harvard and the Massachusetts Institute of Technology who benefit from sizable endowments that support operations at these institutions. Commercialization capacity in the metro Atlanta region is competitive relative to the Research Triangle. In 2011, higher education institutions in the Research Triangle produced 10 startup businesses, earned $28.3 from 1,288 active licenses, and obtained 70 patents.

Startups require a vast array of resources to ensure their initial success and maturity into financially sustainable enterprises. Required resources demanded by startup businesses range from profession guidance, mentorships, subsidized lab space, and other forms of assistance. Online survey respondents indicating that they were an executive and/or make management decisions at their firm rated the region's access to low cost laboratory or other R&D facilities and business mentor support to startups as below average, but evaluated the availability of networking opportunities for small businesses and the responsiveness of local chambers and other organizations to small business needs favorably.

While entrepreneurs often need a variety of support services, quite often their greatest need is simply financial capital. Without early funding, startup businesses cannot advance concepts, acquire necessary physical capital, or hire qualified staff necessary to begin implementation of their business plan. Venture capital provides high-risk, early-stage business with financing to support their business idea that may otherwise go unfinanced in traditional capital markets. Access to venture capital and other non-traditional capital such as angel investments are vital for startup enterprises. Consistent with national trends, the amount of venture capital investment in metro Atlanta and the number of venture capital deals made declined considerably since the dot-com boom. Since 2001, the number of venture capital deals in the region has declined by 70.5 percent while the number of deals subsided 40.5 percent nationally. Total investments are also down nearly 58 percent in the Atlanta region; only Dallas (66 percent) suffered a steeper decline among comparisons. Although deals and investment declines have occurred less rapidly in North Carolina's Research Triangle Park (RTP), more venture capital deals (41) and more investments ($297.1 million) were made in the metro Atlanta region than RTP in 2010.

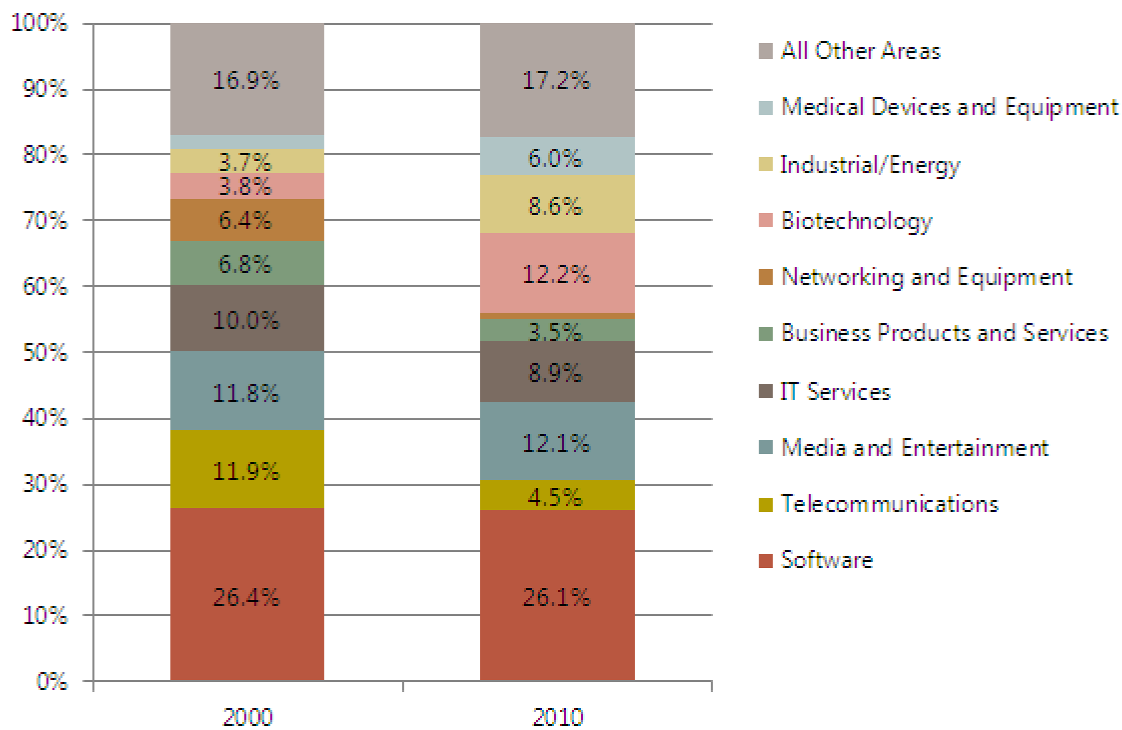
Although metro Atlanta ranks well against its Southern competitors, startups in high-innovation clusters such as Boston's Route 128 and Silicon Valley have a tremendous competitive advantage in their ability to access venture capital markets. At the state-level, only 15.5 percent of all venture capital investment in Georgia firms was sourced from Georgia-based funds in 2010. This trailed Massachusetts (36.7 percent), North Carolina (46.5 percent), and Texas (43.6 percent) by a wide margin. This is indicative of the relative mismatch between the supply and demand for venture capital in metro Atlanta and the state of Georgia as compared to the home states of competing metropolitan areas. Such a mismatch can heavily impact the region's ability to retain startups once they acquire venture financing as investors in capital rich areas such as California, New York, and Greater Boston prefer closer proximity to day-to-day operations for a variety of reasons. IN addition to this mismatch, the average venture capital investment in the state of Georgia has historically trailed the national average and the levels observed in the home states of competing

4 These five institutions are Boston College, Boston University/Boston Medical Center, Harvard University, Massachusetts Institute of Technology, and Tufts University.

metropolitan areas. In 2010, the average investment in the state of Georgia was $5.3 million as compared to the national average of $6.7 million and average investment levels ranging from $6.3 to $8.0 million in the states that are home to the three comparison metropolitan areas.

Predictably the composition of venture capital investment by sector has changed considerably across the United States since the dot-com bubble burst. Firms engaged in the medical devices, biotechnology, and industrial/energy sectors have gained a considerably larger share of all investments between 2000 and 2010 while firms engaged in telecommunications, networking and equipment, business products and services, and IT services have all lost a sizeable share of investments. Those sectors losing market share over the last decade are areas where metro Atlanta possesses strong expertise and a relatively high concentration of employment relative to the average metropolitan area.

CHANGING COMPOSITION OF VENTURE CAPITAL DEALS NATIONWIDE (2000 – 2010)



Source: National Venture Capital Association

Along with venture capital financing, successful innovation clusters require a wealth of new knowledge from both the private and public sectors. Patent production within the metro Atlanta area has increased 30.7 percent between 2006 and 2010 – the highest of all the comparison communities including innovation rich Boston (25.1 percent). However, in terms of total number of patents produced, metro Atlanta ranks 17th out of 374 metro areas, behind the Boston (5th) and Dallas (12th) metropolitan areas. Metro Atlanta's innovation capacity is particularly concentrated in the communications sector, ranking first in telephonic communications, ninth in telecommunications, and eleventh in multiplex communications patents between

2006 and 2010. The Boston and Dallas regions, two other communication technology centers, ranked higher than metro Atlanta in at least one category – Boston's multiplex communications came in 6th while Dallas's multiplex communications (4th) and telecommunications (6th) placed ahead of metro Atlanta.

Although the regions may seem to be on equal footing in some areas from a technology development standpoint, Greater Boston and the Dallas Fort-Worth Metroplex possess significantly more extensive broadband fiber networks than metro Atlanta from the standpoint of household access via fiber to the end user. Although 99.5 percent of all households have access to broadband download speeds of 10 megabits per second or faster (sufficient to support a variety of advanced applications outside of the traditional residential uses), only 1.3 percent of households are served by fiber to the end user (as compared to 48 percent in Greater Boston, 23.3 percent across the Dallas-Fort Worth Metroplex, and 2.6 percent across the Charlotte region). Although household access is relatively limited in certain parts of the metropolitan area as compared to other regions, Atlanta was recognized for much of the last decade as "America's Most Wired City" by *Forbes*, due in large part the number of providers and its location at the intersection of the country's two largest fiber truck routes. A number of focus group participants suggested the region was well served by fiber optics while more than two-thirds of survey respondents rated the region's high-speed telecommunications infrastructure as either "good" or "excellent."

Metro Atlanta is an undoubtedly an incubator of innovation in the Southern United States, possessing a rich network of higher education institutions that provide the backbone for research and development within the region. Patent production within the region has outpaced all of its benchmark communities. Certainly, innovation in metro Atlanta is not impeded by a lack of ideas but rather a lack of non-traditional financing for fledgling startups. Many communities have tried to mimic the Silicon Valleys of the world only to find themselves at a disadvantage. Many have invested in developing sectors and technologies that they were ill-suited to cultivate. Successful communities continue to invest in infrastructure that supports innovation, the spread of information, and the adoption of new technologies. If metro Atlanta can support continued investment, and successfully utilize the technology, ideas, and institutional knowledge already embedded within the region, it can better position itself among the competition.

However, the region's entrepreneurs will need greater access to capital to help bring new ideas to the marketplace, and could benefit from greater support from local, regional, and state policymakers and economic development practitioners. The state's six Centers of Innovation are helping to encourage startup development and commercialization within core subsectors. The state of Georgia, like many others, also offers research and development tax credits. However, other states are providing aggressive assistance to entrepreneurs and innovators in the form of targeted loan programs and other tax credits. For example, the Commonwealth of Massachusetts offers a mezzanine capital fund, a venture capital fund, a sustainable energy technology development fund, an emerging technology fund, and a variety of other capital access programs to "bridge the gap" in the already capital-rich state. This is not intended to imply that state-supported loan programs are the be-all, end-all solution to metro Atlanta's relative lack of non-traditional capital. Rather, they are simply one example of a way in which policymakers can help support the development of a more capital-rich environment.

THE BOTTOM LINE

Metro Atlanta as a Place to do Business

Metro Atlanta and the state of Georgia have been viewed as an attractive location to do business for many years and indeed, decades. The state has frequently been evaluated as among the ten most attractive states to do business in a variety of rankings. This is due in large part to the state's relatively low corporate income tax rate, strong infrastructure for commerce (airports, interstates, and ports), right-to-work status, aggressive talent development incentives like the HOPE Scholarship and Quick Start worker training, and diverse labor pool for both knowledge-intensive and labor-intensive jobs. However, many of the state's biggest competitors in the South possess similar – and at times greater – advantages in some of these areas. The preceding discussion of state support for innovation and entrepreneurship is one such example of an area where Georgia positions itself well in some areas, but lags behind the competition in others.

When simply examining tax structure, the state of Georgia has a relatively low corporate income tax, but this are somewhat offset by higher individual income taxes levied by the state and higher property taxes in the metro Atlanta region. According to the Tax Foundation, the state of Georgia's corporate income tax climate ranked 9th out of 50 states (where a ranking of "1" is most competitive). No other state home to a comparison community (Massachusetts, North Carolina, and Texas) had a lower estimated corporate income tax burden than Georgia. While Texas does not levy a corporate income tax, the state does levy a one percent tax on gross receipts of all businesses except sole proprietorships and general partnerships. Regardless, Georgia's individual income tax ranked 40th out of 50 states; out of the comparison states, only North Carolina (43rd) was estimated to have a higher individual income tax burden. Metro Atlanta's property taxes on a $200,000 dollar home ($3,554) was the second highest of the comparison communities – but nearly $1,900 below Dallas (Texas relies heavily on property taxes as a source of revenue). The region's tax on a one million dollar commercial property ($19,744) was the third highest of the comparison metro areas – once again below Dallas by $9,226 whose property tax was below Boston.[5] Generally speaking, the state of Georgia and the metro Atlanta region's tax structure is competitive relative to other comparison metro areas.

Recent legislation introduced to the state legislature aims to increase the competitiveness of the state's job tax credits. The new legislation would lower the job creation thresholds that businesses must meet in order to qualify for the credit as well as raise the tax credit amounts for job creation. Such "quality jobs" tax credits are fairly common across the United States, and while lowering the threshold requirements may improve Georgia's standing in terms of the job tax credit, other comparison states – particularly Texas – offer alternative incentives that may be more enticing to businesses looking to locate, expand, or innovate. The state of Texas holds the largest "deal closing" of any state; the Texas Enterprise Fund has awarded nearly $450 million over seven years, with annual investments averaging over $63 million. The Fund has an available balance of more than $175 million through FY 2013. The similar EDGE Fund administered by the OneGeorgia Authority has been able to provide between $10 and $15 million annually. Along with its

[5] Estimates are based on rates within the principal city of each metropolitan area.

sizable deal closing fund, Texas offers the Texas Emerging Technology Investment Fund which utilizes tax payer dollars to directly invest in Texas business searching to commercialize new technology. The emerging technology fund is currently capped at $500 million dollars and has made sizeable investments in high-tech, high-growth businesses in the state of Texas. This investment is similar to many of the aforementioned funds available in the Commonwealth of Massachusetts. Although the state lacks the diverse array of incentives and targeted monies to support startups that some of its competitors possess, a 2011 survey by *Area Development* revealed that site location consultants view the state of Georgia as having the third most-competitive incentive programs in the country.

In terms of metro Atlanta's business climate, executives or individuals noting that they made management decisions at their company rated the angel and venture capital networks, overall availability of capital, and ease and speed of the permitting process as below average whereas networking opportunities with other entrepreneurs received more favorable ratings. This is consistent with findings from other Market Street surveys conducted in individual communities throughout the region in recent years but the findings related to networking opportunities run contrary to the findings of the Georgia Competitiveness Initiative, which highlighted entrepreneurial networking opportunities as an area needing significant improvement and investment.

As a subset of this group of executives and management-level personnel, entrepreneurs and small business owners tended to rank the region's business climate less favorably than those in larger corporate environments across nearly all categories. The survey results are supported by focus group input gathered across the region; generally speaking, the region's business climate seems to be less favorably viewed by small business owners and entrepreneurs while the region's corporate executives view the region's business climate more favorably.

In 2011, the aforementioned survey by *Area Development* revealed that site location consultants view the state of Georgia as second only to Texas as the most desirable location to do business. The state ranked number one in the "labor" category which measured labor availability, labor cost, and the quality of workforce development programs. The state ranked second in the "overall infrastructure" category, reflecting its strength in "access to global markets" due in large part to Hartsfield-Jackson International Airport and the Ports of Savannah and Brunswick, as well as the availability of shovel-ready sites and the cost of utility rates.

The region's freight transportation infrastructure, particularly in air and road transport, is an immense competitive advantage for the region, as recognized by the aforementioned survey of site location consultants. Hartsfield-Jackson International Airport is unquestionably one of the region's greatest – if not the single greatest – competitive advantages in support of economic development. It was frequently mentioned as an important asset to continually leverage during focus group sessions and was highlighted by survey respondents as the region's greatest strength.

SURVEY QUESTION: WHAT IS THE METRO ATLANTA REGION'S GREATEST STRENGTH IN TERMS OF ECONOMIC COMPETITIVENESS? (WORDS SCALED BASED ON FREQUENCY OF MENTION)

Source: Market Street Services

Hartsfield-Jackson leads the world in terms of passenger enplanements and ranks twelfth in cargo capacity with Dallas Fort-Worth International having a slight advantage in terms of freight transportation. Hartsfield-Jackson gives local residents and businesses unparalleled access to domestic and international markets. Moreover, the region's vast interstate and Class I rail network further facilitates the flow of goods into and out of the metro Atlanta area. Both air capacity and class I rail capacity received an "above average" rating from the region's business leaders. While not directly within the region, the Port of Savannah and the Port of Brunswick further complement the region's existing strength in cargo and trade capacity. The Port of Savannah ranked 10th in foreign export tonnage and 13th in import tonnage – more recently, the Port of Savannah was cited as a major selling point for Caterpillar Incorporated's decision to locate a new manufacturing facility in Athens, Georgia, just outside the Atlanta metropolitan area. Plans to deepen the port to accommodate increasingly large container ships has been met with resistance from neighboring South Carolina, who stands to oppose the port's expansion due to environmental and economic reasons. Without question, the Port of Savannah's ability to accommodate "post-Panamax" container ships is critical to the competitiveness of metro Atlanta's thriving manufacturing, trade, transportation, and logistics sectors.

Like most fast-growing regions, metro Atlanta faces significant infrastructure challenges in the near future (a topic that will be covered in greater detail in subsequent sections). Private sector representatives participating in focus groups frequently discussed the region's water capacity as a key economic development concern – a concern with imbedded issues of equity that can potentially divide the region into those with water and those without. Sessions also revealed a deep concern over the region's traffic congestion with participants citing a lack of transit options as a deterrent for skilled workers and the prevalence of congestion as a significant cost to businesses and workers.

While the region is not without challenges that affect businesses' bottom line, the Atlanta metropolitan area benefits from a relatively strong business climate at the state and local levels. In terms of infrastructure, metro Atlanta's vast transportation network – air, rail, road, and proximity to ports – reaps benefits for local businesses that rely on the timely transportation of their products to the global market or require talent to easily travel. Nevertheless, the region's road network is experiencing growing pains – unmitigated traffic congestion could undermine metro Atlanta's strength as a logistics hub. Furthermore, the transition to a new, more knowledge-based economy demands a different mix of infrastructure and incentives that foster calculated risk-taking and the generation of new, innovative ideas. In order to maintain the region's competitive strengths, metro Atlanta must enhance its existing infrastructure while looking at the future needs of businesses in the knowledge-based economy.

Place

As businesses and workers are more mobile than ever, and as younger generations are increasingly choosing a place to live before choosing a place to work, quality of life and sense of place are critical to understanding a region's economic competitiveness. And although the Great Recession put downward pressure on an otherwise mobile workforce and business community, the long-term implications of quality of place remain unchanged. As the nation pulls into full economic recovery, workers and businesses will continue to "vote with their feet" by choosing to locate in communities with the most attractive characteristics, from housing stock to transit to recreation. As such, the continued development of metro Atlanta's community product is inextricably tied to its economic development. This section examines some of the concepts associated with metro Atlanta's quality of place and their implications on its competitiveness as a place to live, work, and visit.

QUALITY OF PLACE

Lifestyle Options and Considerations for Diverse Residents

A relatively low cost of living, an expanding job market, a pleasant climate, and a variety of amenities are among the many factors that have attracted hundreds of thousands of new residents to metro Atlanta in recent years. In-migrants moving into the region, especially those from the Northeast, Rust Belt, or California, generally found that they could get more house for their money in metro Atlanta. However, rapid population growth has placed pressure on the region's continued ability to provide its residents with the same high quality of life to which they have been accustomed. Employers in metro Atlanta have expressed some concern that the quality of the region's school systems inhibits their ability to attract highly-skilled workers and their families. Concerns over transportation, by far the most discussed issue in the online community survey and focus group sessions, remains a key growing pain for the region and a lack of coordinated, comprehensive action reduces the area's attractiveness to would-be residents. However, metro Atlanta's diversity, in terms of race, ethnicity and culture, can appeal to almost any in-migrant regardless of background. Atlanta's diverse Buford Highway, Gwinnett County's rapidly expanding Asian population, the vibrant bohemian cultures of east Atlanta and Little Five Points, and the region's wealth of small, ingrained towns with a deep sense of community pride appeal to a wide variety of residents. But "quality of life" means very different things to different groups of people.

With rapidly rising population and historically strong levels of net in-migration for variety of ages, races and ethnicities, metro Atlanta's quality of life clearly appeals to a diverse group of residents' individual needs. While each of the groups segmented in the subsequent discussion may desire specific amenities, many quality of life metrics transcend age, race, and ethnicity, including cost of living. Overall cost of living (capturing housing, grocery, transportation, utility, and health care costs among others) is particularly low in metro Atlanta relative to many of its larger metropolitan peers. Cost of living indices for many Southern metropolitan areas are lower than the national average, including the Charlotte and Dallas metropolitan areas, residents of which enjoy slightly lower overall cost of living than metro Atlantans. However, many of the region's in-migrants are coming from Northeastern and Rust Belt cities, where overall cost of living is significantly higher. In fact, a household relocating to the region from Greater Boston would find that the overall cost of living in metro Atlanta is 41 percent lower.

But location decisions for families and workers come down to far more than simply cost. Schools that imbue students with a high quality education, public environments that are safe and accessible, public space in which residents can enjoy leisure and recreational activities, cultural venues, and shopping and dining establishments are all quality of life amenities demanded by any resident. Moreover, as Americans are becoming increasingly concerned about engaging in healthy life styles, metropolitan areas that provide residents with infrastructure that promotes healthy activity will become more competitive in terms of attracting residents to their area. While metro Atlanta possesses many of these amenities, ensuring that each individual county possesses appeal to the region's diverse population may present a challenge as the region's population continues to become increasingly dispersed across more suburban and exurban areas.

The following discussion highlights the region's attractiveness to three important demographics – young professionals, retirees, and minorities – with an emphasis on public input received from these specific demographics.

Young professionals: A specific mix of amenities, when combined, can imbue a young professional with a desire to locate in a given city regardless of job opportunities available. Whether it's a vibrant arts scene, numerous venues to socialize, alternative transportation options, healthy infrastructure, or a welcoming culture that accepts diversity, these amenities combine to create a sense of place that is valued by younger generations. The metro Atlanta region has plenty to offer young professionals, with amenities and entertainment options that are comparable to those available in other major metropolitan markets. Perhaps only a few areas of the country offer a wider array of entertainment, nightlife, and recreation options. While certain metropolitan areas possess unique identities that appeal to very specific interests, metro Atlanta's status as the "capital of the South" has a broad appeal. The diversity of its neighborhoods and towns in terms of lifestyle, density, history, and cultural identity afford young professionals with many choices to suit their preferences.

Only 14 percent of survey respondents indicated that they did not feel that metro Atlanta was an attractive location for young professionals (75 percent indicated that it was an attractive location; 11 percent "didn't know"). When asked what the region needs to do to improve its attractiveness to young professionals, many respondents mentioned improvements in public transportation, bicycle/pedestrian infrastructure, green space, and public schools along with job opportunities in growing sectors.

Respondents were also asked to evaluate a variety of aspects impacting quality of life in metro Atlanta. Young professionals (those aged 25-44) gave significantly lower marks to the quality of development, planning and land use; access to sidewalks and bike paths; the diversity of the housing stock; and the aesthetic appearance of neighborhoods and commercial centers than did their counterparts aged 45-64. However, young professionals provided equally favorable evaluations of entertainment, sports, and recreation amenities; cultural and arts facilities; and shopping and dining options as did their counterparts aged 45-64.

These results illustrate the value that young professionals place on the built environment and the ways in which they interact with that environment. The BeltLine project is the quintessential example of the type of development that impacts each of these areas which young professionals evaluated poorly. Simply put, many young professionals place an exceptionally high value on two aspects of a community: access and options. Metro Atlanta had the fewest farmers markets (0.25 per 100,000 people) and park land per capita (7.2 acres per person) when compared to its three competitors and the national average. Along with relatively limited bike path accessibility and relatively poor air quality, these are just two other examples of ways in which metro Atlanta may not support active lifestyles valued by many young professionals.

Retirees: Along with the influx of young professionals, metro Atlanta has witnessed strong growth in its 65 and over population. However, as previously noted, retirees represent a relatively low share of the region's total population. But as home values have declined and nest eggs have been battered, many retires will be forced to age in place rather than following the lead of some previous generations and retiring in destinations outside metro Atlanta. As a result, it will be critical for the region to provide an environment that accommodates an aging population, with a strong emphasis placed on ensuring that adequate housing and services are in place for an impending wave of retirees.

In general, those aged 65 and older tended to rate the region's accessibility to sidewalks and biking paths; quality of development, planning and land use; and opportunities for civic engagement more favorably than other age groups. However, those age 65 and over had a lower sense of personal and property safety on average as compared to other age groups, and evaluated cost of living less favorably than young professionals. Along with critical transportation infrastructure, low-maintenance and accessible housing, and community amenities, access to healthcare is also a pertinent issue for a large retirement population. In 2010, the region had 190.5 physicians per 100,000 residents – fewer than Greater Boston (361.9), Metro Charlotte (210.5), and the national average (220.5). Moreover, nearly twenty percent of the region's population was uninsured. Among the comparison communities, only the Dallas region (22.6 percent) possessed a larger relative uninsured population. Metro Atlanta is unquestionably home to some high-quality and high-capacity healthcare systems and assets, but these basic indicators signify that the region may not be as adequately prepared for rising healthcare demands from a growing retiree population as some of its competitors. On the other hand, the region seems adequately prepared relative to its competitors in terms of residential housing and community care facilities for the elderly. As of 2010, metro Atlanta was home to 52 community care facilities for every 100,000 individuals over the age of 65, or roughly one facility for every 1,920 individuals. This was roughly equivalent to the national average and the capacity found in Metro Charlotte, and greatly exceeds that of the Boston and Dallas metropolitan areas.

Incredibly, 84 percent of survey respondents aged 65 and over indicated that they were nearly certain or likely to remain living in metro Atlanta in 2017, with only 9.8 percent indicating that they were unlikely or certain to no longer be living in metro Atlanta (with the remaining portion unsure). This illustrates that a large portion of survey respondents at or near retirement age are likely to age in place. However, it is difficult to ascertain from these results as to whether or not these individuals are voluntarily staying in metro Atlanta based on preferences, or if they may be immobile due to financial circumstances or otherwise.

Although metro Atlanta has a relatively small retiree population relative to the average metropolitan area, the growth of this demographic relative to others requires adequate planning. Between 2010 and 2020, metro Atlanta's population aged 65 and over is projected to rise from 9.0 percent of the total population to 11.3 percent. By 2030 this share is projected to rise an additional 2.5 percentage points to 13.8 percent. However, as a share of total population, the retiree-aged population in metro Atlanta is not anticipated to rise as rapidly as the average community nationwide. By 2030, those aged 65 and over are projected to represent nearly one in five U.S. residents (19.4 percent), an increase of 5.7 percentage points from 2010. Through its Lifelong Communities Initiative (LLC), the Atlanta Regional Commission and its numerous local partners devote tremendous resources to helping communities throughout the region plan for impending growth in retiree populations.

Minorities: The diversity of metro Atlanta's residents continues to be a critical asset; the region's fastest growing populations are minority segments who bring a wealth of culture, experience, and differing viewpoints to the local economic climate.

In general, minorities responding to the online survey gave lower rankings across the board to most school quality and quality of life measures in their county of residence than their white counterparts. All minority groups distinguished by the survey (including African-Americans, Hispanics, Asians, and others) evaluated the engagement and commitment levels of teachers and administrators in their school district significantly lower than their white counterparts. Asian respondents rated the quality of education that their child is receiving lower than all other racial and ethnic groups, along with considerably lower evaluations of the commitment of their community and business leaders to quality public education. However, once the school district being evaluated was held constant, and responses across different races and ethnicities within a single school district were examined, most of the aforementioned disparities disappeared or were significantly reduced.

Asian respondents evaluated the welcomeness of the community more favorably than all other racial and ethnic groups while Hispanics provided especially poor evaluations of the level of welcomeness that they feel in the region. However, on average, all minorities indicated that the level of welcomeness to diverse new residents was a slight competitive advantage for the metro Atlanta region. When asked to rate a variety of quality of life measures specific to their county of residence, minorities tended to give relatively poor evaluations as compared to white residents. These evaluations improved when asked to consider the entire region indicating that disparities in access to a variety of amenities, as well as other aspects of quality of life such as public safety and neighborhoods' aesthetic appeal, likely exist for certain minorities. In addition to disparities in access to amenities, minority respondents were also more likely to have long commutes. Roughly 28 percent of white respondents indicated that they commuted more than thirty minutes one-way to their job each day as compared to 38 percent of African-American respondents.

SURVEY RESPONSES: AVERAGE RATINGS OF QUALITY OF LIFE ASPECTS, SELECTED DEMOGRAPHICS

RATING SCALE: 0 = POOR, 1 = BELOW AVERAGE, 2 = AVERAGE, 3 = GOOD, 4 = EXCELLENT

		Cost of living	Sense of personal saftey	Quality of air, water, and the environment	Commuting time and traffic flow	Accessibility to sidewalks and biking paths	Entertainment, sports, and recreation amenities	Culture and arts facilities and programs	Shopping and dinning opportunities	Access to and quality of transit	Willingness/ability to collaborate regionally	% likely to live in metro Atlanta in the next 5 years
Age	18-24	2.6	2.1	1.6	0.6	1.2	2.7	2.6	2.9	1.3	1.5	25%
	25-44	2.5	2.0	1.7	0.7	1.5	2.9	2.8	3.1	1.4	1.7	41%
	45-64	2.3	1.9	1.9	0.9	1.7	2.9	2.8	3.1	1.4	1.7	48%
	65+	2.3	1.8	2.1	1.2	1.8	3.0	2.9	3.2	1.6	1.8	63%
Race and Ethnicity	White	2.4	1.9	1.9	0.9	1.6	2.9	2.8	3.2	1.4	1.7	80%
	African-American	2.4	2.2	2.0	1.0	1.7	2.7	2.7	2.9	1.4	1.8	82%
	Hispanic	2.2	2.1	1.7	1.2	2.3	2.8	2.8	2.8	1.9	1.8	60%
	Asian	2.4	1.4	1.6	0.7	0.9	2.3	2.3	2.7	1.0	1.6	75%

Source: Market Street Services

HOUSING IN METRO ATLANTA

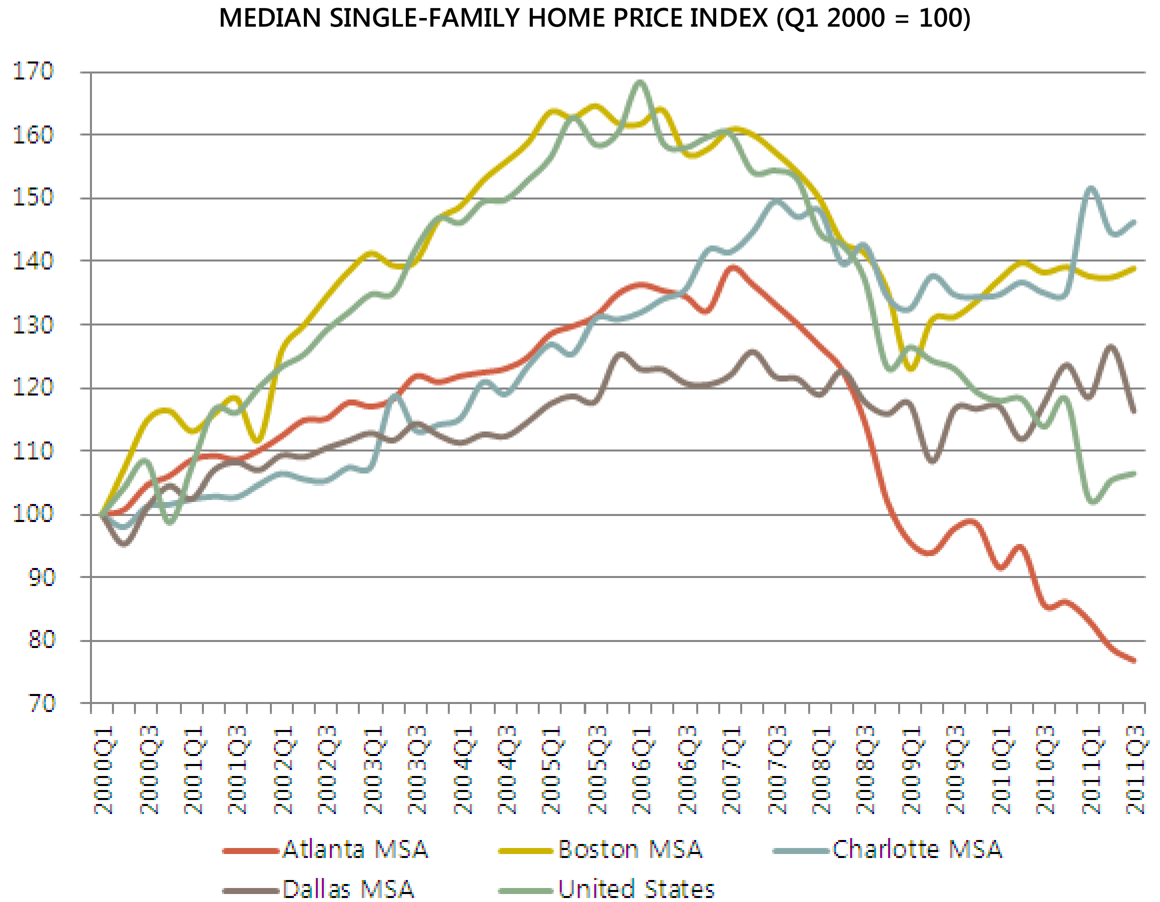
The Costs (and Benefits?) of a Distressed Market

Metro Atlanta's housing market undertook tremendous growth during the 1990s and early 2000s as the construction of new single-family homes rapidly expanded to accommodate tens of thousands of new residents each year. Home values, buoyed by droves of new in-migrants, crept higher, following a similar rate of appreciation as the national average for the 1990s and very early 2000s. And although national home prices surged at a more rapid rate than prices in the Atlanta region from 2002 to 2005, this slower rate of appreciation in these pre-recession years did little to soften the blow of the bursting housing bubble in subsequent years. As the sub-prime lending crisis crippled the nation, in-migration plummeted and the labor market deteriorated. The end result: homeowners in metro Atlanta have seen substantial deterioration in their net worth, many struggling with negative home equity or facing foreclosure. As home prices continue to decline in the region, negative repercussions from the overbuilt housing market will continue to diffuse throughout the local economy. The lone glimmer in the region's housing market – much to the chagrin of long-time homeowners – is that single-family homes have become more affordable to young families and other in-migrants, increasing the attractiveness of a market that has historically been known for its relatively low cost of living where migrants from more expensive markets can receive more house for their money.

Single-family housing construction in metro Atlanta reached its peak in December 2005, coinciding with the national peak in home prices. Since this peak, housing starts have precipitously fallen by 89.5 percent as of December 2011, reflecting lower demand and a much larger stock of existing homes sitting on the market. The Boston (-52.8 percent), Charlotte (-75.4), and Dallas (-73.7) regions, as well as the nation (-71.1), all underwent similar but less severe declines in new home starts, indicative of both the degree to which the region's demand has slowed (through job losses and declining in-migration) as well as the degree to which the region was overbuilt in previous years. The extent to which metro Atlanta's housing market was overbuilt is reflected in the change in vacancy over time. Throughout the 1990s, the vacancy rate for all types of housing (single-family and multi-family) in metro Atlanta was between two and three percentage points lower than the national average. This changed quickly in the early 2000s as new construction surged, eliminating the gap between metro Atlanta and the national average by 2006, resulting in the aforementioned reduction in the rate of appreciation in home values during this period. Similar but less rapid increases in vacancy occurred nationwide as new starts exceeded demand.

And in late 2005, the national housing bubble burst. The Great Recession began to take its grip less than two years later. In-migration plummeted, homeowners lost their jobs, and lenders were facing a financial crisis that few anticipated. Net migration, which accounted for half of the region's population growth, slowed to record lows. Between 2007 and 2010, total in-migration fell by more than thirty percent; when combined with increased out-migration, this reduced net migration significantly. Metro Atlanta was not the only community to experience such significant reductions in net in-migration; the Great Recession significantly impaired worker mobility as job opportunities were scarce and many homeowners simply couldn't sell their homes.

Since median home prices peaked in metro Atlanta in the first quarter of 2007 ($176,700), prices declined by 44.7 percent to $97,799 in the third quarter of 2011, nearly double the national rate of decline (-23.1 percent). By comparison, home prices in Greater Boston (-13.7 percent) and the Dallas-Fort Worth Metroplex (-4.6 percent) declined at a much slower pace. Despite an economy heavily concentrated in financial services – and therefore heavily impacted by the financial crisis – median home prices in metro Charlotte actually increased by 3.4 percent. Median sale prices tumbled by nearly another $7,000 in the fourth of 2011, falling to a historic low of $90,890 in metro Atlanta.



Source: Moody's Economy.com

The fallout from the collapse of the housing market continues to curtail the region's economic recovery. Although transportation issues were cited as the most pressing challenge holding the region back, online survey respondents cited the region's housing market as the biggest challenge facing the regional economy today, ahead of transportation woes. Many residents questioned whether the regional economy could truly recover without the housing market. These reservations are well founded. Metro Atlanta's housing market remains in distress. Median home prices depreciated 18.1 percent between the official end of the recession and the third quarter of 2011. During the same time period, home prices in the Boston (+6.2 percent), Charlotte (+6.2 percent), and Dallas (+7.4 percent) regions appreciated, and along with their larger economies, started to show signs of recovery. According to the National Association of Realtors, the gap between the median list price (roughly $150,000) and the median sale price in metro Atlanta (roughly $91,000) was considerably larger than any other market in the United States in the fourth quarter of 2011.

SURVEY QUESTION: WHAT IS THE BIGGEST CHALLENGE FACING THE REGIONAL ECONOMY? (WORDS SCALED BASED ON FREQUENCY OF MENTION)

Source: Market Street Services

Although per capita income declined in during the Great Recession in metro Atlanta, income gains in the first half of the decade, coupled with rapidly declining home prices has led to a much more affordable housing market for many residents. From 2000 to 2010, median home prices deteriorated by -18.7 percent between 2000 and 2010, while median income rose 2.4 percent. These trends have helped maintain the region's historically affordable housing stock, more affordable than its peer communities and the average community nationwide. In 2010, the ratio of the median-priced single-family home to the median household income (one of many measures of affordability) in metro Atlanta stood at 2.27. Other southern communities shared similar levels of home affordability although the Dallas (2.51) and Charlotte (3.80) regions, as well as the average America community (3.50) were less affordable. Assuming that a prospective homeowner applied for a 30-year mortgage with 20 percent down at prevailing interest rates, a family earning the median income had more than three times the income necessary to qualify for such a mortgage on a median priced home in the region. No other comparison community, nor the average community nationwide, possessed such an affordable market by this measure.

An affordable and diverse housing stock is a boon to attracting new residents into the area. Online survey respondents ranked the metro's housing stock favorably indicating that potential homebuyers have a high-quality housing stock from which to choose. Even so, depreciating home values will continue to weigh on individual decisions to pursue homeownership. But as the job market enters a more robust recovery and family incomes become to stabilize and appreciate once again, the attractiveness of the region's single-family housing stock to prospective buyers has undoubtedly improved.

While the affordability of single-family housing has improved, such improvements have not translated to the region's rental market. This is largely due to the fact that demand for rental housing has increased relative to the demand for single-family housing in recent years, while construction has not kept pace. Rental housing is comparatively more expensive in the region than its Southern peers. In 2010, metro Atlanta had the second highest median rent ($910) of the comparison geographies placing behind only Boston ($1,141). Moreover, metro Atlantans spent more of their income on rent relative to other peer communities including Boston. Almost 54.0 percent of metro Atlanta renters spent 30 percent or more of their income on rent – a standard threshold for rental affordability. The development and maintenance of attractive rental options in the region's various communities will be critical to supporting the attraction and retention of recent college graduates. Furthermore, as the region struggles to empower residents at the lower-end of the income distribution, the provision of affordable rental housing is critical to helping these individuals and households improve standards of living through increases in disposable income.

As described throughout the Competitive Assessment, metro Atlanta's housing market continues to have pervasive effects that ripple throughout the local economy. Employment tied to housing, specifically construction, has declined rapidly. Relative to its benchmark communities, metro Atlanta's housing market has been, and continues to be, more severely impacted by the recent recession and sluggish recovery. Many homeowners that intended to retire and relocate outside the metro Atlanta region will not be able to sell their homes and/or accept the financial loss to their planned nest eggs while young families who became first time homeowners in the 2000s are finding themselves with negative home equity. As a result, intra-regional mobility and migration will likely decline as young families are forced to stay in their first home longer than previous generations. For those able to afford the transition to a new home, depreciating home values and rising income has increased home affordability in the region – a modest silver lining.

ONGOING CONGESTION WOES

How Traffic Impacts Metro Atlanta as a Place to Live, Work, and Do Business

Metro Atlanta's population growth and development patterns have come at a cost that is all too familiar to its residents and visitors: the region's transportation infrastructure, particularly its roads, has become overburdened by the demands placed upon it. Despite the region's vast interstate and highway network, traffic congestion is a predominant concern for almost all metro area residents, business leaders, and prospective residents. Adding to the issue, the metropolitan area lacks a unified regional public transportation system and rail network which could unencumber the system. However, there is a positive movement to improve metro Atlanta's transit affliction: the 2012 Regional Transportation Referendum poses to fund $8.5 billion in transportation improvements through a one percent sales tax disbursed throughout the region. The Atlanta BeltLine is finishing its first string of greenways – the first stage towards creating a transportation corridor around the City of Atlanta. And the City of Atlanta's central business district is rediscovering its history by installing a street car network that will connect key tourism destinations. Each of these acts stand to positively impact the region's congestion woes and help build a much needed culture of supporting investment in 21st century transportation infrastructure; however, each project faces challenges that could limit the scale or scope of their implementation and impact.

In 2010, over 47.0 percent of metro Atlanta commuters spent thirty minutes or more traveling to work. While this was the highest of all comparison metro areas, commuters in Greater Boston (45.3 percent) and the Dallas-Fort Worth Metroplex (40.3) had similarly lengthy travel times to and from work. By comparison, only 34.9 percent of national commuters endured a commute time in excess of 30 minutes. In total, the average metro Atlanta commuter spent 43 hours sitting in traffic during 2010. This translates to more than a typical work week (40 hours) for the average resident that is lost entirely to traffic congestion. As previously mentioned, metro Atlanta residents identified transportation and congestion woes as the second biggest challenge facing the local economy today, second only to the battered housing market. However, respondents indicated that transportation and congestion woes were the most significant challenges holding the region back. Of the survey respondents who indicated that they were unlikely to remain living in the metro Atlanta area in the next five years, 55.8 percent cited traffic and congestion as a significant factor in their decision to relocating. This was by far the most frequently cited factor influencing relocation decisions (the next highest reasons for relocation were "not happy in metro Atlanta" (28.3 percent) and "lack of job opportunities in my field (23.5 percent).

SURVEY QUESTION: WHAT IS THE MOST PRESSING CHALLENGE HOLDING THE REGION BACK? (WORDS SCALED BASED ON FREQUENCY OF MENTION)

Source: Market Street Services

Metro area residents are not only spending time in traffic, but also their earnings. According to the Texas Transportation Institute, the annual cost of congestion to the average commuter in metro Atlanta was $924, identical to the cost estimate for the average commuter in the Dallas-Fort Worth Metroplex, but nearly $400 above the annual cost to the average commuter in Metro Charlotte. These costs represent 2.3 percent of the region's per capita income. This estimate simply represents the cost of congestion and does not include transportation costs associated with uncongested travel. With significant intra-regional variances in incomes between counties, and racial/ethnic variances in incomes throughout the region, the high cost of congestion is not only an issue of cost but one of equity.

Likewise, public transportation capacity is not only an issue of easing congestion within the metro Atlanta area; it is also an issue of access. Budget cuts to public transportation in the region have adversely impacted many low income residents who rely on public transportation to get to work and carry out life's daily necessities. Residents' reliance on public transit was made all too clear when Clayton County's C-TRAN ran into budget troubles, which, save for a merger with the Metropolitan Atlanta Rapid Transportation Authority (MARTA), would have potentially left many residents stranded. Metro Atlanta's public transit usage is disproportionately skewed towards lower income groups relative to the average community nationwide. Across the United States, 4.9 percent of those earning less than $25,000 each year use public transportation to commute to work, while 4.1 of those earning $50,000 or more use public transportation. In metro Atlanta, 4.4 percent of those earning less than $25,000 each year use public transportation, while only 1.8 percent of those earning $50,000 or more use public transportation. In addition, metro Atlanta had the lowest transit access index (0.8) – a measure developed by the Center for Neighborhood Technology to describe the number of bus and train trips available in a geographic area – compared to Boston (11.0), Charlotte (1.5) and Dallas (2.1). Index figures represent the average number of bus routes and train stations within walking distance (one-quarter and one-half mile, respectively) of the population within the region.

Plans to enhance metro Atlanta's public transit service are potentially inhibited by disputes among policymakers regarding governance issues, while funding for expansion of services including the BeltLine light rail/street car, bus rapid transit service (or other modes into Cobb County), and MARTA extension are contingent upon passage of the regional sales tax referendum. The impacts of traffic congestion are not simply felt by commuters; they are widely recognized by businesses and heavily considered in corporate location decision-making. And while metro Atlanta faces many hurdles to expanding its transit infrastructure, its competition has made – and continues to make – considerable new investments. While only two counties (Fulton and DeKalb) supported the sales tax referendum that funded MARTA rail in 1971, fifteen cities in the Dallas region passed a one cent regional sales tax referendum in 1983 to fund the construction of what is today the nation's largest light rail network. The Dallas Area Rapid Transit Authority (DART) operates 72 miles of light rail servicing 55 different stations. MARTA heavy rail/rapid transit serves 38 stations along 48 miles of track. Mecklenburg County voters approved a one-half cent sales tax in 1998 to fund the construction of Charlotte's LYNX Rapid Transit light rail network. Today, the City of Charlotte and Mecklenburg County are served by 15 stations over 10 miles of track, with 15 more stations to be added along a new line currently under construction that will connect the central business district to the University of North Carolina at Charlotte by 2015. The Massachusetts Bay Transit Authority (MBTA) serving Greater Boston is one of only two agencies in the United States that operates all five types of major transit operations, including regional commuter rail, heavy rail (similar to MARTA), and light rail (similar to DART and LYNX). The system includes 123 commuter rail stations, 51 heavy rail stations, and 74 light rail stations, providing commuters in the region with tremendous capacity and connectivity.

Metropolitan regions all across the country are increasingly aggressive in their plans to develop transit capacity, recognizing that the workers and businesses demand alternatives to automobile transportation.

And make no mistake about it – the business community is following metro Atlanta's plans, and the outcome of the regional transportation referendum will greatly impact business investment in metro Atlanta for years and decades to come. Sixty three percent of metro Atlanta business leaders evaluated the region's public transportation infrastructure as below average or poor. When asked what a "game changer" would be for the regional economy, many respondents simply wrote "regional transit" while others expressed similar viewpoints on the large-scale investments that are necessary to make metro Atlanta competitive with other major metropolitan areas from a public transit standpoint.

Investment in infrastructure is not the only way to impact the region's congestion issues. Changing human behavior is also a critical component to any comprehensive approach to congestion relief which requires adequate incentives, capacity, and options to change habits of convenience (such as auto use). Metro Atlanta benefits from a network of organizations – collectively known as the Clean Air Campaign – that supports employer and commuter participation in transportation demand management programs, while providing a variety of incentives to encourage carpooling, vanpooling, bicycling, walking, transit usage, teleworking, compressed work weeks, and others such alternatives to driving alone to work.

Despite reaching more than 1,600 employers through Clean Air Campaign programs, resulting in a reduction of roughly 1.4 million vehicle miles travelled each workday, the region must continue to invest in support for changes in human behavior as well as transit capacity if it wishes to significantly impact the percentage of commuters that are choosing to drive alone on their commute. Between 2000 and 2010, the percentage of metro Atlanta commuters driving alone to work actually increased from 77.0 percent to 77.6 percent, consistent with national trends as well as those observed in the Dallas-Fort Worth Metroplex. The percentage of residents reporting that they utilized public transportation or walked to work increased by a relatively significant amount in Metro Charlotte and Greater Boston but showed no improvement in metro Atlanta during the decade. The percentage utilizing public transportation actually declined slightly in metro Atlanta, contrary to national trends. The share of commuters walking to work in the average American community is more than double the share observed in metro Atlanta (and more than four times greater in the Boston region). This illustrates a third way (in addition to transit development and behavior changes) in which the region can develop a comprehensive approach to reducing congestion: the development of more mixed-use, walkable communities and the promotion of development patterns where housing options are closer to centers of employment.

As metro Atlanta's population has grown more geographically dispersed and its primary transit infrastructure has remained concentrated in core counties, the region has failed to adequately develop a truly regional solution to what residents and businesses perceive to be the greatest threat to future prosperity. Despite expanding the region's road transportation capacity significantly in recent years and decades, this approach has not alleviated traffic on a regional scale. As the region competes for talent and jobs, commute times will continually factor into decisions by residents and employers weighing the region's quality of life against other communities. Although commute times and traffic were comparable to the benchmark communities, the other benchmark areas have taken proactive steps to create regional public transportation systems – giving residents some confidence that their region's commute times may improve, or at a minimum, they will have more choices and better alternatives to an auto-centric lifestyle. While metro Atlanta is tremendously competitive in a number of areas, transit is one aspect of the region's asset base in which it is losing ground to its competitors. A failure to make strides towards regional transit governance, public transportation capacity and connectivity, and changes in behavior and development patterns will be to the detriment of the region and its economic wellbeing.

CONCLUSION: NEXT STEPS

This Competitive Assessment serves as the first step in a research process designed to support the creation of a well-informed regional economic development strategy for the ten-county metro Atlanta region. This Assessment represents a snapshot of the key findings gleamed from the tremendous amount of quantitative research and qualitative input gathered as part of this process.

As this process continues, this Competitive Assessment will be complemented by a more in-depth examination of the business sectors that are currently being strategically targeted for growth and development by economic development practitioners throughout the region. The Economic Cluster Review will specifically focus on identifying a comprehensive set of regional clusters (agglomerated economy activities) and other business sectors that should be strategically targeted within the ten-county metro Atlanta region, along with specific niches within these targets that may be more appropriate for individual communities or counties than others.

Once the research phase is complete, the strategic implications of the various research findings will be discussed with Work Group and Steering Committee to identify the region's strategic priorities. These priorities will provide the framework for the set of recommendations that will guide much-needed regional collaboration in implementing economic development programs, policies, and supportive investments.