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# **ECONOMIC CONDITIONS & TARGET INDUSTRY ANALYSIS**

Prepared for Planning-Next  
And the City of Decatur  
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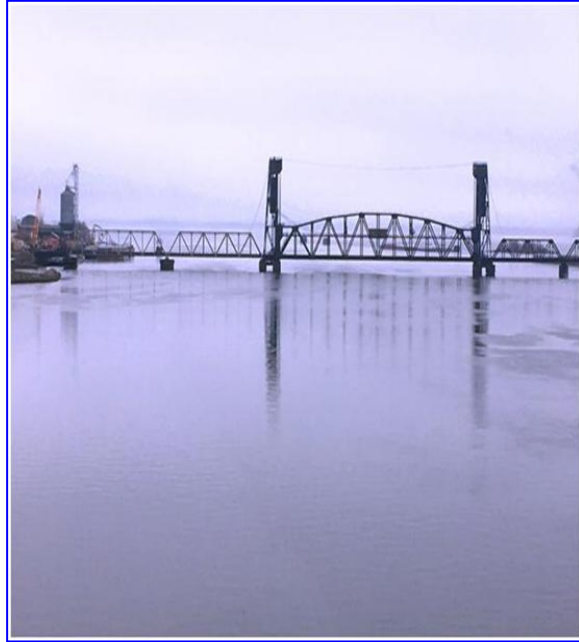
## INTRODUCTION

This report provides a summary of findings from a Baseline Economic Assessment as well as a Target Industry Analysis for Decatur, Alabama. These findings were produced as input to OneDecatur, the city of Decatur's Comprehensive Plan. They also provide the basis for strategic recommendations for the city's economic development as part of the plan.

Section 1 of this report discusses Decatur's economic base as well as general factors impacting on the city's competitiveness for attracting and retaining industry.

A business survey was conducted to collect data and information on the city's business base but also to gain insights and input on the city's overall competitive advantages as well as challenges faced by the city's various businesses. The findings from the business survey are discussed in Section 2.

Findings from the target industry analysis are provided in Section 3 of this report. Growing industries for which the city of Decatur is competitive are recommended for business retention and recruitment. A variety of inputs were considered as part of this analysis, including the results of the business survey and economic baseline analysis, interviews and focus groups with the business community, an assessment of the city's competitive positioning and geographic location, and a review of sector and specific industry clusters and concentrations, among others. Ultimately, this target industry analysis also helps inform the economic development strategic recommendations that form part of the plan.



## **Section 1. ECONOMIC BASELINE ANALYSIS**

An economic baseline assessment was conducted to provide context on the city's economic health, as well as the key strengths and challenges to advancing the prosperity of all residents and businesses in Decatur. Some attention is paid to the city's location and physical character, which impact on the city's competitiveness for business and economic development. Employment and labor force trends are examined, and the city's overall economic positioning vis-à-vis the broader region is also explored.

### **Regional Context: Huntsville-Decatur CSA**

Decatur is one of the larger cities in north Alabama, situated roughly half-way between Nashville and Birmingham. The Decatur Metropolitan Area comprises all of Morgan and Lawrence counties, straddling the south side of the Tennessee River. The metro population fell by 1.02% between 2010 and 2016, to 152,256 (ranked 268<sup>th</sup> of the nation's 382 metros). Relatively recently, the U.S. Census Bureau recognized the emerging regional commutation patterns linking Decatur, Athens and Huntsville and designated a new Huntsville-Decatur-Albertville Combined Statistical Area (CSA).



The recognition that Decatur and Huntsville's commuter-shed has merged is significant in that it provides Decatur with a larger regional labor force and market base for marketing and business development purposes. The Combined Statistical Area has a total population of 768,033, making it the 65<sup>th</sup> largest CSA in the country. Ultimately, the consolidated metro definition creates larger and more diverse economic opportunities.

## **Transportation Critical to Decatur's Development**

Decatur has long benefited from its location along important transportation corridors. The Tennessee River provided an important conduit for the shipment of goods from Decatur to other ports along the Tennessee-Mississippi River system. Construction of major dams starting in the 1920s helped enhance transportation opportunities along a stretch of the Tennessee River formerly hampered by shallow shoals. Establishment of the Tennessee Valley Authority (TVA) power supply and riverside ports allowed for industrial development. The river channel, coupled with the advent of rail lines helped propel Decatur into a position of importance as a hub for manufacturing and distribution.



Decatur was one of the first cities west of the Appalachians served by rail, through the Tuscumbia, Courtland, and Decatur Railroad. The city's rail access secured its role as a critical prize during the Civil War. Today, Interstate Highway 65 provides direct access to Nashville and Birmingham, as well as other large cities from the Upper Midwest to the Gulf Coast.

## **Economic Base**

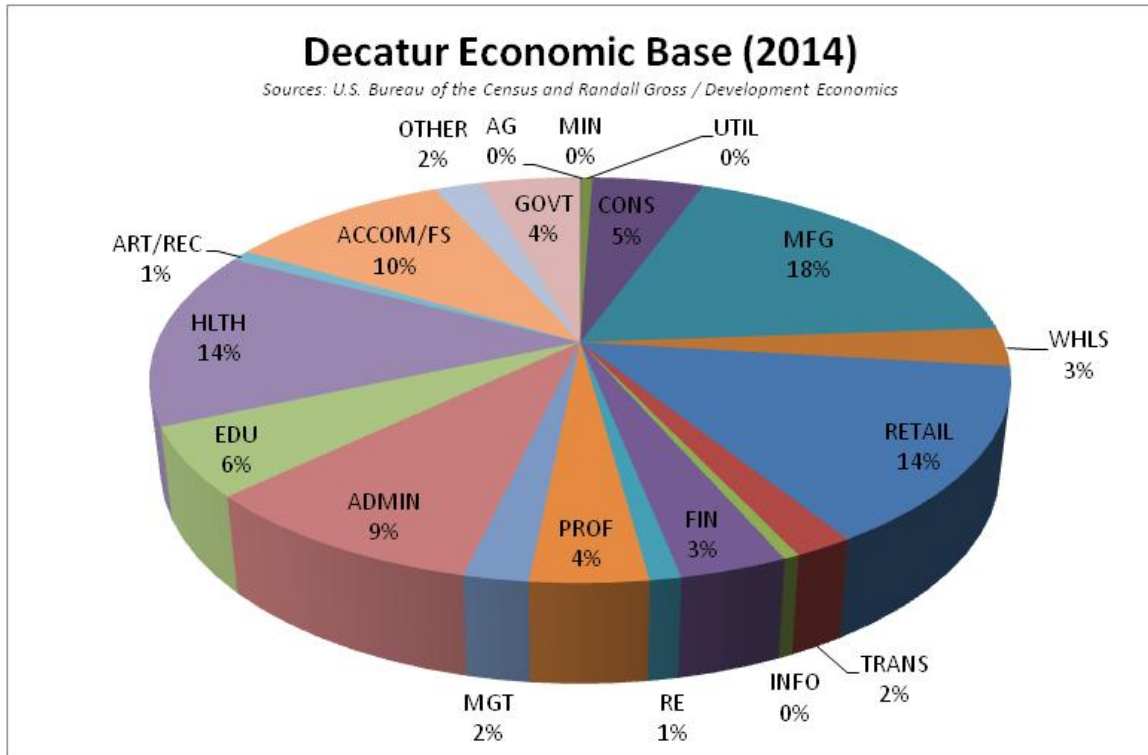
Decatur has a local labor force of about 26,450, growing at a rate of 0.9% per year. Employment tops 25,000 and is growing by 1.2% per year. So, the job base is growing faster than the labor force as the city and the nation continue to recover from the financial crisis and recession of 2008-10. Decatur's unemployment rate is roughly equal to that of Huntsville, at 5.4% and is slightly higher than in Madison (4.5%) but lower than the state as a whole (5.9%). Unemployment has been gradually declining since the recession, mirroring trends across the state and the nation.

## **Employment**

Decatur has a relatively diverse employment base, although manufacturing still leads the economy, with nearly one in five jobs. Employment is largely distributed among five key sectors including manufacturing (18%), health care (14%), retail trade (14%), accommodation & foodservice (10%), and administrative services (9%). Other important sectors include education (6%),

construction (5%), government (4%), professional & technical services (4%), wholesale trade (3%), and finance (3%). Relatively under-represented in the local economy are information services, real estate, arts & entertainment, mining, and utilities. The overall employment base is summarized below.

Chart 1



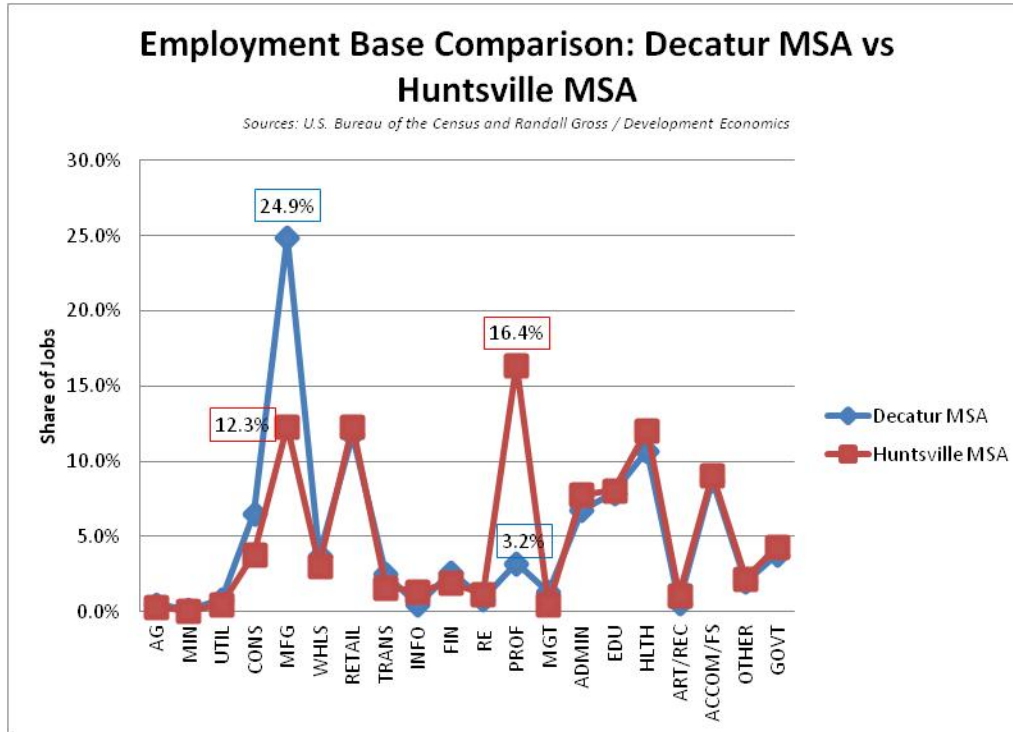
The Decatur Metro (Morgan-Lawrence) employment mix fairly closely resembles that of the city, with manufacturing by far the largest employer, followed by retail, health care, and accommodation & foodservice.

**Decatur MSA vs Huntsville MSA.** Employment in the Decatur MSA also very closely resembles that of the neighboring Huntsville MSA, except for just two sectors: manufacturing and professional & technical services. As illustrated on the following chart, the Decatur area has a much higher share of employment concentrated in manufacturing, while Huntsville's economy is much more weighted to professional, scientific, and technical services. Huntsville is home to NASA's Marshall Space Flight Center and the U.S. Army's Aviation and Missile Command at Redstone Arsenal. These Government entities along with their various contractors yield one of the largest concentrations of engineers in the United States.

Ultimately, these two sectors define and differentiate the economic character of the two cities, with Decatur retaining a traditional heavy manufacturing economy and Huntsville oriented to the development of fast-changing technologies.



Chart 2



In some respects, Decatur represents the “Old Economy” of heavy manufacturing, dependent on river & rail transportation while Huntsville represents a “New Economy” based on emerging technologies. Huntsville’s high concentration of engineering jobs offers high salaries in a relatively affordable market, yielding more disposable income.

*Decatur manufacturing*



**Employment Trends.** Decatur has seen slow but steady employment growth between 2002 and 2014. Overall, the city has added about 1,700 jobs or 5.4% during that period. While total employment has grown, there is significant variation between sectors. Only seven sectors saw employment growth since 2002, led by manufacturing, which added almost 2,000 jobs. Management services, professional & technical services, transportation, and accommodation & foodservice also added jobs since 2002. Growth in accommodation and

foodservice provides an indicator of tourism, which has grown independently of local economic trends.

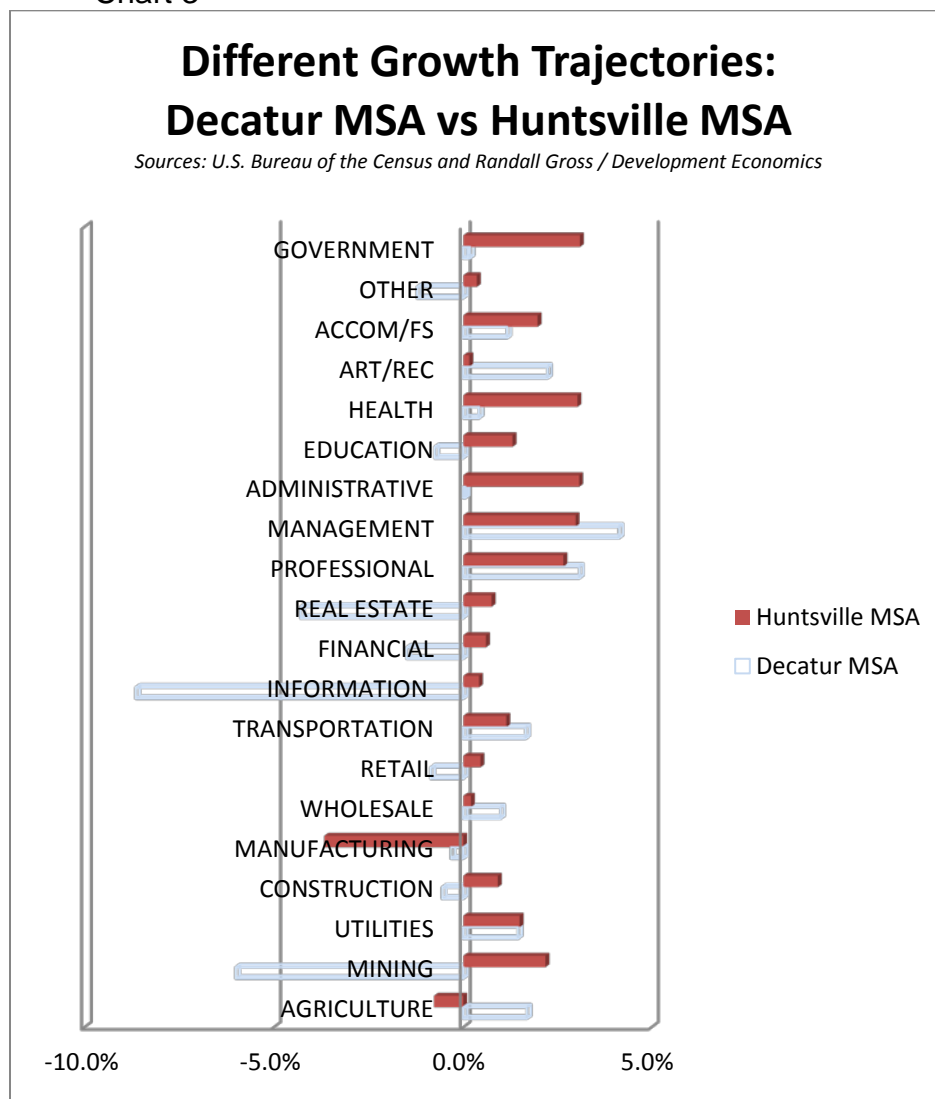
<b>Table 1. AT-PLACE EMPLOYMENT TRENDS, COMBINED MSA 2002-2014</b>					
<b>Industry</b>	<b>2002</b>	<b>2010</b>	<b>2014</b>	<b>2002-2014 Change</b>	
				<b>Number</b>	<b>Percent</b>
Ag/Forestry	904	779	898	(6)	-0.7%
Mining	171	156	141	(30)	-21.3%
Utilities	1,153	1,411	1,401	248	17.7%
Construction	10,286	10,517	10,859	573	5.3%
Manufacturing	47,870	37,899	36,942	(10,928)	-29.6%
Wholesale	7,511	7,427	7,892	381	4.8%
Retail	29,361	28,637	30,006	645	2.1%
Transportation	3,762	4,174	4,452	690	15.5%
Information	3,025	2,961	2,906	(119)	-4.1%
Finance	5,036	5,136	5,049	13	0.3%
Real Estate	2,702	2,506	2,674	(28)	-1.0%
Prof/Tech Services	22,596	34,178	33,247	10,651	32.0%
Management	923	1,591	1,586	663	41.8%
Admin	13,022	16,714	18,539	5,517	29.8%
Education	17,656	19,250	19,692	2,036	10.3%
Health	20,242	26,498	28,946	8,704	30.1%
Arts/Ent/Recreation	2,329	2,394	2,458	129	5.2%
Accom/Foodservice	17,438	20,942	22,211	4,773	21.5%
Other	5,285	5,783	5,312	27	0.5%
Government	7,208	10,337	10,323	3,115	30.2%
<b>TOTAL</b>	<b>218,480</b>	<b>239,290</b>	<b>245,534</b>	<b>27,054</b>	<b>11.0%</b>
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.				

While several sectors have grown since 2002, only three of those sectors – professional & technical services, management, and accommodation & foodservice – have seen fairly consistent growth over the period. Manufacturing added over 2,000 jobs between 2002 and 2010, but lost several hundred jobs by 2014, no doubt impacted by the lingering effects of the recession. Health care has also lost some of the gains it generated prior to 2010. Meanwhile, the transportation services sector lost about 40 jobs by 2010, but has since more than gained those back. Arts & entertainment has also recovered lost jobs.

Eleven other sectors have seen a net decrease in employment between 2002 and 2014, led by retail, finance, information, wholesale, real estate, and other services. Some sectors, like retail, administrative services, utilities, and transportation have gained back many of the jobs they lost between 2002 and 2010. Administrative services has gained almost 700 jobs since 2010, and growth in this sector appears to be accelerating.

On a regional basis, Decatur has been performing better in terms of job growth in management and administrative services, arts & entertainment, and professional & technical services. Huntsville has generated faster job growth in real estate, finance, retail, and information services (e.g., media).

Chart 3

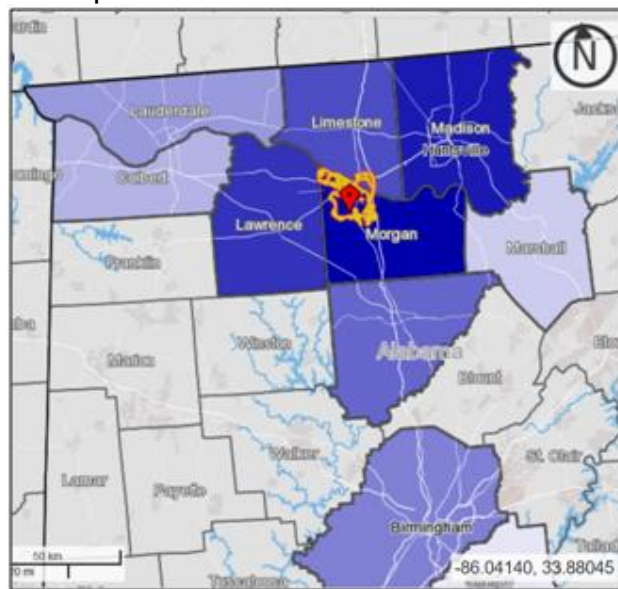




## Commutation

About 8,600 people live and work within Decatur, while 14,500 commute out of Decatur to work elsewhere in the region. Meanwhile, 22,400 people commute in from someplace else to work in Decatur. As noted above, Decatur has increasingly integrated into the Huntsville regional commuter-shed. While people working in Decatur commute from a broad region, Madison County is clearly the prime source of Decatur workers beyond Morgan County, even though Madison is not technically part of the Decatur MSA. A map showing the ten primary counties from which Decatur workers originate is shown below.

Map 1

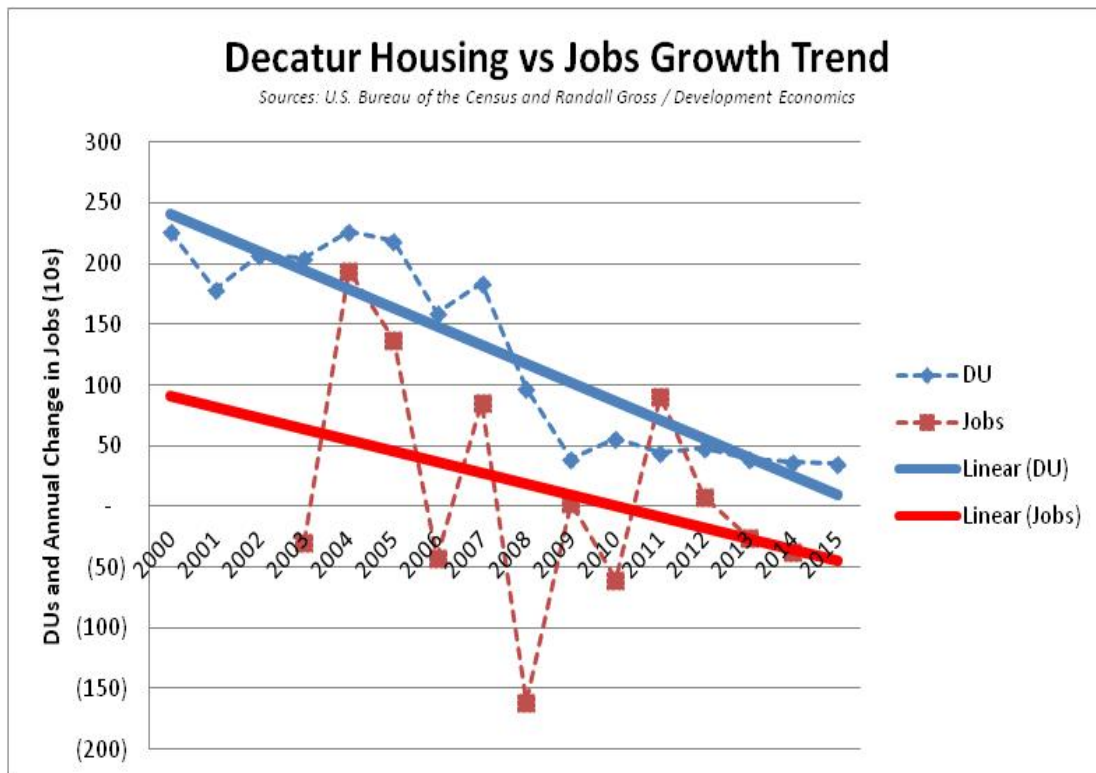


Commuters in to Decatur tend to be younger (more than 50% are under the age of 30), and earn higher salaries than the average Decatur worker. This suggests that some higher-wage workers are not finding the housing or lifestyle that they want in Decatur. More than one-half of commuters work in trade and transportation jobs, while lower-wage jobs in manufacturing or services tend to be held more often by Decatur residents. There are a number of competitive housing locations outside of Decatur that have attracted higher-wage workers.

### Job Trends versus Housing Growth

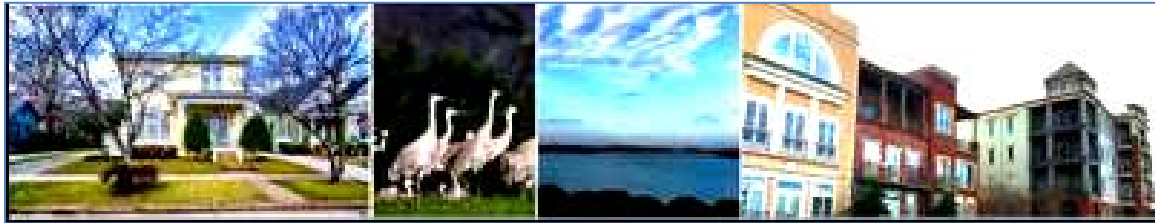
As overall employment growth has trended downward since 2000, housing development has generally followed. In 2004, the city added about 200 jobs and 230 housing units. During the recession in 2009, the city added no jobs and less than 50 housing units. By 2015, the city was losing jobs and only adding replacement housing. This trend is illustrated here.

Chart 4



### Physical Environment

Decatur benefits from its location along one of America’s great rivers. Extensive protected natural areas and wetlands like Wheeler Wildlife Refuge provide unparalleled experiences for nature lovers. That being said, the city has not taken full advantage of its riverfront. The presence of major industrial facilities certainly prevents the city from extensive redevelopment of its riverfront, but there are opportunities for enhancing the overall environment along Wilson Street and the riverfront. There is under-utilized land, recycling facilities and other use that may not represent the highest and best use of this public resource.



Downtown Decatur is an increasingly attractive and vibrant resource. Similarly, historic residential districts surrounding the downtown area provide wonderful housing and lifestyle amenities for residents. However, 6<sup>th</sup> Avenue (Route 31 Corridor) represents a low-quality gateway into the city of Decatur, even though this is the route most frequently established for visitors to the city. Downtown is proximate but there are few if any visual cues that 6<sup>th</sup> Avenue is close to the center of town and to beautiful historic neighborhoods. Linkages between 6<sup>th</sup> and downtown are relatively weak.



The Beltline similarly lacks character as the major commercial corridor around the city, dominated by big box retail stores, lodging chains and other sprawling commercial uses.

### **Industrial Locations**

Morgan County has several industrial and other business development locations including Morgan Center Business Park, Mallard Fox Creek Industrial Park, and several others but the city has substantial, older underdeveloped industrial areas located along its railroads and river areas. Much of these older industrial areas could need upgrading and definition to become competitive industrial or business parks.

## **Section 2. BUSINESS SURVEY**

A business survey was conducted to assess overall business conditions and to collect input on business operations, and on Decatur’s competitive advantages and challenges impacting on business decisions. More than 135 businesses responded to the online survey. Businesses represented a highly-diverse cross-section of the city’s business community and many brought extensive experience operating in the city (23 years on average).

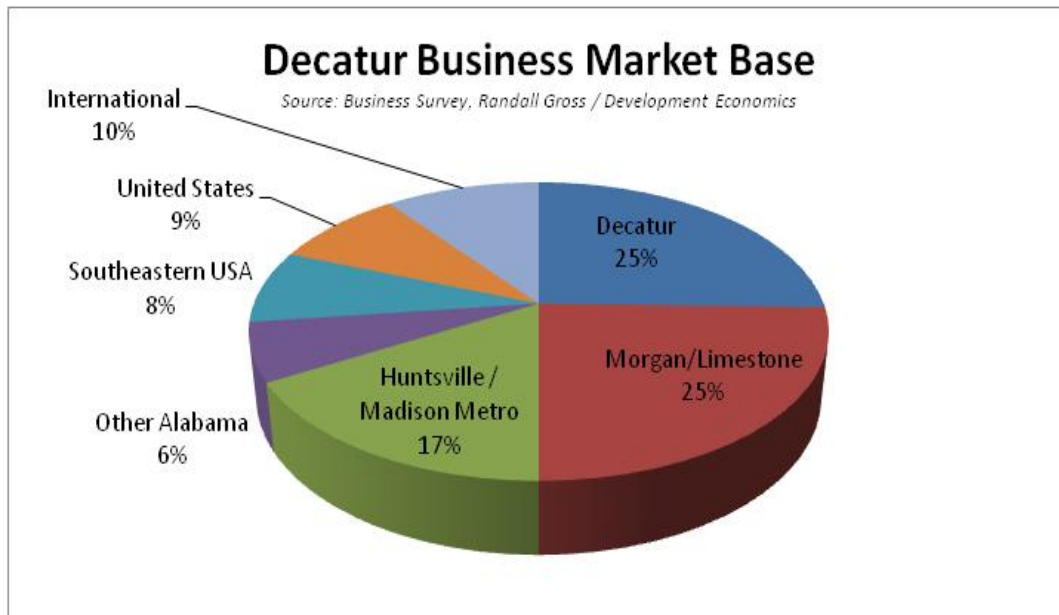
### **Business Demographics**

The businesses represent the full diversity of economic sectors in the city. The median size is about 10 employees (but an extensive range of respondents, from 1 to 800). The median age of employees is 45. Businesses are expecting an increase in employment of about 4.5% over the next year and 33% of all jobs recruited will be for skilled workers. About 55% of the responding businesses own their property, with a median size of 10,000 square feet. Approximately 42% are in office space, while 22% occupy manufacturing, 20% warehouse, and 12% retail business space. An average increase of about 6.4% in the need for real estate was expressed among survey respondents.

### **Market Base**

Responding businesses listed Decatur as accounting for 25% of their market. Morgan or Limestone counties accounted for another 25%, on average.

Chart 5



However, 50% or more of the “primary” market comes from outside of Decatur/Morgan County. Nearly 20% of companies listed Huntsville/Madison County as their primary market. About 6% generate income from other parts of Alabama, 8% from the Southeast and 9% from a national market. About 10% of the market for Decatur companies is considered to be “international.”

### **Reasons to Locate a Business in Decatur**

About 34% of the respondents identified access to a particular customer base as the primary reason that they located their business in Decatur. This market base includes industrial companies, Decatur residents, federal government contractors, and regional market base. Another 28% of respondents noted that they located in Decatur because it is their hometown or their family is there. Fully 25% are there because they purchased or merged with an existing business that was already located in Decatur. Other reasons for being in Decatur included the infrastructure, business climate, stability, and certain government requirements of contractors (such as being located within a certain distance of the government agency being supplied).

In more general terms, businesses listed the most important reasons for being in Decatur as the following:

- 1) Market base
- 2) Client base in area
- 3) Central location in the Tennessee Valley
- 4) Friendly/hometown feel
- 5) Available real estate/space
- 6) Low operating costs

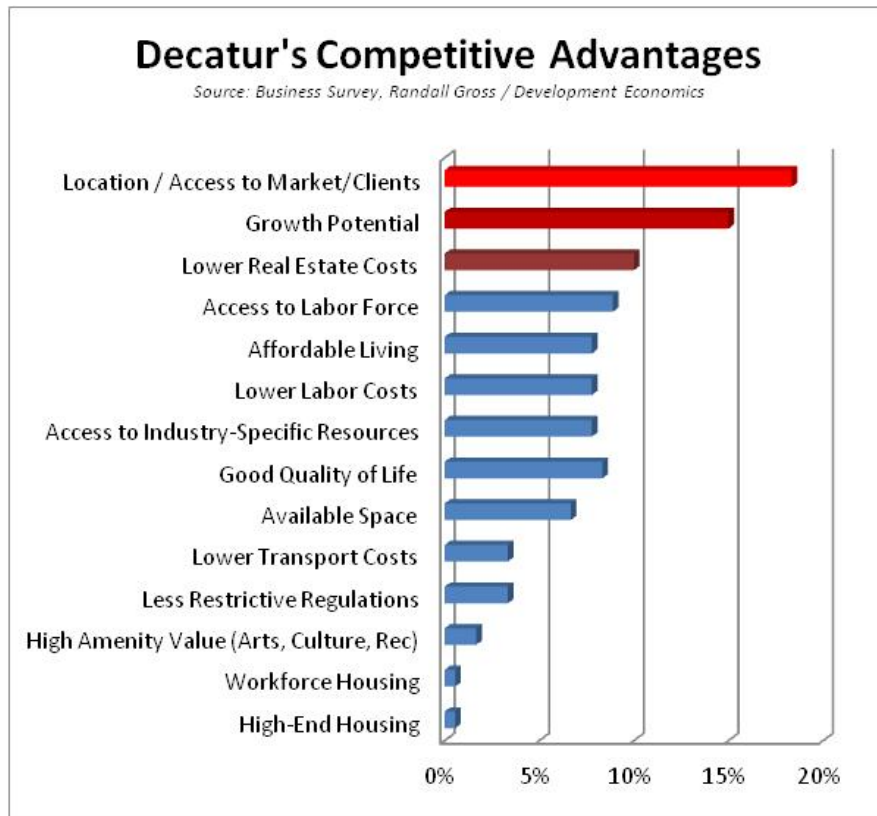
Less important reasons included access to the river, rail, or senior talent; the central location within the southeastern states, or access to institutions (such as hospitals, universities, etc). Thus, the companies that are already located in Decatur may not have needed such access.

### **Competitive Advantages**

Businesses determined that the city’s most significant competitive advantages for business operations include location and access to clients, growth potential, and lower real estate costs. Access to a labor force and lower-cost living are also important. The city was *not* viewed as particularly competitive in its supply of higher-end housing, workforce housing, regulatory environment, or transportation costs.



Chart 6

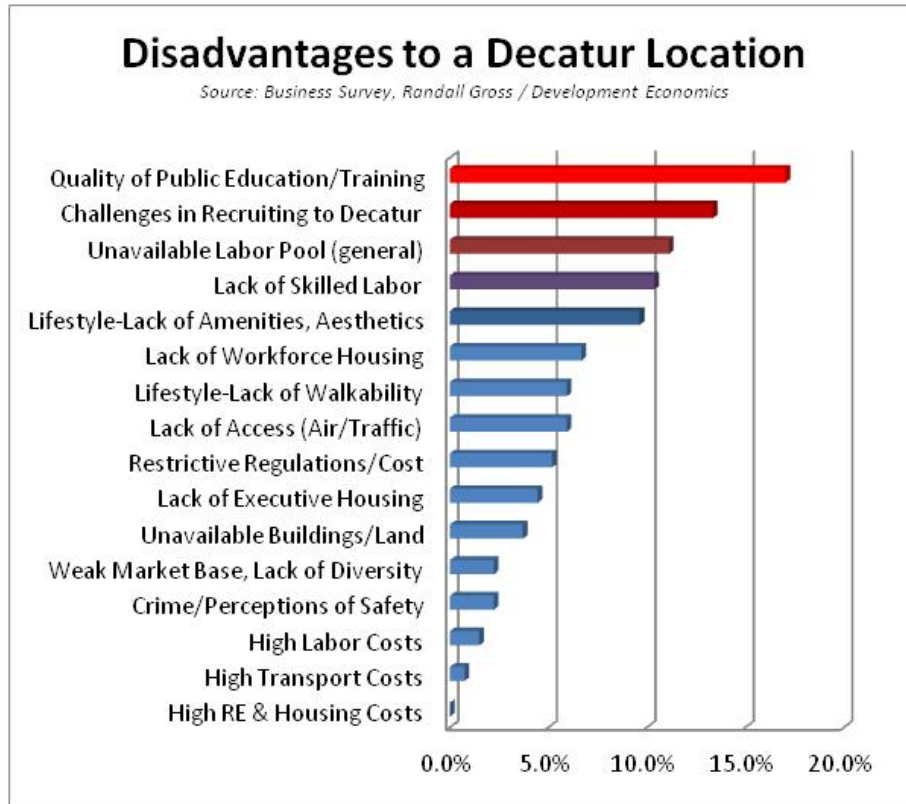


### **Challenges to Business in Decatur**

At the top of the list of “disadvantages” to operating a business in Decatur are the quality of public education & training. Also near the top of this list are challenges relating to employee recruitment and the unavailable labor pool. More specifically, a lack of skilled labor and a lack of lifestyle amenities or high-value aesthetics are also considered a disadvantage for Decatur.

Among the skills needed in Decatur are those in the construction trades, in information technology, and in management & professional fields. Overall disadvantages of a Decatur location, as ranked by survey respondents, are summarized in the following chart.

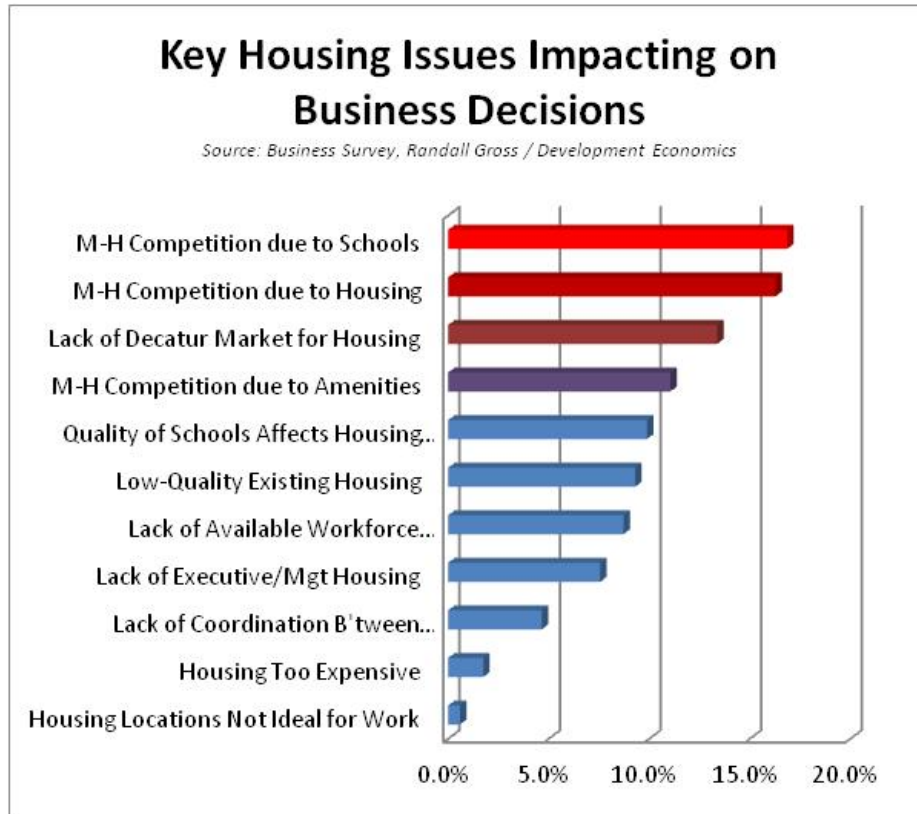
Chart 7



Competition to schools and housing from Huntsville and Madison are among the top housing issues in Decatur, followed by the lack of (or declining) market for housing in the city. Competition and supply were perceived as even bigger problems than the *quality* of schools or housing. Madison and Huntsville are also perceived as being competitive due to their high-value amenities and more attractive aesthetic conditions. The (high) cost and (poor) location of housing in Decatur were not perceived as important issues affecting business decisions.

The key issues impacting on business decisions are ranked, based on the responses from the business survey, and illustrated in the chart on the following page.

Chart 8

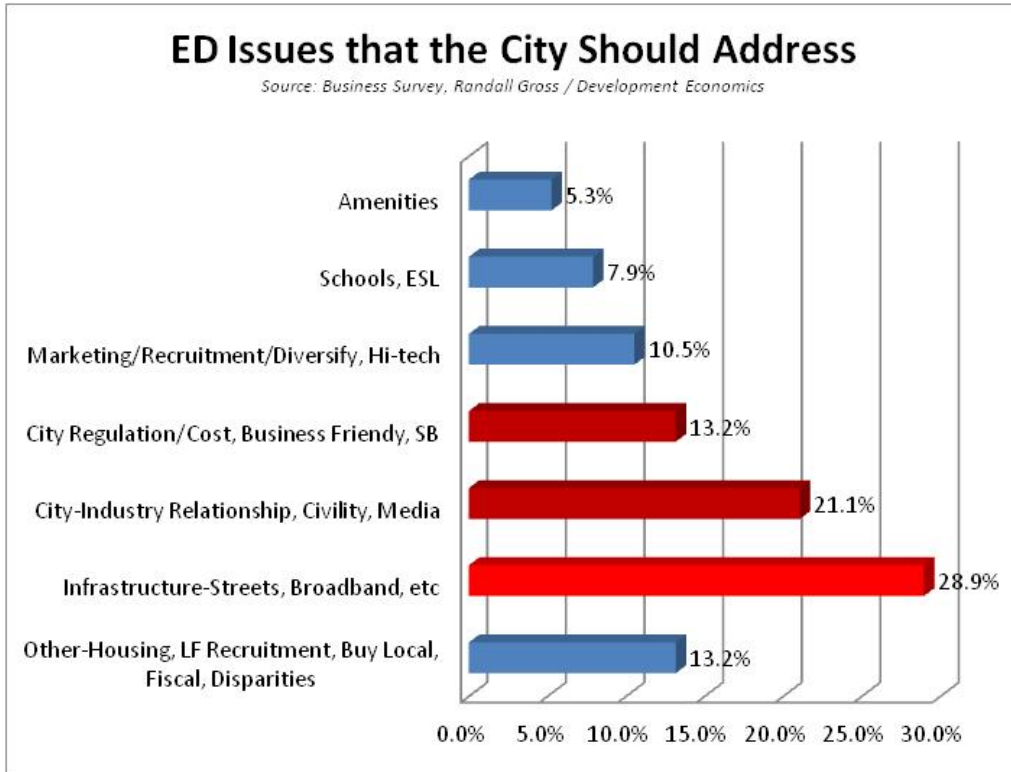


### Economic Development Issues

Survey respondents identified the top economic development issues that they feel the City needs to address. Among the most important issues listed by respondents were the quality and availability of infrastructure (ranging from the quality of streets to the availability of high-speed broadband Internet capacity, etc). The other significant issue identified in various ways by businesses is the need to improve upon or better coordinate the relationships between the City and local industry. There are perceptions of a need for more “civility” in conversations between the City Government and local business, as well as how that relationship is reported in the media.

A third important issue relates to perceptions of the City’s regulatory environment. Mainly, there was a response to how regulatory and permitting decisions were made under previous staff, where decisions seemed to be made at the “whim” of local enforcement officers and officials.

Chart 9



In general, there was a desire for the City to be promoted as more “business friendly” in how it works with business, but there was also recognition of noticeable improvements that have occurred more recently in the permitting decision loop.

### **Section 3. TARGET INDUSTRY ANALYSIS**

This section provides results from a target industry analysis that examined the city's competitive advantages for various types of businesses, growth opportunities, clusters and concentrations, and relative market positioning for certain industries. Key inputs included interviews with real estate professionals, industrial companies, economic development and chamber representatives in addition to the survey of 135 businesses and focus groups with 22 Decatur companies. Other inputs included the economic baseline assessment, analysis of competitive advantages, assessment of location quotients (which indicate industry concentrations and therefore, location advantages), and analyses of regional growth industries. A vetting process helped gather input from the steering committee, City staff, and other key stakeholders.

#### **Competitive Advantages**

Decatur has a number of positive advantages that make it competitive for attracting and retaining many different types of businesses. For example, the city has a solid, stable industrial base with a long history of building contract and downstream supply networks throughout the area.



*Princess Theater image from Decatur Daily*

Decatur retains its strong transportation network, especially river and rail systems along with interstate highway access, that help make the city competitive for heavy industry as well as distribution. Highway networks also help provide regional market access to Huntsville as well as to Nashville, Atlanta, Memphis, and Birmingham.

Operating costs are generally lower in Decatur when compared with Huntsville and larger cities. Real estate, power, wages and the supplier base are all competitive when compared with larger cities in the region. Decatur is said to



offer a more “collaborative” environment, where businesses help support one another and build relationships with each other. Downtown Decatur has emerging energy and assets that contribute to its continued revitalization, thereby adding to the city’s amenity base along with parks and natural resources, arts activities, and historic neighborhoods. Finally, programs like Best and Brightest Decatur and incentives offered by economic development agencies help enhance the city’s regional competitiveness for attracting business.

## Challenges

Businesses and entrepreneurs have identified various challenges to operating in Decatur, whether through the surveys, focus groups, or other venues. These challenges can be aggregated into four groups as follows:



- **“Livability” Factors.** Issues relating to the schools, housing, retail activity and physical character are all impacting on the city’s competitiveness for attracting and retaining business.
  - *Schools – Scorecard (impacted by ESL)*
  - *Housing – Lack of new housing choices*
  - *Retail – Lack of Specialty, Entertainment*
  - *Character – Gateways, Industrial Riverfront*
- **Competition from Huntsville / Madison.** As noted in the previous section, there is direct competition from Huntsville and Madison for industry, housing, and schools. Overall there is generally a lack of “regional vision” and collaboration between the various entities, although attempts are being made to bridge that gap. There is also a lack of available competitive business locations in Decatur to compete with other sites and buildings in the region.
- **Lack of Entrepreneurship.** Some businesspeople have expressed an issue with the perceived lack of entrepreneurship in Decatur. But there are efforts underway to leverage entrepreneurs and small business development through the Decatur Entrepreneurial Center and programs like Best and Brightest.
- **Negative Imaging (Media, Politics).** Again, as noted in the previous section, businesses have noted a serious issue negative imaging and the need for a solid, positive branding campaign.

## Concentrations

An analysis of existing industries and sectors was conducted to identify clusters and concentrations of employment and business establishments. Concentrations provide an indicator of the types of industries for which Decatur already has some competitive advantages for attracting industry and complementing a cluster (the intersection of multiple inter-dependent and supportive industries).

<b>Table 2. SECTOR CONCENTRATIONS IN DECATUR, 2014</b>			
<b>Sector</b>	<b>Region</b>	<b>State</b>	<b>Cluster Rate</b>
<b><u>High Concentration</u></b>			
Management Services	3.176	2.310	198%
Finance	1.667	0.874	47%
Administrative Services	1.231	1.541	3%
Manufacturing	1.215	1.308	1%
<b><u>Low Concentration</u></b>			
Prof/Technical Services	0.274	0.706	-93%
Information Services	0.418	0.383	-78%
Education Services	0.687	0.603	-51%
Utilities	0.855	0.424	-35%
Arts & Recreation	0.900	0.883	-30%
Real Estate	0.908	0.754	-29%
Transportation	1.032	0.577	-17%
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.		

Concentrations were identified based on an analysis of location quotients (LCs), which generate a ratio of any given industry's proportion of total Decatur employment (or business establishments) to that of the region as a whole. Among major industry sectors, Decatur only has a few major sector concentrations, and those are generated from the weight of several large employers. For example, Decatur has a high LC for management services (NAICS 55 - such as regional offices, subsidiaries, or bank holding companies), finance, administrative services, and manufacturing. Decatur is home to a handful of large companies (such as Cook's Pest Control Company, Alabama Farmers' Cooperative, Lynn-Layton Auto and a few others) that contribute to its relatively high share of total employment in management services. Meanwhile,

Decatur has lower-than-average concentrations of most other major sectors, ranging from arts to utilities to professional services.

**Growing Sector Concentrations**

Decatur has increasing concentrations in several sectors, including manufacturing, arts, management services, agriculture, and professional & technical services. At the same time, the city's concentrations in information services, real estate, other services, wholesale, health care, and financial services are declining.

<b>Table 3. CHANGE IN SECTOR CONCENTRATION, 2002-14</b>		
<b>Sector</b>	<b>Region</b>	<b>State</b>
<b><u>Increasing</u></b>		
Manufacturing	108.5%	78.0%
Arts & Recreation	31.4%	8.5%
Management Svcs	12.0%	11.5%
Agriculture	7.1%	16.3%
Prof/Technical Svcs	3.4%	20.1%
<b><u>Declining</u></b>		
Mining/Quarry	-82.6%	-85.2%
Information Svcs	-58.1%	-47.7%
Real Estate	-36.1%	-35.5%
Other Services	-23.3%	-21.9%
Wholesale Trade	-19.9%	-16.7%
Utilities	-18.9%	-13.7%
Health Care	-17.5%	-12.0%
Finance	-17.3%	-25.9%
Sources:	U.S. Bureau of the Census and Randall Gross / Development Economics.	

### Specific Industry Concentrations

The city has a number of concentrations within specific industries (whereas sectors are made up of multiple industries). The following 17 industry concentrations were identified based on the location quotients analysis.

• <b>Industrial Sands</b>	<b>13.272</b>
• <b>Limestone Quarry</b>	<b>2.870</b>
• <b>Electric Power Transmission</b>	<b>2.054</b>
• <b>Steam Energy</b>	<b>37.720</b>
• <b>Heavy Civil Construction</b>	<b>2.295</b>
• <b>Food Manufacturing 3.086 (Animal Feed)</b>	<b>7.237</b>
• <b>Textile Mills</b>	<b>2.691</b>
• <b>Wood Preservation</b>	<b>20.301</b>
• <b>Chemicals</b>	<b>4.778</b>
• <b>Primary Metals</b>	<b>2.113</b>
• <b>Computer/Electronics</b>	<b>3.210</b>
• <b>Electrical Equipment</b>	<b>13.342</b>
• <b>Miscellaneous Manufacturing</b>	<b>2.002</b>
• <b>Pipeline Transportation of Petroleum</b>	<b>6.023</b>
• <b>Testing Laboratories</b>	<b>2.934</b>
• <b>Environmental Consulting</b>	<b>3.661</b>
• <b>Gambling Other</b>	<b>5.682</b>

Perhaps the most significant concentrations are in steam energy (hydro-electric power), wood preservation, industrial sands, and electrical equipment. But in general, most of these 17 industries share a common characteristic: they are representative of **heavy, capital-intensive businesses**. They represent such heavy industries as power, pipelines, chemicals, metals, quarries, heavy civil, recycling, and required testing. Many of these industries are **bulk users of river and rail transportation**, meaning that they are dependent on river and rail to ship bulk materials like coal, lumber, petrochemicals, stone, etc. Thus, Decatur has historically and through today retained competitiveness for businesses that rely on river and rail for bulk shipping needs.

### Regional Growth Industries

Based on employment projections generated for Workforce Development Region 2 by the Alabama Department of Labor and on employment growth data from the U.S. Department of Labor, the following sectors are expected to experience relatively high employment growth through 2022.

1. <b>Construction</b>	<b>2.44%</b>
2. <b>Health Care</b>	<b>2.27%</b>
3. <b>Prof/Tech/Scientific</b>	<b>2.23%</b>

4. <b>Administrative</b>	<b>2.00%</b>
5. <b>Wholesale Trade</b>	<b>1.44%</b>
6. <b>Arts &amp; Recreation</b>	<b>1.38%</b>
7. <b>Other Services</b>	<b>1.35%</b>
8. <b>Real Estate</b>	<b>1.03%</b>
9. <b>Accommodation/FS</b>	<b>1.02%</b>

There is already a shortage of skilled labor in the Decatur area's construction, health care, and professional services sectors. So, growth could be hampered somewhat by the skills gap that is already plaguing local businesses. Administrative (e.g., office administrative, processing, and other business services) are less-dependent on the existing base of skilled labor.

### **Ideas for the Future**

Stakeholders have provided a policy "sieve" to help inform economic development and the process of selecting the types of industries that Decatur should attract. Ultimately, selection of target industries can impact on the type of community that Decatur will become in the future. Key economic development themes identified through the community engagement process are summarized below.

1. More job diversity with higher wages - high tech jobs, etc.
2. Identify and promote a brand for Decatur
3. Attract young professionals, places to network, jobs for young professionals
4. Invest in a wide variety of entertainment options - more retail, restaurants, breweries, venues
5. More/newer retail and services
6. More support for local businesses
7. Housing to support economic development

### **Target Industry Approach**

Input gathered through the various streams – whether analytical or through stakeholder processes – point to a clear opportunity for Decatur to attract, retain, and grow businesses that serve the growing regional market base. The city has a competitive advantage for supplying services and products to Huntsville and the broader region because of its relatively low cost of real estate and business operations, its superior transportation network, and access to a regional labor force. In other words, a key approach for Decatur's economic development should be on attracting those businesses that seek access to the regional market base, government contracting opportunities, and labor force. Industries that can supply material and services, and are expected to grow and prosper in this region include the following:



- **Business & Administrative Support Services.** This sector includes client or contract services (such as for Government and military agencies), administrative processing (human resources, accounts, etc), back office, building maintenance services, web & other design services, data entry, and information tech support services. Again, Decatur is competitive because of its relatively low costs, access to Huntsville, and growing regional labor force.
- **Construction Trades.** Construction is a growth sector in the short-term and Decatur is well-placed as a hub for construction services seeking lower-cost operating space, access to construction materials, and a relatively low-cost labor market. Constraints on the skills base within the city could hamper growth, and longer-term prospects suggest a downturn in cyclical construction industries.
- **Professional, Scientific and Research Services.** This is already a growth sector in Decatur, in part because of the city's low costs and proximity to government contractors in Huntsville. There are various opportunities to expand and diversify the mix of businesses in this sector by focusing on Decatur's relative strengths including cost, access to materials, and access to regional engineering skills/contractors. Key target industries might include testing laboratories and services, materials research & development, and environmental services.
- **Tourism.** Decatur is well-placed to continue to grow its tourism sector. Enhancing downtown amenities and destination venues is key, along with improving linkages with gateway districts and building on the city's overall brand and image.
- **Retail & Entertainment.** As with other industries, Decatur has the opportunity to expand its retail and entertainment industries by recruiting businesses based on access to the growing regional Huntsville-Decatur CSA market. Decatur's demographics alone are likely insufficient to support extensive new retail development, especially in an era of draw-back for some traditional brick-and-mortar retail chains. But by building on the regional market base and focusing on sites with regional exposure or in destination locations (like downtown), the city can more successfully market to retailers with a broader market "net."
- **Arts & Recreation.** Similar to above, Decatur has an opportunity to build on the momentum in its downtown and parks that already include a growing concentration of arts & recreation activities. Again, such activities can draw from a growing regional market base.

- **Electronics/Aerospace.** While the engineering component of these industries is highly concentrated in Huntsville, there are clearly opportunities to build on the testing, product development, supply and support services associated with both electronics and aerospace.
- **Transportation Equipment/Robotics & Services.** Decatur is already a hub for transportation services, and is located within the nation's transportation equipment manufacturing corridor (extending from Detroit south into Alabama and Mississippi). Decatur is well-positioned as a supply hub for transportation equipment industries. The State's efforts to build on robotics development can help position Decatur for product development and manufacturing but the programmatic linkages with industry and local economic development efforts need to be strengthened.