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EXECUTIVE SUMMARY

INTRODUCTION

The Hillsdale Board of Public Utilities (the “BPU”) engaged Silverlode Consulting Corp. (“Silverlode”) to develop a comprehensive economic development strategic plan for its service territory, which approximates the municipal boundary for the City of Hillsdale (“the City”).

LOCATION FACTOR ASSESSMENT

Silverlode’s Location Factor Assessment evaluates the community through the eyes of a company considering the City of Hillsdale as a potential location for a new facility. An analysis of the location factors that are typically relevant to a corporate site selection decision is provided, which includes the following:

- Demographic Profile
- Labor Market
- Economic Climate
- Transportation
- Utilities
- Quality of Life
- Tax Burden
- Real Estate

Based on our analysis, we believe that the City has a competitive advantage in Utilities, Quality of Life, and Real Estate. The City’s Demographic Profile, Labor Market, and Transportation network are generally sufficient for site selection projects where Hillsdale may be considered as a potential location. The Location Factor Assessment identified the Economic Climate and Tax Burden as areas where improvement is needed for Hillsdale to be viewed as a more competitive business location.

TARGET INDUSTRY ANALYSIS

The primary goal of this target industry analysis is to identify industry sectors that will strengthen and diversify the City’s economic base. Our analysis begins by examining broad industries (e.g. manufacturing) and then focuses on specific industry sectors (e.g. motor vehicle parts manufacturing). Silverlode’s target industry analysis provided an assessment of industry Supersectors for Hillsdale County. The four-phased selection screening process calculated the regional concentration of industries, determined what industries have a competitive regional advantage, analyzed industry growth projections, and examined industry employment multipliers.
RECOMMENDED TARGET INDUSTRIES

The following set of industry sectors are recommended for the City as targets for expansion and/or attraction based on the location factor assessment and target industry analysis.

MANUFACTURING

- NAICS 3112 – Grain and Oilseed Mining
- NAICS 3115 – Dairy Product Manufacturing
- NAICS 3116 – Animal Slaughtering and processing
- NAICS 3322 – Cutlery and Handtool Manufacturing
- NAICS 3325 – Hardware Manufacturing
- NAICS 3327 – Machine Shops
- NAICS 3331 – Agriculture, Construction, and Mining Equipment Manufacturing
- NAICS 3332 – Industrial Machinery Manufacturing
- NAICS 3335 – Metalworking Machinery Manufacturing
- NAICS 3336 – Engine, Turbine, and Power Transmission Equipment Manufacturing
- NAICS 3353 – Electrical Equipment Manufacturing
- NAICS 3359 – Other Electrical Equipment and Component Manufacturing
- NAICS 3363 – Motor Vehicle Parts Manufacturing
- NAICS 3364 – Aerospace Product and Parts Manufacturing
- NAICS 3369 – Other Transportation Equipment Manufacturing

PROFESSIONAL & BUSINESS SERVICES

- NAICS 5411 – Legal Services
- NAICS 5412 – Accounting, Tax Preparation, Bookkeeping, and Payroll Services
- NAICS 5413 – Architectural and Engineering Services
- NAICS 5415 – Computer Systems Design & Related Services
- NAICS 5416 – Management, Scientific, and Technical Consulting Services
- NAICS 56142 – Telephone Call Centers (“Business Process Outsourcing”)

LEISURE & HOSPITALITY

- NAICS 71219 – Nature Parks and other Similar Institutions
- NAICS 7139 – Other Amusement and Recreation Industries
- NAICS 7211 – Traveler Accommodations
EDUCATION & HEALTH SERVICES

- NAICS 6112 – Junior/Community Colleges
- NAICS 6115 – Technical/Trade Schools
- NAICS 6231 – Nursing Care Facilities
- NAICS 6233 – Community Care Facilities for the Elderly

NATURAL RESOURCES & MINING

- NAICS 111 – Crop Production
- NAICS 112 – Animal Production
- NAICS 1151 & 1152 – Support Activities for Crop & Animal Production

BUSINESS ATTRACTION – IMPLEMENTATION PLAN

Outlined below are a series of implementation steps that the City can employ to pursue investment and employment growth in the recommended target industry sectors.

- Purchase Targeted Company Lists
- Build Relationship Database
- Market Available Properties Online
- Develop Marketing Brochures
- Conduct Business Outreach
- Establish Quick Response Team

BUSINESS RETENTION & EXPANSION – IMPLEMENTATION PLAN

Outlined below are a series of implementation steps that the City can employ to establish a formalized business retention and expansion program.

- Build Company Database
- Conduct Business Retention Survey
- Conduct Retention Visits
- Establish BR&E Program Metrics
- Publicize BR&E Program
- Manage required follow up

OTHER ECONOMIC DEVELOPMENT INITIATIVES

Recommendations were also made regarding other economic development initiatives that should be pursued by the City. The City should apply for a Rural Business Enterprise Grant from the U.S. Department of Agriculture. The City should seek to attract aviation-related businesses to locate at the Hillsdale Municipal Airport that could benefit from the runway expansion, such as aircraft maintenance, repair, and overhaul businesses. The City should also seek membership with an existing regional economic development organization, or investigate the creation of a new organization for South Central Michigan.
INTRODUCTION

The Hillsdale Board of Public Utilities (the “BPU”) engaged Silverlode Consulting Corp. (“Silverlode”) to develop a comprehensive economic development strategic plan for its service territory, which approximates the municipal boundary for the City of Hillsdale (“the City”).

This economic development strategic plan is divided into the following sections:

- Overview of Hillsdale’s previous economic development efforts
- Location Factor Assessment
- Target Industry Analysis
- Recommended Target Industries
- Business Attraction – Implementation Plan
- Business Retention & Expansion – Implementation Plan
- Other Economic Development Initiatives

Silverlode has greatly enjoyed the opportunity to work with the BPU. This report provides a detailed description of our methodology, findings, strategic recommendations, and implementation steps. While this document represents the final deliverable of our engagement, we look forward to an ongoing relationship and hope that the BPU will feel free to contact us for any additional information that may be required or for future assistance.

Silverlode would like to thank the following individuals who provided us with valuable insights and local knowledge that helped guide and shape our recommendations.

- Rick Rose, Executive Director, Hillsdale Board of Public Utilities
- Dave Burgee, President, Hillsdale Board of Public Utilities
- Robert Batt, Vice President, Hillsdale Board of Public Utilities
- Craig Connor, Hillsdale Board of Public Utilities
- Daniel Moore, Hillsdale Board of Public Utilities
- John Waldvogel, Hillsdale Board of Public Utilities
- Christine Bowman, Economic Development Director, City of Hillsdale
- Michael Mitchell, City Manager, City of Hillsdale
- Charlene Page, Executive Director, Hillsdale County Economic Development Partnership
- Richard Pewe, Vice President for Administration, Hillsdale College
- Richard Ames, Superintendent, Hillsdale Community Schools
- Duke Anderson, CEO, Hillsdale Community Health Center
- Eric Hoffman, President, Ken Stillwell Ford-Mercury
- John Spratt, President & CEO, Precision Gage, Inc.
- Ed Sumnar, President, O’Meara Sumnar Agency, Inc.
LOCATION FACTOR ASSESSMENT

When businesses consider expanding or relocating a facility, many site selection factors are analyzed. Silverlode’s Location Factor Assessment evaluates the community through the eyes of a company considering the City of Hillsdale as a potential location for a new facility. The following provides an analysis of the location factors that are typically relevant to a corporate site selection decision. Each location factor will be scored on a scale from 1 to 10.

In the subsequent section of this report, a quantitative approach will be utilized to identify target industry sectors to focus business attraction efforts on. Silverlode’s Location Factor Assessment provides the qualitative approach to screen and validate the results of the data driven target industry identification process. Each location factor will then be assigned a weighting factor based on its relative importance in the site selection process for each of the recommended target industries. This results in a matrix that identifies gaps in the community’s ability to successfully attract the targeted industry sectors.

Throughout this report, data for the City of Hillsdale and/or Hillsdale County will be compared to the Region, the State of Michigan, and the U.S.

DEMOGRAPHIC PROFILE

The demographic profile of a community is often a good indicator of its vitality. Is the community growing? Stable? Declining? Silverlode’s demographic profile assessment will include an analysis of population, income, and housing trends. These variables are often used to help define whether a sufficient market opportunity exists within a community. For example, a community’s population by age cohort would be an extremely important decision factor for a potential assisted-living facility, while per capita income would be critical to the success of an upscale retail establishment.

---

1 The availability of annual data estimates for the City of Hillsdale is somewhat limited due to its relatively small population, but will be provided when available. When city level data are not available, data for Hillsdale County will be provided instead.

2 The Region is defined as following five Michigan counties: Branch, Calhoun, Hillsdale, Jackson, and Lenawee. The rationale for defining the Region as such is provided in the Labor Market section of the Location Factor Assessment.
POPULATION

Population trends can provide useful insights into the current state of a community. While there can be many reasons contributing to population changes within a community, this report looks at changes in population from the perspective of a company evaluating potential business locations. A growing population may indicate that a community offers desirable amenities or economic opportunities that attract people to relocate. Conversely, a declining population may indicate that a community lacks sufficient amenities or economic opportunities to retain its current residents.

The following will detail annual population trends for the City of Hillsdale, as well as a population growth index and population by age cohort for the comparison geographies.

CITY OF HILLSDALE: ANNUAL POPULATION TREND

In 2000, the U.S. Census Bureau estimated the City of Hillsdale’s population to be 8,253. By 2008, Hillsdale’s population had dropped to 7,762 (-5.9%).

Source: U.S. Census Bureau
The population growth index measures the annual percent change for the City relative to the comparison geographies. The City of Hillsdale and Hillsdale County lost 5.9% and 1.0% of their population from 2000 to 2008, while the 5-county region and Michigan each grew by less than 1%. The U.S. population grew by nearly 8% during this time period.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsdale City</td>
<td>8,253</td>
<td>8,061</td>
<td>8,096</td>
<td>8,025</td>
<td>7,942</td>
<td>7,965</td>
<td>7,922</td>
<td>7,854</td>
<td>7,762</td>
</tr>
<tr>
<td>Hillsdale County</td>
<td>46,673</td>
<td>46,590</td>
<td>46,786</td>
<td>46,943</td>
<td>46,862</td>
<td>46,814</td>
<td>46,824</td>
<td>46,675</td>
<td>46,212</td>
</tr>
<tr>
<td>Region</td>
<td>488,373</td>
<td>489,951</td>
<td>492,554</td>
<td>494,125</td>
<td>494,828</td>
<td>494,753</td>
<td>494,413</td>
<td>493,227</td>
<td>488,780</td>
</tr>
</tbody>
</table>
Hillsdale County’s population is aging. The 65 to 74 and 75+ age cohorts grew faster than the comparison geographies from 2000 to 2008.

Among the 15 to 19 and 20 to 24 age cohorts, Hillsdale County experienced a decline, while all of the comparison geographies experienced an increase.

The two age cohorts that experienced the greatest increase in Hillsdale County are 55 to 64 and 25 to 34.
INCOME

Evaluating a community’s income levels provides a sense for its economic well-being. Also, income levels are important for businesses that rely on discretionary spending. The following will provide data for median household income, per capita income, and households by income.


![Bar chart showing median household income for Hillsdale County, Region, Michigan, and U.S. for 2000 and 2008.]

Source: U.S. Census Bureau, U.S. Bureau of Labor Statistics

When adjusted for inflation, real income growth has actually been negative for all of the comparison geographies. The entire state of Michigan has been severely impacted by stagnant income growth, especially Hillsdale County. The 2008 median household income for Hillsdale County has decreased by nearly 13% when compared to the inflation adjusted value for 2000.
When adjusted for inflation, per capita income values follow the same trend as with median household income.
Hillsdale County has the highest percentage of households for income brackets less than $75,000 and the lowest percentage of households for income brackets more than $75,000.

57.1% of households in Hillsdale County have a total income of less than $50,000.

20.5% of households in Hillsdale County have a total income of more than $75,000.

<table>
<thead>
<tr>
<th>Households by Income: $000s (2008)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $24.9</td>
</tr>
<tr>
<td>Hillsdale County</td>
</tr>
<tr>
<td>Region</td>
</tr>
</tbody>
</table>
HOUSING

The availability and range of home values can be a useful gauge of a community’s lifestyle and affordability.

OCCUPANCY STATUS (2008)

Hillsdale County has the lowest percent of renter occupied housing units, but also has the highest percentage of vacant housing units.

The percentage of owner occupied housing units in Hillsdale County (66.3%) ranks second among the comparison geographies, trailing only the 5-county region by 0.4%.

<table>
<thead>
<tr>
<th>Occupancy Status (2008)</th>
<th>Total</th>
<th>Owner occupied</th>
<th>Renter occupied</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsdale County</td>
<td>21,727</td>
<td>14,401</td>
<td>3,450</td>
<td>3,876</td>
</tr>
<tr>
<td>Region</td>
<td>213,913</td>
<td>142,723</td>
<td>43,019</td>
<td>28,171</td>
</tr>
</tbody>
</table>
Over 30% of the owner occupied housing units in Hillsdale County are in the $50,000 to $99,999 value range, which is more than double the U.S. rate of 14.8%.

The U.S. has 48.2% of its owner occupied housing units valued at or above $200,000 compared to only 19.3% for Hillsdale County.

The 5-county region closely mirrors Hillsdale County, as only the $50,000 to $99,999 value range differs by more than 2.5%.
LABOR MARKET

Among the many site selection factors that affect location decisions, the relative importance of the local/regional labor market and workforce continues to increase. The emergence of the “knowledge economy,” coupled with the increasing role technology plays in manufacturing, has driven the demand for a skilled and educated workforce. This point is exemplified in Area Development Magazine’s annual survey of site selection consultants and corporate real estate executives. Among the twenty-four site selection factors included in the survey, site selection consultants ranked the availability of skilled labor as the 2nd most important site selection factor, and ranked labor costs as the 3rd most important. Corporate real estate executives ranked the availability of skilled labor as the 4th most important, while labor costs were ranked as the 2nd most important.

Labor Market

- Commuting Patterns
- Unemployment Trends
- Wage Rates
- Educational Attainment
Identification of the regional labor market area is the foundation of the labor market analysis. Typically, this is accomplished through an analysis of commuting patterns. County-to-county commuting pattern data are published by the U.S. Census Bureau, where the origin and destination counties of workers are provided. The map below depicts, by county, the percentage of in-commuters to Hillsdale County.

Based on the commuting pattern analysis, this report defines the Hillsdale regional labor market as Branch, Calhoun, Hillsdale, Jackson, and Lenawee Counties. Workers residing in the 5-county regional labor market area (the “Region”) account for more than 97% of those working in Hillsdale County. More than 80% of Hillsdale County’s workers also live in Hillsdale County.
UNEMPLOYMENT TRENDS

Employment trends not only indicate the relative economic health of a community, but also provide an estimate of the available labor force.

AVERAGE ANNUAL UNEMPLOYMENT RATE

Source: Michigan Labor Market Information (LAUS Data)

Annual unemployment rates for the comparison geographies generally follow the same trend from 2003 to 2008. However, Hillsdale County was the only area being analyzed to experience an increase in 2004. In 2006, the U.S. unemployment rate declined, while the other 3 areas all experienced an increase. Although Hillsdale County’s unemployment has consistently been higher than the other areas being analyzed, the gap between them has noticeably increased in 2007 and 2008.

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor Force</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Labor Force</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>22,939</td>
<td>21,193</td>
<td>1,746</td>
<td>244,946</td>
<td>226,729</td>
<td>18,217</td>
</tr>
<tr>
<td>2004</td>
<td>22,459</td>
<td>20,594</td>
<td>1,865</td>
<td>243,817</td>
<td>225,954</td>
<td>17,863</td>
</tr>
<tr>
<td>2005</td>
<td>22,341</td>
<td>20,660</td>
<td>1,681</td>
<td>244,724</td>
<td>227,970</td>
<td>16,754</td>
</tr>
<tr>
<td>2006</td>
<td>22,394</td>
<td>20,673</td>
<td>1,721</td>
<td>244,304</td>
<td>226,817</td>
<td>17,487</td>
</tr>
<tr>
<td>2007</td>
<td>21,872</td>
<td>19,985</td>
<td>1,887</td>
<td>242,094</td>
<td>224,048</td>
<td>18,046</td>
</tr>
<tr>
<td>2008</td>
<td>21,175</td>
<td>18,920</td>
<td>2,255</td>
<td>237,637</td>
<td>216,487</td>
<td>21,150</td>
</tr>
</tbody>
</table>
The aforementioned gap between the higher unemployment rate for Hillsdale County and the lower unemployment rate for the 5-county labor market region has grown in 2009. For 2008, Hillsdale County’s unemployment rate was, on average, 1.75% higher than that of the Region. Through the first 10 months of 2009, the average unemployment rate gap has more than doubled to 3.53%. The unemployment rate for Hillsdale County reached its peak in July 2009 at 20.0%, and has decreased to 16.7% for October.

The table below provides a summary of labor market statistics for Hillsdale County and the Region for October 2009, the most current month for which data are available.

<table>
<thead>
<tr>
<th>October 2009</th>
<th>Labor Force</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsdale County</td>
<td>20,965</td>
<td>17,455</td>
<td>3,510</td>
<td>16.70%</td>
</tr>
<tr>
<td>Labor Market Region</td>
<td>232,453</td>
<td>199,799</td>
<td>32,654</td>
<td>14.0%</td>
</tr>
</tbody>
</table>
The chart above provides the year-over-year quarterly average for total employment in Hillsdale County. From 2003 through the third quarter of 2009, total employment peaked at 21,349 in the second quarter of 2003, and reached its lowest in the third quarter of 2009. The first three quarters of 2009 account for the three lowest employment totals during the study period.

Employment in Hillsdale County exhibits very little seasonal fluctuation from quarter to quarter. The table below listed the high and low employment levels by quarter and year, along with the average quarterly employment for the study period.

<table>
<thead>
<tr>
<th>Quarterly Employment Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
</tr>
<tr>
<td>Q1</td>
</tr>
</tbody>
</table>
The map below depicts the change in total employment, by zip code, for the 5-county labor market region from 2000 to 2007. Data are displayed for a total of 75 zip codes that are either entirely or partially within the boundaries of one or more of the 5 counties.

For the City of Hillsdale’s zip code, 49242, total employment declined by nearly 30% during the study period, for a loss of more than 2,500 jobs. In all, 9 zip codes experienced a loss of more than 1,000 jobs.

There were only 2 zip codes that experienced an employment gain of more than 1,000 jobs. Coldwater (49036) gained 1,412 jobs for an increase of 13.6%. Battle Creek (49014) added 1,111 jobs; however, the other two zip codes for Battle Creek each lost more than 1,000. The resulting net employment loss for Battle Creek (49014, 49015, and 49017) was 3,135.
WAGE RATES

It is important to compare wage rates when evaluating potential locations for business expansion or relocation. This report will focus on average annual wages by industry; however, when responding to an actual project lead, providing wages rates for specific occupations is appropriate.

AVERAGE ANNUAL WAGE BY INDUSTRY (2008)

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Industry</th>
<th>Hillsdale County</th>
<th>Region</th>
<th>Michigan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Total, All Industries</td>
<td>$35,656</td>
<td>$37,495</td>
<td>$43,878</td>
<td>$45,371</td>
</tr>
<tr>
<td>11</td>
<td>Agriculture</td>
<td>$26,134</td>
<td>$25,362</td>
<td>$24,123</td>
<td>$25,986</td>
</tr>
<tr>
<td>21</td>
<td>Mining</td>
<td>N/A²</td>
<td>$50,414</td>
<td>$64,970</td>
<td>$87,160</td>
</tr>
<tr>
<td>22</td>
<td>Utilities</td>
<td>N/A</td>
<td>N/A</td>
<td>$83,710</td>
<td>$84,153</td>
</tr>
<tr>
<td>23</td>
<td>Construction</td>
<td>$31,224</td>
<td>$42,847</td>
<td>$50,629</td>
<td>$49,013</td>
</tr>
<tr>
<td>31-33</td>
<td>Manufacturing</td>
<td>$49,534</td>
<td>$53,601</td>
<td>$59,928</td>
<td>$54,400</td>
</tr>
<tr>
<td>42</td>
<td>Wholesale trade</td>
<td>$40,185</td>
<td>$47,861</td>
<td>$63,635</td>
<td>$61,843</td>
</tr>
<tr>
<td>44-45</td>
<td>Retail trade</td>
<td>$24,174</td>
<td>$22,411</td>
<td>$25,011</td>
<td>$26,179</td>
</tr>
<tr>
<td>48-49</td>
<td>Transportation &amp; warehousing</td>
<td>$33,748</td>
<td>$43,855</td>
<td>$45,017</td>
<td>$42,962</td>
</tr>
<tr>
<td>51</td>
<td>Information</td>
<td>$25,968</td>
<td>$33,806</td>
<td>$57,328</td>
<td>$70,787</td>
</tr>
<tr>
<td>52</td>
<td>Finance &amp; insurance</td>
<td>$34,139</td>
<td>$43,617</td>
<td>$60,143</td>
<td>$85,268</td>
</tr>
<tr>
<td>53</td>
<td>Real estate &amp; rental/leasing</td>
<td>$18,200</td>
<td>$24,432</td>
<td>$33,134</td>
<td>$43,240</td>
</tr>
<tr>
<td>54</td>
<td>Professional &amp; technical services</td>
<td>$39,805</td>
<td>$44,633</td>
<td>$73,865</td>
<td>$74,366</td>
</tr>
<tr>
<td>55</td>
<td>Management of companies</td>
<td>N/A</td>
<td>$111,995</td>
<td>$103,842</td>
<td>$94,841</td>
</tr>
<tr>
<td>56</td>
<td>Administrative &amp; waste services</td>
<td>$38,839</td>
<td>$25,378</td>
<td>$30,982</td>
<td>$32,097</td>
</tr>
<tr>
<td>61</td>
<td>Educational services</td>
<td>N/A</td>
<td>$28,275</td>
<td>$32,275</td>
<td>$40,862</td>
</tr>
<tr>
<td>62</td>
<td>Health care &amp; social assistance</td>
<td>$28,027</td>
<td>$38,610</td>
<td>$42,267</td>
<td>$42,154</td>
</tr>
<tr>
<td>71</td>
<td>Arts, entertainment, &amp; recreation</td>
<td>$13,254</td>
<td>$15,088</td>
<td>$28,501</td>
<td>$31,954</td>
</tr>
<tr>
<td>72</td>
<td>Accommodation &amp; food services</td>
<td>$10,802</td>
<td>$12,189</td>
<td>$13,439</td>
<td>$16,692</td>
</tr>
<tr>
<td>81</td>
<td>Other services⁴</td>
<td>$19,911</td>
<td>$24,677</td>
<td>$27,188</td>
<td>$28,773</td>
</tr>
</tbody>
</table>

Source: Michigan Labor Market Information (QCEW Data)

³ N/A indicates that data were not available due to suppression for confidentiality or were not statistically reliable due to an insufficient sample size.
⁴ The Other Services industry sector includes automotive repair shops, drycleaners, beauty salons, civic/social organizations, and other primarily market serving businesses.
Annual wage rates for Hillsdale County and the Region are relatively similar for many industries. Some notable differences exist in Manufacturing, Professional and Business Services, and Health Care and Social Assistance. When compared to Michigan and the U.S., wage rates for Hillsdale County are even more favorable. Some of the variation is likely attributed to differences in the composition and degree of occupational specialization found within these industry sectors in Hillsdale County, rather than simply earning less for the same job.

**EDUCATIONAL ATTAINMENT**

An educated and skilled workforce can provide a region with a strong competitive advantage when pursuing business attraction opportunities. Many of the fastest growing industries rely on key occupational positions that typically require a college degree. There is also a significant positive correlation between educational attainment and income potential.

**EDUCATIONAL ATTAINMENT (2008)**

Hillsdale County lags all of the comparison geographies for the percentage of individuals with college degrees. While the difference is relatively small when comparing the percentage of individuals with associate degrees, the percentage of individuals in Hillsdale County with a bachelor’s degree or higher is almost half that of the U.S. and more than 10% below Michigan.
The table below summarizes the educational attainment levels for each of the comparison geographies by number and percent.

<table>
<thead>
<tr>
<th>Educational Attainment Level</th>
<th>Hillsdale</th>
<th>Region</th>
<th>Michigan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Percent</td>
<td>Number</td>
<td>Percent</td>
</tr>
<tr>
<td>Not HS Grad</td>
<td>4,435</td>
<td>14.2%</td>
<td>42,970</td>
<td>13.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>824,652</td>
<td>12.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>30,604,174</td>
<td>15.5%</td>
</tr>
<tr>
<td>HS Grad</td>
<td>12,941</td>
<td>41.5%</td>
<td>123,468</td>
<td>37.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,124,148</td>
<td>32.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>58,488,235</td>
<td>29.6%</td>
</tr>
<tr>
<td>Some College, No Degree</td>
<td>7,341</td>
<td>23.6%</td>
<td>80,421</td>
<td>24.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,525,192</td>
<td>23.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>39,756,516</td>
<td>20.1%</td>
</tr>
<tr>
<td>Assoc. Degree</td>
<td>2,025</td>
<td>6.5%</td>
<td>26,453</td>
<td>8.0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>526,386</td>
<td>7.9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>14,723,709</td>
<td>7.4%</td>
</tr>
<tr>
<td>Bach. Degree &amp; Higher</td>
<td>4,427</td>
<td>14.2%</td>
<td>57,383</td>
<td>17.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,637,155</td>
<td>24.7%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>54,221,942</td>
<td>27.4%</td>
</tr>
</tbody>
</table>

The presence of postsecondary educational institutions can increase the attractiveness of a community as a business location in a number of ways. Four-year universities can certainly impact the location decisions within specific industry sectors, such as bioscience or information technology. Businesses can benefit from the research and development activities at universities, as well as from the stream of graduates.

The presence of community colleges and vocational schools has an equally important effect. Community colleges and vocational schools offer a steady supply of graduates and can tailor certification programs to meet the specific training needs of local businesses. In this capacity, community colleges and vocational schools can be an invaluable partner to a local community’s economic development efforts.
The map below depicts 2-year colleges and 4-year universities within 25, 50, and 100 mile radii from the City of Hillsdale. The dots on the map are coded by color (school type) and size (total student enrollment).

There are more than 700,000 total students enrolled among the 165 postsecondary educational institutions depicted in the 100 mile radius from the City of Hillsdale. Of this total, there are almost 14,000 students enrolled within the 25 mile radius. The 50 mile radius has a total student enrollment of almost 36,000, with the remaining 664,000 students attending schools located in the 50 to 100 mile ring.

5 Cosmetology, barber, massotherapy, and seminary schools were excluded from this analysis.
ECONOMIC CLIMATE

The economic climate factor attempts to better understand the composition and health of the local economy, as well as to determine the relative ease or difficulty of conducting business within the area. In assessing the economic climate we considered factors such as the industrial composition, employment growth, and the state and local business climate.

It is important to note that the perception of an area’s business climate and its actual business climate may be different. For example, a company may assume a higher than average level of unionization in Hillsdale County because of its proximity to Detroit. Regardless of the truth about unionization rates in the County, companies that consider above average levels of unionization in a region as a negative factor in terms of locating a facility could nonetheless judge the County’s business climate as unfavorable.
INDUSTRIAL COMPOSITION

Gaining a general knowledge and understanding of a community’s economic base is often an important component in the site selection process. Examining employment by industry sector, as well as the number and size of business establishments, can provide some insight into the overall economic climate of a community.

HILLSDALE COUNTY: EMPLOYMENT BY INDUSTRY SUPERSECTOR (2007)

Hillsdale County’s employment is concentrated among Manufacturing, Trade, Transportation & Utilities, and Education & Health Services. These three Supersectors comprise more than 47% of the County’s employment.

Other Services, Natural Resources & Mining, and Professional & Business Services are all roughly the same size in terms of employment. Together, these three Supersectors comprise more than 25% of the County’s employment.
From 2000 to 2007, the number of business establishments in Hillsdale County declined by 4.1%, while the number of business establishments in the City of Hillsdale declined by 9.3%. Excluding the losses that occurred in the City of Hillsdale, the balance of Hillsdale County increased by one establishment during the study period.

The table below summarizes the year-over-year change in the total number of business establishments.

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th># Chg.</th>
<th>% Chg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsdale County</td>
<td>941</td>
<td>913</td>
<td>898</td>
<td>921</td>
<td>931</td>
<td>930</td>
<td>921</td>
<td>902</td>
<td>-39</td>
<td>-4.1%</td>
</tr>
<tr>
<td>Hillsdale City (49242)</td>
<td>429</td>
<td>408</td>
<td>407</td>
<td>412</td>
<td>410</td>
<td>409</td>
<td>406</td>
<td>389</td>
<td>-40</td>
<td>-9.3%</td>
</tr>
<tr>
<td>Balance of County</td>
<td>512</td>
<td>505</td>
<td>491</td>
<td>509</td>
<td>521</td>
<td>521</td>
<td>515</td>
<td>513</td>
<td>1</td>
<td>0.2%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau (Business Patterns Data)
Hillsdale County experienced a net increase in the number of business establishments in three of the nine employment size categories: 1 to 4 (+1), 50 to 99 (+3), and 1,000+ (+1). The employment size ranges that experienced the greatest decrease in the number of business establishments were 10 to 19 (-13), 20 to 49 (-17), and 100 to 249 (-7).

Within the City of Hillsdale, business establishments in the 1 to 4 and 5 to 9 employment size range accounted for more than 75% of the total decline, whereas the number of business establishments within these same employment size ranges increased in the balance of the County.

The table below summarizes the total number of business establishments in Hillsdale County, by employment size, for 2007.

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>1 to 4</th>
<th>5 to 9</th>
<th>10 to 19</th>
<th>20 to 49</th>
<th>50 to 99</th>
<th>100 to 249</th>
<th>250 to 499</th>
<th>500 to 999</th>
<th>1000+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsdale County</td>
<td>488</td>
<td>209</td>
<td>112</td>
<td>54</td>
<td>20</td>
<td>11</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>902</td>
</tr>
<tr>
<td>Hillsdale City (49242)</td>
<td>194</td>
<td>89</td>
<td>57</td>
<td>29</td>
<td>11</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>389</td>
</tr>
<tr>
<td>Balance of County</td>
<td>294</td>
<td>120</td>
<td>55</td>
<td>25</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>513</td>
</tr>
</tbody>
</table>
EMPLOYMENT GROWTH

When businesses consider locations for expansions or relocations, an important factor to consider is the performance of the local industry sector in which the prospective business operates. If employment has declined, it may be due to a company-specific decision (e.g. consolidation of operating facilities) or due to a general downturn in that specific industry sector. If employment has increased, it may raise concerns about whether the available labor pool is sufficient to meet the company’s workforce needs, both in terms of required skill sets and number of workers.
STATE BUSINESS CLIMATE

The 2009 Forbes State Business Climate rankings were used to compare Michigan to several other Midwest states that would likely compete with Michigan for business expansion and attraction projects. Forbes ranks each state in the following six categories: business costs, labor, regulatory environment, economic climate, growth prospects, and quality of life.

Among the selected comparison states included in the chart above, Michigan ranked last in business costs (39th), economic climate (50th), and growth prospects (50th). Michigan ranked next to last in labor (46th) and quality of life (30th).

Michigan did rank first among the comparison states in the regulatory environment category, and was very competitive in this category nationally (6th).
LOCAL BUSINESS CLIMATE

We believe the local business climate needs improvement. Our assessment of the local business climate is based primarily on information we obtained during our previous trips to the City.

On the night of our project “kick-off meeting,” there was also a City Council meeting. There was much controversy surrounding a proposal to open a pub in the downtown area. Despite the fact that the property was zoned accordingly for this use, the plan was met with substantial resistance, but was ultimately approved by Council. This was the front page story in the newspaper the following morning. At the end of the article, there is a brief mention that a local company was granted an industrial facilities tax abatement for creating 30 new jobs over the next two years.

A second incident involved a local institution’s proposal to redevelop a vacant and/or underutilized property in the downtown area for a residential/mixed use project. Our understanding was that when the City was approached regarding this project, the City seemed unwilling and/or uninterested in moving this project forward.

While we recognize that the two incidents described above may be anomalies, it certainly left an impression on us that the City may not be business friendly.

TRANSPORTATION

A strong regional transportation network can greatly enhance the attractiveness of a potential site in a number of ways. For example, a distribution center project will likely place more emphasis on a site’s proximity to interstate highways, while a branch office facility may be concerned about the availability of flights to its headquarters city. Transportation resources impact not only the movement of goods, but also people, which impacts the labor draw area as well as the ability for management and customers to easily travel to and from a facility from outside the area easily. This category includes various modes of transportation including the highway network, railroads, airports, and navigable waterways.

Transportation

• Highway Network
• Rail/Air/Water
Hillsdale has traditionally been a manufacturing town. The manufacturing industry, relative to other broad industries, tends to depend more heavily on the local/regional transportation network for the delivery of supplies and the distribution of finished products. Given this fact, Hillsdale’s highway network has been sufficient to satisfy local industry demand. However, a stated proximity to an interstate highway is often a requirement for manufacturing site selection projects, especially for manufacturing, warehousing, and distribution projects. Although Hillsdale has relatively easy access to interstates 69, 80, and 94, it may not necessarily appear so to someone lacking local knowledge of the secondary highways, such as State Route 99. A description of the secondary highways (e.g. limited access, four-lanes, and speed limits) should be included when discussing Hillsdale’s proximity to an interstate highway.
The Indiana Northeastern short-line railroad runs through the City of Hillsdale.\textsuperscript{6} Formerly known as the Hillsdale County Railway (labeled on map as “HCRC”), the Indiana Northeastern operates 130 miles of track located in Michigan, Ohio, and Indiana, and offers a connection to Norfolk Southern. Short-line railroads can be a tremendous asset to local manufacturers as they can negotiate better rates with Class 1 carriers (e.g. Norfolk Southern) for their customers.

Commercial air service is accessible at Detroit Metro Airport\textsuperscript{7} and Toledo Express Airport\textsuperscript{8}.

The Detroit/Wayne County Port Authority\textsuperscript{9} has port terminals that offer dry and liquid bulk cargo services. A number of railroads have connections to the port terminals.

\textsuperscript{6} For more information, please visit: http://www.indiananortheasternrailroad.com/
\textsuperscript{7} For more information, please visit: http://www.metroairport.com/
\textsuperscript{8} For more information, please visit: http://www.flytoledoexpress.com/
\textsuperscript{9} For more information, please visit: http://www.portdetroit.com/
Utility (electric, gas, water, sewer, telecom/data) information can be extremely valuable to the site selection process. Depending on the requirements of the potential end user, the site's service capacity for one or more utilities may be critical. Knowing what's available currently, as well as what the expansion options are can put a local community in a strong position.

**UTILITY SERVICE**

Electric, water and wastewater (i.e. sewer) services in the City of Hillsdale (and portions of the County) are provided by the Hillsdale Board of Public Utilities, a municipally owned and operated utility provider. The availability and capacity of utility services appears to be adequate to meet the needs of most businesses in the manufacturing and commercial industry sectors. For all available industrial and commercial properties, the capacity of the following utilities should be clearly shown on site/building marketing materials (including online listings). Any cost advantages should also be promoted.

Electricity:

- Highly reliable looped system with local generation available
- Distribution primary voltage is 13.2 KV
- Able to meet any necessary secondary voltage
- Additional generation will soon be added to the Hillsdale Industrial Park to provide peak and backup power generation capabilities. The total electric service capacity should be identified for the industrial park and marketed along with other key site information.

Water Production and Distribution:

- Looped system with 12-inch primary mains
- Water comes from deep and abundant aquifers – 6 wells capable of delivering 3.5 MGD
- Two water towers (one million gallon tower in the Industrial Park)
- Current use is approximately 60% of capacity
- System pressure is approximately 70 psi
- Water hardness – 360 mg/l
Wastewater Collection and Treatment:

- Sewer mains are 8-inch or larger
- Activated sludge treatment facility
- Current wastewater plant is operating at less than 50% of maximum capacity

Natural Gas:

- Operated and distributed by Michigan Gas Utilities
- 4-inch mains provide medium pressure (up to 50 lbs.)
- Capacity should be stated clearly (e.g. cubic feet per hour or CFH)

Telephone and Data Communication:

- AT&T operates the local exchange
- Digital circuits and high-capacity services available
- Comcast provides high-speed cable modem service
- SBC provides high-speed DSL service
- Free Wi-Fi is available throughout the downtown area

**UTILITY COST**

Overall, utility costs for commercial users appear to be very competitive with other locations in the region that could compete for business expansion/location projects. The BPU should prepare a detailed rate comparison chart and/or map showing the cost savings within their service territory relative to other locations in the region outside their service territory.
QUALITY OF LIFE

This category comprises a wide array of factors that generally impact quality of life within a region. While quality of life has become increasingly important in the site selection process, it is rarely viewed as a driving factor in making location decisions. Quality of life is typically more important when workers are being relocated to a new community. In order to retain its existing workforce, a business will attempt to find a location that offers a similar or better quality of life than its former location afforded. When the workforce needs of the client will be addressed primarily through the local population, quality of life tends to be less important since the local quality of life is already known to the existing workforce. Among younger workers, there has been a trend away from moving to a job and towards moving to a place.

CULTURAL/RECREATIONAL

Hillsdale offers an abundance of outdoor recreational activities, particularly fishing and boating opportunities on one of many lakes located within the County.

The Sage Center for the Arts at Hillsdale College features an auditorium for theatrical performances, as well as an art gallery.

Hillsdale’s proximity to major cities (1.5 hours to Toledo and Ft. Wayne; 2 hours to Detroit) offers residents access to a variety of the cultural and recreational amenities.

HEALTH CARE FACILITIES

The Hillsdale Community Health Center\(^\text{10}\) is located in the City of Hillsdale, and is the only acute care hospital in Hillsdale County.

The University of Michigan Hospitals and Health Centers in Ann Arbor, which is nationally ranked as the 13\(^\text{th}\) best overall hospital by U.S. News & World Report\(^\text{11}\), is within a 1.5 hour drive from Hillsdale.

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\(^{10}\) For more detailed information about the services offered, please visit: [http://www.hchc.com/](http://www.hchc.com/)

SECONDARY EDUCATION

The Hillsdale Community Schools system has consistently met its Adequate Yearly Progress goals, and has received “Excellence in Education” awards for 2008 and 2009\textsuperscript{12}.

The City of Hillsdale is also home to the Hillsdale Preparatory School, a public charter school. The Hillsdale Academy, which is affiliated with Hillsdale College, provides a rigorous academic environment for its students.

The table below provides a list of the schools in the City of Hillsdale by grade levels served.

<table>
<thead>
<tr>
<th>District/Type</th>
<th>School</th>
<th>Grade Level</th>
<th>Met AYP</th>
<th>Composite Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hillsdale Community Schools</td>
<td>Mauck Elementary</td>
<td>Kindergarten</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Bailey Elementary</td>
<td>1 &amp; 2</td>
<td>Yes</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>Gier Elementary</td>
<td>3 through 5</td>
<td>Yes</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>Davis Middle</td>
<td>6 through 8</td>
<td>Yes</td>
<td>B</td>
</tr>
<tr>
<td></td>
<td>Hillsdale High</td>
<td>9 through 12</td>
<td>Yes</td>
<td>B</td>
</tr>
<tr>
<td>Charter School</td>
<td>Hillsdale Preparatory</td>
<td>K through 8</td>
<td>Yes</td>
<td>B</td>
</tr>
<tr>
<td>Private</td>
<td>Hillsdale Academy</td>
<td>K through 12</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

\textsuperscript{12} Source: \url{www.hillsdaleschools.org}
COST OF LIVING

Cost of living indices attempt to quantify the difference in prices for goods and services among geographic regions. These data are often used to compare what the amount of goods and services an individual could afford with their same salary in another geographic region.

Hillsdale County’s composite cost of living index score is 76, which means that, relative to the U.S. average, Hillsdale County is 24% less expensive. Hillsdale also compares favorably to sample of rural counties from nearby states.

Source: Sperling’s Best Places
TAX BURDEN

Tax burden is an important category for virtually every industry sector. Property tax, sales tax, income tax, and other business taxes typically amount to a significant proportion of the operating expenses of companies. However, due to the complexity of estimating future taxes and particularly income/franchise taxes, we have found that companies often rely on a general evaluation of a State's tax burden, rather than actually attempting to estimate the future tax. Often, site selection consultants provide income/franchise tax rate comparisons in their analysis as an indicator of income tax burden. In addition, site selection consultants tend to focus on indirect taxes such as real and/or personal property and sales taxes, which can be calculated with relative ease and accuracy. Although comparing rates is flawed due to differences in tax bases and calculations, in the absence of a comprehensive tax burden calculation, it is often the best information a company has to rely on.

We have also found that companies often are more focused on the incentives available to offset taxes than on the amount of the taxes themselves due to the fact that the incentives savings can be easily quantified while taxes cannot. We have found that the best incentives are tailored to address a particular weakness of a site. For example, a training grant may be enticing to a company if workforce quality is perceived to be a hindrance, or the utilization of tax increment financing may be critical if infrastructure improvements are needed.
LOCAL TAXES

2009 Hillsdale County Millage Rates

<table>
<thead>
<tr>
<th>Township</th>
<th>Ind-Personal Rate</th>
<th>Com-Personal Rate</th>
<th>P.R.E. Rate</th>
<th>Non-P.R.E. Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hillsdale Community</td>
<td>15.5918</td>
<td>27.5918</td>
<td>21.5918</td>
<td>39.5918</td>
</tr>
<tr>
<td>Joleneville Community</td>
<td>19.4313</td>
<td>31.4313</td>
<td>25.4313</td>
<td>43.4313</td>
</tr>
<tr>
<td>Pittsford Area</td>
<td>14.4884</td>
<td>25.0000</td>
<td>20.4884</td>
<td>38.0000</td>
</tr>
<tr>
<td>Allen Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hillsdale Community</td>
<td>15.4359</td>
<td>27.4359</td>
<td>21.4359</td>
<td>39.4359</td>
</tr>
<tr>
<td>Joleneville Community</td>
<td>19.2651</td>
<td>31.2651</td>
<td>25.2651</td>
<td>43.2651</td>
</tr>
<tr>
<td>Quincy Community</td>
<td>19.3561</td>
<td>30.7801</td>
<td>25.3561</td>
<td>42.3561</td>
</tr>
<tr>
<td>Reading Community</td>
<td>15.8881</td>
<td>27.8881</td>
<td>21.8881</td>
<td>39.8881</td>
</tr>
<tr>
<td>Amboy Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camden-Frontier</td>
<td>16.0436</td>
<td>28.0436</td>
<td>22.0436</td>
<td>40.0436</td>
</tr>
<tr>
<td>Waldron Area</td>
<td>13.5694</td>
<td>25.5694</td>
<td>19.5694</td>
<td>37.5694</td>
</tr>
<tr>
<td>Cambria Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camden-Frontier</td>
<td>15.3632</td>
<td>27.3632</td>
<td>21.3632</td>
<td>39.3632</td>
</tr>
<tr>
<td>Hillsdale Community</td>
<td>15.2545</td>
<td>27.2545</td>
<td>21.2545</td>
<td>39.2545</td>
</tr>
<tr>
<td>Reading Community</td>
<td>15.9709</td>
<td>27.9709</td>
<td>21.9709</td>
<td>39.9709</td>
</tr>
<tr>
<td>Camden Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camden-Frontier</td>
<td>16.8807</td>
<td>28.8807</td>
<td>22.8807</td>
<td>40.8807</td>
</tr>
<tr>
<td>Reading Community</td>
<td>17.0335</td>
<td>29.0335</td>
<td>23.0335</td>
<td>41.0335</td>
</tr>
<tr>
<td>Fayette Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hillsdale Community</td>
<td>16.5427</td>
<td>28.5427</td>
<td>22.5427</td>
<td>40.5427</td>
</tr>
<tr>
<td>Joleneville Community</td>
<td>20.3654</td>
<td>32.3654</td>
<td>26.3654</td>
<td>44.3654</td>
</tr>
<tr>
<td>Hillsdale Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hillsdale Community</td>
<td>15.5169</td>
<td>27.5169</td>
<td>21.5169</td>
<td>39.5169</td>
</tr>
<tr>
<td>Joleneville Community</td>
<td>19.3379</td>
<td>31.3379</td>
<td>25.3379</td>
<td>43.3379</td>
</tr>
<tr>
<td>Jefferson Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Camden-Frontier</td>
<td>15.2913</td>
<td>27.2913</td>
<td>21.2913</td>
<td>39.2913</td>
</tr>
<tr>
<td>Pittsford Area</td>
<td>14.3895</td>
<td>26.0717</td>
<td>20.3695</td>
<td>38.0717</td>
</tr>
<tr>
<td>Litchfield Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kriston Community</td>
<td>26.3855</td>
<td>38.3855</td>
<td>32.3855</td>
<td>60.3855</td>
</tr>
<tr>
<td>Joleneville Community</td>
<td>23.3658</td>
<td>35.2964</td>
<td>29.2964</td>
<td>47.2964</td>
</tr>
<tr>
<td>Quincy Community</td>
<td>23.5753</td>
<td>34.9104</td>
<td>29.5753</td>
<td>46.9104</td>
</tr>
<tr>
<td>Moscow Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hanover-Horton</td>
<td>20.4035</td>
<td>32.4035</td>
<td>26.4035</td>
<td>44.4035</td>
</tr>
<tr>
<td>Joleneville Community</td>
<td>19.3280</td>
<td>31.3280</td>
<td>25.3280</td>
<td>43.3280</td>
</tr>
<tr>
<td>Pittsford Township</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hudson Area</td>
<td>18.1177</td>
<td>29.9585</td>
<td>24.1177</td>
<td>41.1177</td>
</tr>
<tr>
<td>Pittsford Area</td>
<td>15.3257</td>
<td>27.9549</td>
<td>21.3257</td>
<td>38.9549</td>
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<tr>
<td>Ransom Township</td>
<td></td>
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<tr>
<td>Camden-Frontier</td>
<td>15.3057</td>
<td>27.3057</td>
<td>21.3057</td>
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<tr>
<td>Pittsford Area</td>
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<td>20.3855</td>
<td>38.0558</td>
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<tr>
<td>Waldron Area</td>
<td>12.8032</td>
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<td>18.8032</td>
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<tr>
<td>Reading Township</td>
<td></td>
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<tr>
<td>Reading Community</td>
<td>15.8379</td>
<td>27.8379</td>
<td>21.8379</td>
<td>39.8379</td>
</tr>
</tbody>
</table>

Hillsdale Board of Public Utilities – Economic Development Strategic Plan

Created by: Hillsdale County Equalization

11/20/2009

Note: Some, but not all, Townships, Cities and Villages add a 1% administration fee to the total taxes due.

Note 3: Many Parcels have additional fees or special assessments such as sewer, water and road improvements.
STATE TAXES

The table below compares Michigan to the same set of states included in the review of the state business climate. The state rankings are from the Tax Foundation’s 2010 State Business Tax Climate Index. Michigan was ranked as having the 17th best overall state business tax climate. However, Michigan ranked near the bottom (48th) in the Corporate Tax category, as well as the Unemployment Insurance category (45th).

<table>
<thead>
<tr>
<th>State</th>
<th>Overall</th>
<th>Corporate Tax</th>
<th>Individual Income Tax</th>
<th>Sales Tax</th>
<th>Unemployment Insurance</th>
<th>Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiana</td>
<td>12</td>
<td>21</td>
<td>11</td>
<td>20</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Michigan</td>
<td>17</td>
<td>48</td>
<td>15</td>
<td>9</td>
<td>45</td>
<td>33</td>
</tr>
<tr>
<td>Kentucky</td>
<td>20</td>
<td>42</td>
<td>32</td>
<td>7</td>
<td>36</td>
<td>19</td>
</tr>
<tr>
<td>Illinois</td>
<td>30</td>
<td>27</td>
<td>10</td>
<td>41</td>
<td>46</td>
<td>39</td>
</tr>
<tr>
<td>Iowa</td>
<td>46</td>
<td>45</td>
<td>42</td>
<td>33</td>
<td>33</td>
<td>31</td>
</tr>
<tr>
<td>Ohio</td>
<td>47</td>
<td>38</td>
<td>46</td>
<td>37</td>
<td>10</td>
<td>49</td>
</tr>
</tbody>
</table>

The table below is summarizes the recently enacted state tax changes.

<table>
<thead>
<tr>
<th>Michigan Business Tax Highlights</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Income Tax</td>
<td>4.95%</td>
</tr>
<tr>
<td>Gross Receipts Tax</td>
<td>0.80%</td>
</tr>
<tr>
<td>Surcharge: Applied to apportioned income and gross receipts tax before credits</td>
<td>21.99%</td>
</tr>
<tr>
<td>Apportionment Factor</td>
<td>100% Sales</td>
</tr>
<tr>
<td>Filing Threshold</td>
<td>$350k</td>
</tr>
<tr>
<td>Investment Tax Credit¹</td>
<td>2.9 %²</td>
</tr>
<tr>
<td>Compensation Credit¹</td>
<td>0.37%²</td>
</tr>
<tr>
<td>R&amp;D Credit¹</td>
<td>1.9%²</td>
</tr>
<tr>
<td>Industrial Personal Property Tax Credit³</td>
<td>35%</td>
</tr>
</tbody>
</table>

1. The combined ITC and Compensation Credit cannot exceed 50% of tax liability in 2008 and 52% in tax years thereafter. The combined ITC, Compensation Credit, and R&D credit cannot exceed 65% of liability in 2008 and beyond.

2. These are the permanent credit ratios beginning in 2009. Initially, the 2008 credits are lower—the ITC at 2.32%, the Compensation Credit at .296%, and R&D Credit at 1.52%.

3. Not available on leased personal property

Source: Michigan Economic Development Corporation
LOCAL INCENTIVES

The City’s website mentions the following incentives: the Neighborhood Enterprise Zone, the Downtown Façade Improvement Grant, and the Rental Rehabilitation Program. The City’s Tax Increment Financing Authority can exercise its powers within the downtown area to acquire and rehabilitate property, issue revenue bonds, and implement tax increment financing plans.

Within the municipally owned Hillsdale Industrial Park, the City will negotiate land prices, and in some instances, provide a rebate on a portion of the land purchase price for landscaping. Additionally, there is a county-wide policy of providing a 12-year, 50% property tax abatement.13

Although the following are not “incentives,” the low cost of developable land and the absence of a city/county income tax certainly improve the City’s competitiveness.

STATE INCENTIVES

The following provides a general overview of Michigan’s key state-level incentive program types.14

- MEGA
- Site development and infrastructure grants
- Tax-exempt bonds
- Venture capital funds
- Angel investors
- New markets tax credits
- Job training programs
- 21st Century jobs fund

REAL ESTATE

In many instances, having a site or building that meets a company’s search criteria is the initial test that a community must pass to garner serious consideration for a project. If a building/site meets the search criteria, then a community’s ability to provide as many relevant details as possible about the characteristics and suitability of an available site or building only enhances a community’s standing in the site selection process by mitigating the risk that unknown challenges will surface.

13 Source: Michigan Economic Development Corporation, Hillsdale Industrial Park brochure
Most companies are looking for sites or buildings that are shovel or occupancy ready and cannot wait for infrastructure improvements to be made. We have seen many otherwise good sites passed over because a key infrastructure component is missing. To address this, a number of states have begun to certify and market “development ready” sites. For sites that are less ready for development, in advance of a potential project, it is extremely important to identify what improvements need to be made, how long they will take, what they will cost and how to fund the necessary improvements.

Generally in a site selection analysis, the availability and the cost of appropriately zoned and improved land or buildings is assessed. Since companies typically expect to begin construction shortly after selecting a site, little time is available for land assembly and improvement. Therefore, the availability of an appropriate site is an important location factor.

### AVAILABLE SITES

The Hillsdale Industrial Park is the primary site for industrial development in the City. A brief description of the Hillsdale Industrial Park is available on the City’s website. A more detailed description was located on the MEDC SelectSites webpage.

The downloadable PDF document found on SelectSites clearly features the relevant details and features of the Hillsdale Industrial Park.

### AVAILABLE BUILDINGS

Based on driving tours of the City, there are a number of available buildings in the downtown area. We also noticed several industrial buildings that appeared to be vacant, but lacked any signage indicating whether they were available for sale or lease. Most of the vacant industrial buildings appeared to be in relatively good condition from the outside. It is our understanding that some of these buildings may be involved in bankruptcy proceedings or may not be available for other reasons. Although these buildings may not be considered “available,” it is important to maintain a current inventory of these properties that includes their availability status.
The following seven available buildings are currently listed on the Hillsdale County Economic Development Partnership’s website.

**Building #2**
City: Hillsdale 410 N. Hillsdale St. Hillsdale MI
Description: 16,600 SQ Ft.
6,600 SQ Ft. Heated, Lighted, Wired for MFG with 12’ ceilings
9,000 SQ Ft. Warehouse Lighted, 110 Electric Space with 14’ Ceilings
800 SQ Ft. Office Space
Utilities: Hillsdale BPU and Water Well Electrical 220 3PH
Parking for 20+ Cars, Truck dock with 2 entrance doors, 2 drive in doors (7x10), 2 air compressors.
Building Design would allow for several different splits for lease purposes. Owner will look at all lease proposals.
Call 437-4469 for further information

**Building #4**
City: Hillsdale
Description: Combined 147,575 Sq Ft. older industrial building (main building 130,000 Sq. ft, out buildings 11,500 sq. ft. & 6088 sq. ft.) Ceiling heights to 35 ft. For partial lease only.

**Building #7**
City: Hillsdale
Location: 215 Uran Street, Hillsdale, MI
FOR LEASE, 2 buildings (building #7 & building #8)
215 Uran Street, Hillsdale, MI
Description: Warehouse 'A' - 12,000 sf, metal building, heated & cooled, 2 drive-in doors, 2 loading docks, 480 volt service/3 phase electric, ceiling height is 16 ft clear. Available for immediate occupancy. Contact Greg Watson for further details at: business phone: 517-439-9313 or cell phone: 517-398-1276

**Building #8**
City: Hillsdale
Location: 215 Uran Street, Hillsdale, MI
FOR LEASE, 2 buildings (building #7 & building #8)
Description: Warehouse 'B' - 14,600 sf, 1/2 cold storage, 1/2 heated & cooled, metal building, 2 drive-in doors, one loading dock, industrial electric, ceiling height 16ft clear. Available for immediate occupancy. Contact Greg Watson for further details at: business phone: 517-439-9313 or cell phone: 517-398-1276
Building #11
City: Hillsdale
Location: 29 Superior Street
FOR SALE ONLY!
Realtor: Craig Mercier, Phone # 248-637-9700

Building #13
City: Hillsdale
Location: 181 Uran Street, Industrial Park
SALE or LEASE: Built in 1982. Steel construction. 10,000 s.f. sprinkled manufacturing space.
Loading docks and ground level access. Contact Century 21, Brad Densmore at 517-523-2429

Building #14
City: Hillsdale
Location: 260 Industrial Drive, Industrial Park
SUMMARY

Based on our analysis, each location factor considered has been scored and plotted on the chart below. Location factors with scores ranging from 8 to 10 represent areas where Hillsdale has a competitive advantage. Scores ranging from 5 to 7 represent location factors where Hillsdale is generally sufficient. Location factors with scores of 4 or less represent areas where improvement is needed for Hillsdale to become more competitive.
The primary goal of this target industry analysis is to identify industry sectors that will strengthen and diversify the City’s economic base. Our approach builds on economic base theory, which argues that there are certain competitive advantages that exist within a region that have led to, or could lead to, the development of particular industry clusters. This target industry analysis will identify key competitive and emerging industry sectors within Hillsdale County and the Region.

Key competitive industries are currently strong within Hillsdale County and/or the Region. In recommending these industries, we are looking to enhance the best performing, and strategically important, elements of the regional economy. The City should actively work to retain and assist the expansion of existing companies within these industry sectors.

Emerging industries may be new to the regional economy or represent a relatively small percentage of the existing economic profile of the region. In recommending these industries, we are looking to capitalize upon positive industry trends and enhance the City’s strengths. The City should actively seek to attract new companies to the City within these industry sectors.

We implemented a four-phased selection screening process to indentify key competitive and target industry sectors. Our analysis begins by examining broad industries (e.g. manufacturing) and then focuses on specific industry sectors (e.g. motor vehicle parts manufacturing). We use a collection of economic performance measures to reveal a picture of the region’s industries, which include the following analyses:

1. Calculating the concentration, by industry sector, of industry sectors in Hillsdale County relative to the U.S.
2. Determining the competitiveness of industry sectors in Hillsdale County relative to the U.S.
3. Analyzing national industry growth projections, for the time period 2006 to 2016, including output, employment, and productivity
4. Examining the employment multipliers of industry sectors in Hillsdale County

Data for these analyses were obtained from the U.S. Bureau of Labor Statistics, the U.S. Census Bureau, and the Minnesota IMPLAN Group.
REGIONAL CONCENTRATION – LOCATION QUOTIENT ANALYSIS

A location quotient measures the degree to which an industry is concentrated or specialized in a region relative to the nation. A location quotient of less than one (1.00) indicates the industry is less concentrated in the region than in the nation, while a value of one (1.00) indicates an equal concentration. A value greater than one (1.00) indicates the industry is more concentrated in the region than in the nation. Typically, industry employment is used as the input.

The location quotient can also be used as a substitute measure for exports. It is generally assumed that an industry with a location quotient of 1.00 is producing enough output to satisfy regional demand, and that there is very little importing or exporting of that industry’s products. If an industry has a location quotient less than 1.00, it is assumed that local demand is not met by regional employment, which leads to importing. If the location quotient is greater than 1.00, it is assumed that not all the product is consumed locally and that some of the industry’s employees are producing goods or services for export. Export industries are important as they create new money flows in a regional economy and generally have higher employment multipliers.

Two caveats are needed as part of this study. First, if a location quotient is higher or lower than 1.00 it may be indicative of local conditions, not exporting or importing. For example, there may be fewer auto body shops in warmer climates, so this industry will have a location quotient of less than 1.00. This does not mean that body shop services are imported, only that unique local conditions mean that vehicles rust less and, therefore, require less of these services. Similarly, a relatively older population, and not the exporting of nursing care to other regions, may drive a high location quotient in nursing homes within the region.

The second caveat is that in all regional economies, some level of imports and exports of a product may occur simply due to consumer preferences. For example, a region with a location quotient of 0.8 for the ice cream industry would appear to be importing some of its consumption. But in all likelihood, some “cross-hauling” would occur and ice cream produced locally would be sold in other regions and other regions’ ice cream would be consumed locally.

A bubble chart is commonly used to depict a location quotient analysis. The ideal location for bubbles is the upper-right quadrant, which would indicate both a regional concentration higher than the nation as well as employment growth. Bubbles in the lower-right quadrant could be classified as “emerging” industries. These industries have demonstrated employment growth, but are currently less concentrated within the region than the nation. The upper-left quadrant contains industries that are concentrated within the region, but have lost
employment during the study period. Industries found in the lower-left quadrant of the bubble chart are less concentrated in the region than the nation, and are experiencing negative employment growth.

The location quotient analysis for this report will be used to identify both key competitive and emerging industries. To be considered a key competitive industry, it must have a location quotient greater than 1.00. Emerging industries will have a location quotient of less than 1.00, but will have experienced a growth in employment during the study period, as well as an increase in location quotient.

The bubble chart below depicts the NAICS\textsuperscript{15} Supersectors\textsuperscript{16} for Hillsdale County. The vertical Y-axis represents each industry’s 2007 location quotient, while the horizontal X-axis represents each industry’s percentage change in employment from 2001 to 2007. The size of the bubble corresponds to the overall size of each industry in terms of total employment for 2007.

\textsuperscript{15} The U.S. Census Bureau defines all industry sectors according to the North American Industry Classification System\textsuperscript{15} (NAICS). NAICS is a hierarchical system that ranges from two digits to six digits, with a six-digit code being the most specific. For example, “23” is the NAICS code for the Construction industry, while “238110” represents “Poured Concrete Foundation and Structure Contractors.”

\textsuperscript{16} The U.S. Economic Classification Policy Committee aggregated NAICS two-digit industry sectors into groupings called “Supersectors” for use in the Current Employment Statistics program of the U.S. Bureau of Labor Statistics.
The table below ranks the industry Supersectors, in descending order, by location quotient.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources and Mining</td>
<td>1,559</td>
<td>-30.86%</td>
<td>5.17</td>
<td>-16.98%</td>
</tr>
<tr>
<td>Other Services</td>
<td>1,669</td>
<td>5.63%</td>
<td>2.28</td>
<td>28.73%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3,672</td>
<td>-41.49%</td>
<td>1.61</td>
<td>-10.88%</td>
</tr>
<tr>
<td><strong>Total, all industries</strong></td>
<td><strong>18,815</strong></td>
<td><strong>-18.88%</strong></td>
<td><strong>1.00</strong></td>
<td><strong>0.00%</strong></td>
</tr>
<tr>
<td>Education and Health Services</td>
<td>2,458</td>
<td>-6.68%</td>
<td>0.85</td>
<td>2.21%</td>
</tr>
<tr>
<td>Construction</td>
<td>855</td>
<td>-34.63%</td>
<td>0.69</td>
<td>-24.72%</td>
</tr>
<tr>
<td>Trade, Transportation, and Utilities</td>
<td>2,754</td>
<td>-12.63%</td>
<td>0.63</td>
<td>9.41%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>738</td>
<td>-32.29%</td>
<td>0.55</td>
<td>-17.93%</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>1,530</td>
<td>67.03%</td>
<td>0.52</td>
<td>96.32%</td>
</tr>
<tr>
<td>Information</td>
<td>202</td>
<td>-14.77%</td>
<td>0.40</td>
<td>29.94%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>836</td>
<td>-29.75%</td>
<td>0.38</td>
<td>-19.44%</td>
</tr>
</tbody>
</table>

Based on the aforementioned selection screening criteria, the location quotient analysis has identified the following industries:

**Key Competitive**
- Natural Resources & Mining
- Manufacturing
- Other Services

**Emerging**
- Trade, Trans & Utilities
- Information
- Prof & Biz Services
- Education & Health
REGIONAL COMPETITIVENESS – SHIFT-SHARE ANALYSIS

Shift-share analysis disaggregates the causes of regional employment change into three components: national effect, industry mix effect, and regional competitive effect. The national effect represents the change accounted for by the overall change in employment in the U.S. For example, if, during the period under consideration, the nation’s total employment grew by 5%, then the national effect component of the shift-share analysis would be equal to a 5% increase. The industry mix effect represents the change that is accounted for by the overall change in employment within a particular industry. For example, if the overall employment within an industry being analyzed grew by 10%, then the industry mix effect component of the shift-share analysis would be equal to 10%. By combining these two components, we arrive at the expected change in employment within an industry in the region; however, it is rarely the case that this expected change is equal to the actual change. This difference is assumed to be attributable to the final component of the analysis, referred to as the regional competitive effect. While shift-share analysis indicates whether a competitive advantage exists within a region for a given industry sector, it does not directly identify the cause(s) of any advantages or disadvantages.

The chart below plots the change in employment for industry Supersectors in Hillsdale County, from 2001 to 2007. The selection screening process for the Shift-Share Analysis is whether an industry has a positive Regional Effect value and/or employment growth.

Source: Minnesota IMPLAN Group, Inc.
## Employment Change by Shift-Share Component (2001-2007)

<table>
<thead>
<tr>
<th>Industry</th>
<th>National Share</th>
<th>Industry Mix</th>
<th>Regional Effect</th>
<th>Net Employment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>39</td>
<td>-47</td>
<td>621</td>
<td>614</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>113</td>
<td>-345</td>
<td>55</td>
<td>-176</td>
</tr>
<tr>
<td>Other Services</td>
<td>68</td>
<td>-19</td>
<td>40</td>
<td>89</td>
</tr>
<tr>
<td>Information</td>
<td>10</td>
<td>47</td>
<td>-93</td>
<td>-35</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>51</td>
<td>-93</td>
<td>-312</td>
<td>-354</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>47</td>
<td>-19</td>
<td>-380</td>
<td>-352</td>
</tr>
<tr>
<td>Construction</td>
<td>56</td>
<td>-96</td>
<td>-413</td>
<td>-453</td>
</tr>
<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>136</td>
<td>51</td>
<td>-585</td>
<td>-398</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>97</td>
<td>-63</td>
<td>-730</td>
<td>-696</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>270</td>
<td>1,248</td>
<td>-4,122</td>
<td>-2,604</td>
</tr>
<tr>
<td><strong>Total, all industries</strong></td>
<td><strong>999</strong></td>
<td><strong>0</strong></td>
<td><strong>-5,379</strong></td>
<td><strong>-4,380</strong></td>
</tr>
</tbody>
</table>

The table above ranks the industry Supersectors in descending order based on total employment change from 2001 to 2007. Professional & Business Services, Education & Health Services, and Other Services all demonstrated a positive Regional Effect. The dominant shift-share component accounting for employment growth in Professional & Business Services was the Regional Effect. Employment growth in Other Services was attributable to both the National Share and the Regional Effect. Although Education & Health Services demonstrated a positive Regional Effect, it experienced a net employment loss during the study period due to the negative Industry Mix.

The shift-share analysis for manufacturing is depicted separately (at left) from the above chart. Manufacturing experienced the largest decline in employment of any industry Supersector, accounting for nearly 60% of the total employment loss in Hillsdale County.
Based on the aforementioned selection screening criteria, the shift-share analysis has identified the following industries:

Positive Regional Effect
- Prof & Biz Services
- Education & Health
- Other Services

**INDUSTRY GROWTH PROJECTIONS**

Changing the economic trajectory of a community or region is often a lengthy process. From the initial groundbreaking ceremony, a business expansion project can take more than a year to complete, depending on the size and complexity of the project. Similarly, business attraction efforts may be underway for several years before that big fish is reeled in. Silverlode’s target industry identification process takes into account the length of the economic development project timeline. Accordingly, this target industry analysis examines the longer-term prospects for various industry sectors so that the resulting recommendations do not quickly become “out-of-date.”

Every two years, the U.S. Bureau of Labor Statistics (BLS) calculates employment projections by occupation and industry, as well as for industry output. The BLS only produces industry projections at the national level. The most recently published BLS projections were released in November 2007. The base year is 2006, and projections are for 2016.

The table below includes the projected change in output, employment, and productivity\(^ {17}\) for each of the industry Supersectors. An index score was then calculated for each of these industry factors. The index values represent the ratio of an industry Supersector’s projected change relative to that of the total projected change for all industries. For example, the employment index score of 2.26 for Professional & Business Services means that this industry Supersector is projected to add jobs at more than twice the rate as the economy as a whole. The three index scores were added together to arrive at the Composite Growth Index (CGI) Score. Industry Supersectors are ranked below, in descending order, according to their CGI Score (far right column).

---

\(^ {17}\) Productivity was calculated as total industry output divided by total hours worked.
The selection screening criteria for this analysis is a CGI score of greater than 3.00.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Output % Change</th>
<th>Employment % Change</th>
<th>Productivity % Change</th>
<th>Output Index</th>
<th>Employment Index</th>
<th>Productivity Index</th>
<th>Index Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>107.61%</td>
<td>23.66%</td>
<td>68.39%</td>
<td>1.58</td>
<td>2.26</td>
<td>1.27</td>
<td>5.11</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>87.08%</td>
<td>24.80%</td>
<td>49.13%</td>
<td>1.28</td>
<td>2.37</td>
<td>0.91</td>
<td>4.56</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>92.18%</td>
<td>14.52%</td>
<td>66.98%</td>
<td>1.35</td>
<td>1.39</td>
<td>1.24</td>
<td>3.98</td>
</tr>
<tr>
<td>Information</td>
<td>103.55%</td>
<td>7.31%</td>
<td>87.32%</td>
<td>1.52</td>
<td>0.70</td>
<td>1.62</td>
<td>3.84</td>
</tr>
<tr>
<td>Other services</td>
<td>69.47%</td>
<td>12.88%</td>
<td>53.26%</td>
<td>1.02</td>
<td>1.23</td>
<td>0.99</td>
<td>3.24</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>68.27%</td>
<td>13.72%</td>
<td>47.79%</td>
<td>1.00</td>
<td>1.31</td>
<td>0.89</td>
<td>3.20</td>
</tr>
<tr>
<td>Total, all industries</td>
<td>68.26%</td>
<td>10.46%</td>
<td>53.93%</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>70.32%</td>
<td>6.63%</td>
<td>64.86%</td>
<td>1.03</td>
<td>0.63</td>
<td>1.20</td>
<td>2.87</td>
</tr>
<tr>
<td>Construction</td>
<td>64.76%</td>
<td>3.67%</td>
<td>58.00%</td>
<td>0.95</td>
<td>0.35</td>
<td>1.08</td>
<td>2.37</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>47.04%</td>
<td>-10.54%</td>
<td>65.12%</td>
<td>0.69</td>
<td>-1.01</td>
<td>1.21</td>
<td>0.89</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>22.01%</td>
<td>-6.51%</td>
<td>25.67%</td>
<td>0.32</td>
<td>-0.62</td>
<td>0.48</td>
<td>0.18</td>
</tr>
</tbody>
</table>


Based on the aforementioned selection screening criteria, the industry growth analysis has identified the following industries:

**CGI Score ≥ 1.5 times U.S. average**
- Professional & Business Services
- Education & Health Services

**CGI Score ≥ U.S. average**
- Financial Activities
- Information
- Other Services
- Leisure & Hospitality
**EMPLOYMENT MULTIPLIER ANALYSIS**

Economic and fiscal impact studies are often used in order to quantify the effect an economic event, such as the addition of a new business, has on a regional economy. The economic impacts are generally measured in terms of industry jobs and wages, while the fiscal impacts measure tax revenues. Silverlode extensively uses the IMPLAN\(^\text{18}\) model to conduct economic and fiscal impact studies for its clients. IMPLAN is an input-output accounting model that calculates “multipliers” for a regional economy’s industries.

The table below includes the employment impacts, in terms of full-time equivalent positions, for industry Supersectors in Hillsdale County per million dollars of industry output. Direct employment effects represent the number jobs added within a given industry based on a change in the final demand for that industry’s goods or services. The indirect employment effects represent the number of jobs added from the interaction of local industries (e.g. an increase in purchasing intermediate goods from a supplier). Induced employment effects are the result of additional household spending, which is attributable to the increased earnings from the direct and indirect employment effects. When combined, the indirect and induced effects are commonly referred to as the “ripple” or “spillover” effect. IMPLAN’s Type II Multiplier, which is a ratio of the total effects to the direct effects, indicates those industries with the greatest employment ripple effect. Industries with larger Type II Multipliers generally make good targets not only because of the employment ripple effect, but they also tend to provide above average wages.

The selection screening criteria for this analysis is a Type II Multiplier of greater than 1.25.

<table>
<thead>
<tr>
<th>Industry Supersector</th>
<th>Direct Effects</th>
<th>Indirect Effects</th>
<th>Induced Effects</th>
<th>Total Effects</th>
<th>Type II Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>11.8</td>
<td>1.8</td>
<td>1.5</td>
<td>15.1</td>
<td>1.28</td>
</tr>
<tr>
<td>Construction</td>
<td>8.8</td>
<td>2.3</td>
<td>2.3</td>
<td>13.4</td>
<td>1.53</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>5.4</td>
<td>1.5</td>
<td>1.7</td>
<td>8.6</td>
<td>1.59</td>
</tr>
<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>17.2</td>
<td>1.3</td>
<td>2.6</td>
<td>21.1</td>
<td>1.23</td>
</tr>
<tr>
<td>Information</td>
<td>9.7</td>
<td>1.8</td>
<td>1.7</td>
<td>13.2</td>
<td>1.37</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>7.0</td>
<td>1.8</td>
<td>1.4</td>
<td>10.3</td>
<td>1.47</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>10.4</td>
<td>1.7</td>
<td>3.0</td>
<td>15.1</td>
<td>1.45</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>23.4</td>
<td>1.5</td>
<td>2.9</td>
<td>27.8</td>
<td>1.19</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>22.5</td>
<td>1.6</td>
<td>2.6</td>
<td>26.7</td>
<td>1.19</td>
</tr>
<tr>
<td>Other services</td>
<td>32.7</td>
<td>1.8</td>
<td>2.4</td>
<td>37.0</td>
<td>1.13</td>
</tr>
</tbody>
</table>

Source: Minnesota IMPLAN Group, Inc.

\(^{18}\) For more information about IMPLAN, please see Appendix I.
Based on the aforementioned selection screening criteria, the employment multiplier analysis has identified the following industries:

**Type II Multiplier ≥ 1.25**

- Natural Resources & Mining
- Construction
- Manufacturing
- Information
- Financial Activities
- Professional & Business Services

**SUMMARY**

Silverlode’s target industry analysis provided an assessment of industry Supersectors for Hillsdale County. The four-phased selection screening process calculated the regional concentration of industries, determined what industries have a competitive regional advantage, analyzed industry growth projections, and examined industry employment multipliers.

In theory, the best industry Supersectors to target are those that passed the most selection screens. The table below provides a tally of how many selection screens each industry Supersector passed, which is indicated by a “1.” Generally, industry Supersectors that passed at least three selection screens should be considered primary targets, while those that passed two selection screens may be considered secondary targets. Minimal emphasis should be placed on industry Supersectors that passed only one selection screen.
<table>
<thead>
<tr>
<th>Industry Supersector</th>
<th>Regional Concentration</th>
<th>Competitive Regional Growth</th>
<th>Industry Growth Projection</th>
<th>Employment Multiplier</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional &amp; Business Services</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Information</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other Services</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Financial Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Trade, Transportation, &amp; Utilities</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

**RECOMMENDED TARGET INDUSTRIES**

The following set of recommended target industries is based on the findings and results of the location factor assessment as well as the target industry analysis. The combination of these two approaches provides a qualitative and quantitative perspective that helps validate and cross check the results. For example, the Other Services Supersector passed three of the four target industry selection screens; however, since these industries exist primarily to serve the local market, we did not recommend that the City focus its business attraction efforts in this direction.

It is important to note that the following set of recommended target industries does not necessarily imply that there are not other industry sectors that are suitable targets. Rather, this represents Silverlode’s set of prioritized target industry sectors based on our analysis and collective experience as site selection consultants.
Manufacturing

Target Industry Selection Screens

<table>
<thead>
<tr>
<th>Industry Supersector</th>
<th>Regional Concentration</th>
<th>Competitive Regional Growth</th>
<th>Industry Growth Projection</th>
<th>Employment Multiplier</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Location Factor Assessment for Manufacturing

Employment losses in manufacturing tend to dominate the headlines for this industry Supersector; however, manufacturing is still an integral part of the economy in Hillsdale. Despite the projected trend of overall employment decline, communities and regions continue to target the manufacturing Supersector in part because of its high employment multiplier. While total industry employment has declined, manufacturing output continues to steadily increase. The industry growth analysis revealed that manufacturing productivity, from 2006 to 2016, is projected outpace the increase in productivity for the total of all industries by more than 20%.
FOOD MANUFACTURING
- NAICS 3112 – Grain and Oilseed Mining
- NAICS 3115 – Dairy Product Manufacturing
- NAICS 3116 – Animal Slaughtering and processing

FABRICATED METAL PRODUCT MANUFACTURING
- NAICS 3322 – Cutlery and Handtool Manufacturing
- NAICS 3325 – Hardware Manufacturing
- NAICS 3327 – Machine Shops

MACHINERY MANUFACTURING
- NAICS 3331 – Agriculture, Construction, and Mining Equipment Manufacturing
- NAICS 3332 – Industrial Machinery Manufacturing
- NAICS 3335 – Metalworking Machinery Manufacturing

TRANSPORTATION EQUIPMENT MANUFACTURING
- NAICS 3363 – Motor Vehicle Parts Manufacturing
- NAICS 3364 – Aerospace Product and Parts Manufacturing
- NAICS 3369 – Other Transportation Equipment Manufacturing

COMPONENT SUPPLIERS FOR WIND TURBINE MANUFACTURING
The following industry sectors were identified in the “Michigan Green Jobs Report”
- NAICS 3336 – Engine, Turbine, and Power Transmission Equipment Manufacturing
- NAICS 3353 – Electrical Equipment Manufacturing
- NAICS 3359 – Other Electrical Equipment and Component Manufacturing
**TARGET INDUSTRY SELECTION SCREENS**

<table>
<thead>
<tr>
<th>Industry Supersector</th>
<th>Regional Concentration</th>
<th>Competitive Regional Growth</th>
<th>Industry Growth Projection</th>
<th>Employment Multiplier</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional and Business Services</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

**LOCATION FACTOR ASSESSMENT FOR PROFESSIONAL & BUSINESS SERVICES**

Professional and Business Services was the only industry Supersector to pass all four of the target industry selection screens. Within this Supersector, the following six detailed industry sectors were identified as targets:

- NAICS 5411 – Legal Services
- NAICS 5412 – Accounting, Tax Preparation, Bookkeeping, and Payroll Services
- NAICS 5413 – Architectural and Engineering Services
- NAICS 5415 – Computer Systems Design & Related Services
- NAICS 5416 – Management, Scientific, and Technical Consulting Services
The five professional service industry sectors listed above typically do not have geographic limitations regarding their business locations, other than maintaining general proximity to their clients. Workers in these industry sectors usually have above average educational attainment and income levels. Hillsdale’s location would offer a central location to service clients in the 5-county labor market area, as well as proximity to a number of larger markets such as Detroit, Toledo, and Fort Wayne. The selection of available buildings in the downtown area would also provide attractive office locations.

The City should identify individuals who work in the industry sectors listed above and have a connection to Hillsdale (e.g. a former resident). The City should then proactively reach out to these individuals to consider “coming home” to Hillsdale and “hang up a shingle” for themselves.

- **NAICS 56142 – Telephone Call Centers**

This industry sector includes inbound and outbound call centers, which are now sometimes referred to as “business process outsourcing” centers. The growth and activity level within the call center industry has provided a niche market for some site selection consultants. Call centers have traditionally suffered from some degree of negative public perception, perhaps thought of as the telemarketers who have a knack for calling during dinner. However, the required skill levels, and wage rates, have increased during recent years.

From 2001 to 2008, employment in this industry grew by 7.50% nationally, an increase of more than 29,000 jobs.19 During the same time period, Michigan’s total employment in this industry sector grew by 20.5%!

Hillsdale could be an attractive location for a call center facility to locate because of the available labor pool, competitive wage rates, and utilities infrastructure. The City should consider the redevelopment of the former downtown grocery store as a call center site.

Smaller towns, in terms of population, have also had some success in attracting call center facilities20:

<table>
<thead>
<tr>
<th>Community</th>
<th>Population</th>
<th>Call Center</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hays, Kansas</td>
<td>17,767</td>
<td>Sykes Communications</td>
<td>500</td>
</tr>
<tr>
<td>Aurora, Nebraska</td>
<td>3,810</td>
<td>SITEC Corporation</td>
<td>100</td>
</tr>
<tr>
<td>Sandpoint, Idaho</td>
<td>7,000</td>
<td>Coldwater Creek</td>
<td>320 (Corp HQ)</td>
</tr>
<tr>
<td>Camden, Maine</td>
<td>4,022</td>
<td>MBNA Credit Card</td>
<td>550</td>
</tr>
<tr>
<td>Dodgeville, Wisconsin</td>
<td>3,882</td>
<td>Lands’ End Catalog</td>
<td>400</td>
</tr>
<tr>
<td>Woodward, Oklahoma</td>
<td>12,340</td>
<td>Mutual of Omaha</td>
<td>500</td>
</tr>
</tbody>
</table>

19 Source: U.S. Bureau of Labor Statistics
20 Source: [http://www.tmcnet.com/call-center/0402/0402re.htm](http://www.tmcnet.com/call-center/0402/0402re.htm)
**LEISURE & HOSPITALITY**

**TARGET INDUSTRY SELECTION SCREENS**

<table>
<thead>
<tr>
<th>Industry Supersector</th>
<th>Regional Concentration</th>
<th>Competitive Regional Growth</th>
<th>Industry Growth Projection</th>
<th>Employment Multiplier</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leisure and Hospitality</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

**LOCATION FACTOR ASSESSMENT FOR LEISURE & HOSPITALITY**

Although Leisure & Hospitality only passed one of the industry selection screens, we believe the City should take advantage of the area’s natural assets to develop a local tourism industry. The Leisure and Hospitality industry Supersector typically includes many part-time and seasonal job opportunities that do not offer high wages; however, this may provide an opportunity for younger residents to gain entry-level job experience or part-time opportunities for older residents.
The recommended target industry sectors below seek to take advantage of Hillsdale’s natural assets to develop a local tourism industry based on outdoor recreational activities.

- **NAICS 71219 – Nature Parks and other Similar Institutions**

This industry sector is defined as “establishments primarily engaged in the preservation and exhibition of natural areas or settings.” This industry sector is included not for purposes of attraction, but more so to promote existing assets (e.g. Slayton Arboretum) and to provide support for any potential expansion opportunities.

- **NAICS 7139 – Other Amusement and Recreation Industries**

This industry sector comprises a range of recreational activities that includes boating, golf, hunting, fishing, and other fitness/athletic activities. These activities utilize Hillsdale’s natural assets, and provide a good fit with the rural environment.

- **NAICS 7211 – Traveler Accommodations**

In order to build a local tourism industry, the City should pursue various accommodations for to allow potential visitors to stay in Hillsdale. Having a variety of lodging options would allow the City to be more than a “day trip” destination, giving visitors more opportunities to support local businesses. This industry sector includes establishments such as bed and breakfast, cottages, recreational and vacation camps, as well as traditional hotels.
Education & Health Services passed three of the four selection screens. This Supersector did not pass the employment multiplier analysis. Although there are opportunities to secure high-wage occupations in Education & Health Services, they typically require at least a bachelor's degree or higher. The majority of occupations within this Supersector perform support-related functions that can provide entry-level opportunities that may lead to higher skill jobs that offer higher wages.
Technical/Trade Schools can be valuable economic development assets within a regional economy by providing the local workforce with the specialized skills needed by local industries. The City should actively promote the expansion of service offerings available at existing institutions, such as the branch campus of Jackson Community College.

From 2000 to 2008, the fastest growing age cohorts in Hillsdale County were 65 to 74 and 75+. The growth rate in Hillsdale County for these two age cohorts outpaced all of the comparison geographies. These population demographics may suggest that a market opportunity exists in the City for the expansion or attraction of additional Nursing & Residential Care Facilities.
NATURAL RESOURCES & MINING

TARGET INDUSTRY SELECTION SCREENS

<table>
<thead>
<tr>
<th>Industry Supersector</th>
<th>Regional Concentration</th>
<th>Competitive Regional Growth</th>
<th>Industry Growth Projection</th>
<th>Employment Multiplier</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources and Mining</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

LOCATION FACTOR ASSESSMENT FOR NATURAL RESOURCES & MINING

As noted in the Michigan Food and Agricultural Systems Profile for Hillsdale County, agriculture is clearly a strong local industry. Hillsdale County ranks among the top ten counties in the state in a number of categories, which include the number of farms, the number of dairy farms, the number of animal operations, and the percentage of cropland.
The following industry sectors are recommended as targets for expansion and attraction to further develop the existing local industry cluster.

- **NAICS 111 – Crop Production**
  - Corn
  - Soybeans
  - Wheat
  - Other oilseed and grain products

- **NAICS 112 – Animal Production**
  - Sheep and goats
  - Hogs and pigs
  - Cattle and calves
  - Dairy products

- **NAICS 1151 & 1152 – Support Activities for Crop & Animal Production**
This Target Industry Analysis utilized various analytical tools to identify appropriate and attractive industries with the capacity to enhance the economic base of the City. Outlined below are a series of implementation steps that the City can employ to pursue investment and employment growth in these industry sectors.

Generally, a description of the strategies does not define whether or not it is the City acting alone, or in partnership with other organizations. The City of Hillsdale is centrally located within Hillsdale County, as well as located in the larger region of South Central Michigan. As such, establishing partnerships with other economic development organizations should be considered in some or all of these approaches.

- Purchase Targeted Company Lists
- Build Relationship Database
- Market Available Properties Online
- Develop Marketing Brochures
- Establish Quick Response Team

PURCHASE TARGETED COMPANY LISTS

To identify organizations within these industries to target, the City should buy lists of companies organized by NAICS code from ReferenceUSA, or another business information provider. Access to ReferenceUSA can be obtained through a membership with The Council for Community and Economic Research (www.c2er.org). The ReferenceUSA business database offers a number of search criteria, such as employment size, annual sales, facility locations, and many others. This allows users to efficiently narrow the search results and manage the cost of purchasing the list of companies.
BUILD RELATIONSHIP DATABASE

A significant challenge for any economic development agency is creating relationships at a high level of management within a target company. The success rate for cold calling is very low. As in many types of marketing and selling, success is often based on relationships. To that end, we recommend that the Agency create a database of successful Hillsdale County natives. These may be people that left the Counties at some point and were successful in business or in other fields, but may still have ties to the region. This database can be created over time by gathering information from business and community leaders, and even friends and family. These highly successful people may be in a position to influence location decisions for their companies, or may be able to make introductions to those who can. Additional referrals may lead to warm contacts at other large companies. This approach can increase the efficiency of marketing efforts.

Building on the idea that relationships are a key factor in sales efforts, the City may also be able to create relationship maps between existing businesses and their customers and suppliers. By mapping these linkages in and out of the City, it may be possible to identify companies that have strong reasons to locate a facility within the City. In many industries, proximity to customers or suppliers is a very important location factor.

The City should ask for the support of other organizations in Hillsdale, most notably Hillsdale College and Hillsdale Community Schools, to actively expand their relationship networks. Social networking websites such as Facebook, LinkedIn, and Twitter are now regularly used by a variety of organizations to reconnect with alumni, former residents, etc. The City should utilize these websites not only to build and expand relationships, but also as a marketing outlet to promote the City as a desirable location to live, raise a family, and operate a business.

MARKET AVAILABLE PROPERTIES ONLINE

Area Development Magazine’s annual survey of site location consultants and corporate real estate executives indicates that the internet is the key first source for information and its importance as an information source grows with each survey. As the initial point of contact, a community’s website creates a first impression of a community for site location consultants. Creating and maintaining a website that presents useful economic development information about the local community and region is perhaps the single most important marketing tool.

When beginning a site search, the internet is the first, and most important, resource utilized by consultants. Therefore, it is absolutely imperative that communities do an effective job of marketing available properties online. In addition to gathering relevant building details, photos, and maps, a one to two page property brochure should be created as a downloadable PDF document.

There are a number of websites where available properties should be posted, including but not necessarily limited to the following, the City of Hillsdale, the Hillsdale County Economic...
Development Partnership, the Michigan Commercial Property Information Exchange (CPIX), the Michigan Economic Development Corporation’s SelectSites, Loopnet, CoStar, and Site Selection Property Marketplace. There is no cost to list properties at any of the websites referenced above.

DEVELOP MARKETING BROCHURES

It is important that the City develop a generic marketing brochure that can be used and distributed to a very wide range of stakeholders, including business executives, real estate developers and site selectors, as well as industry specific brochures. These should be one to two pages in length, and include relevant information about the City, such as the availability and costs of utilities, details about available buildings and sites, major employers, taxes, incentives and the workforce. Also, the marketing brochures should be prominently featured on the City’s website, and available for download in PDF format.

ESTABLISH QUICK RESPONSE TEAM

Often the difference between winning and losing a competitive site selection project comes down to which site will allow the proposed facility to be up and running in the shortest amount of time. The value of even the most generous of incentives packages can be eroded by delays in zoning changes, permitting, utilities tap-ins, etc. Communities that consistently win projects generally have established quick response teams comprising high-level or empowered representatives from the relevant government and non-government agencies and organizations, such as a county commissioner, city council or township representative, utilities representatives, school board members, economic development officials from the state and local level, etc. These teams are prepared to take whatever steps are necessary to ensure that the timeline to complete construction at their site will be shorter than the competition’s sites. A community that can successfully assemble such a team will quickly gain a positive reputation within the site selection industry.

BUSINESS ATTRACTION CASE STUDY:

On August 8th, 2007 Teletech Holdings, Inc. announced the creation of 460 new jobs in Lorain County, Ohio at a gala press conference. Teletech is a leading global business process outsourcing (BPO) company that provides a full range of front to back office outsourced solutions. Via a multimedia presentation generated from both Lorain County Community College and the Lorain County Administration Building On October 18th, 2007; Teletech announced an additional 340 jobs, bringing their Lorain County total to 800+! This is how we got there…
Team Lorain County [TLC] was first contacted about this project on Wed March 28, 2007 by an International Site Selection firm. In addition to looking for existing buildings they were also requesting demographic, wage and benefit info etc. Through cooperation with its regional partner [Team NEO] and their research department, TLC was able to provide call center specific wage information that same day, along with all other requested workforce and site data.

March 28th, 2007 – Team Lorain County (TLC) is contacted by an International Site Selection firm looking for existing buildings as well as demographic, wage and benefit information. In cooperation with our regional partner (Team NEO) TLC provided the specified data that same day.

March 29 – TLC informed we’re on the shortlist and the company would be coming for a site visit the following week. TLC and the Lorain County Growth Partnership activate a real team (Retention, Expansion, Attraction, Leadership Team). The team includes local government and business leadership, educational reps, regional and state ED partners. The project was given the code name, Project Talk-A-Lot.

April 4 – Initial visit with Teletech representatives. Strong support for economic development and a strong business retention and expansion program, resulted with the company being greeted by 20+ HR managers, company presidents, community leaders, economic development pros and state representatives to make various presentations and answer questions. Afterwards, part of Teletech’s team stays behind for more in-depth human resource interviews while others are escorted to look at several buildings.

April 20 – Team Lorain County was told that they were on the short-list and to hold May 17th open for a second site-visit. Several Teletech reps and their client reps flew their corporate jet into the Lorain County Airport where Team Lorain County picked them up. Again the extended REAL team was assembled and the red carpet rolled out. After a luncheon meeting, presentation and Q&A at the LCCC conference center, limo service was provided to our guests to tour the county and the site.

May 17th – Teletech and their client reps arrive in Lorain County. Again, the extended REAL team was assembled and rolled out the red carpet. After a luncheon meeting, presentation and Q&A period, limo service was provided to our guests to tour the county and the site.

LCCC had a marketing video put together in less than 24 hours; the Entrepreneurship Innovation Institute put together a compelling power-point presentation on workforce. After the lunch and community presentation, several of Teletech’s team stayed at LCCC for more in-depth human resource interviews, while others from Teletech’s team were escorted over to look at several buildings in Lorain County.

TLC and Team NEO were set up to act as Teletech’s point of contact and liaison with the Lorain County Growth Partnership’s REAL team, and met with Teletech again at the Spring CoreNet meeting.

Friday, June 29th – Teletech informed TLC that they needed the final incentives proposal by Monday, July 2nd at 5:00 p.m.
A series of phone calls followed and a phone call coordinate a conference call for 10:30 on Monday morning – July 2. Again the local partners came together to work out the local and state incentives:

**State of Ohio:**
- $311,273: Ohio Job Creation Tax Credit
- $122,500: Ohio Investment in Training Program Grant
- $350,000: Employment Pre-Screening, Testing, and Recruitment Services
- $783,773: Total Value of Estimated Incentives

**Lorain County:**
- Revolving Loan Fund up to $150,000 at 50% of prime for a term of 5-7 years.
- In kind support from Lorain Community College and the Workforce Development Agency for your workforce training needs.

In addition to the incentives listed above, $155,000 of in-kind support from LCCC was going to be offered.

A series of conference calls between the local partners (County Administration & LCCC) and Teletech’s Recruitment and Training officials took place to work out all the details to train 500 new employees, at no or low cost to Teletech. The County Administration building, offered office space and thirty-two laptops were provided where citizens could come in apply on line for a job at Teletech. All of their hiring and assessments would take place at the County Administration Building with IT support from the county and the college. This allowed Teletech to move forward with hiring and training, while their building was renovated.

Through the [Lorain County available buildings web site](http://www.teamloraincounty.com), TeleTech was able to find an existing building in Amherst, Ohio, that suited their needs perfectly.

**August 8th** – The public announcement takes place - Teletech was moving its client to Lorain County and bringing 460 jobs. Just two months later, on October 18th, Teletech announced that due to the quality of the workforce and talent of Northeast Ohio, they were expanding the original 460 jobs and adding another 340 bringing their total employment to 800.

**Lorain County understands that no one organization can do economic development and that it takes a whole team to create positive outcomes like a Teletech. Because of our customer service, Lorain County was the chosen site.**

Source: Team Lorain County ([www.teamloraincounty.com](http://www.teamloraincounty.com))
All communities face challenges related to Business Retention and Expansion efforts. Few have the resources to do an effective job reaching out and establishing relationships with employers, but this effort is absolutely critical. Keeping an existing business is almost always much easier (and less costly) than attracting a new one. By most estimates, more than 80% of new jobs and capital investment come from existing businesses. Typically, rural communities are even more reliant on existing businesses for economic and fiscal growth. Retention visits allow you to thank employers for being in your community, develop relationships that can help identify problems that business owners may be facing, and network to identify potential attraction targets.

The process of undertaking target industry analysis should not imply that the only desired resultant activity is the attraction of companies to the City of Hillsdale from outside the region. The economic development of the City is equally addressed by attending to existing companies, particularly those within identified target industry categories, and nurturing local growth within those companies.

It should also be recognized that identifying an industry as a target industry may in some cases be seen as a threat by companies within that industry which already exist in Hillsdale; the misperception being that the goal of the City is to attract other companies that represent direct competition to their operations.

Rather, it should be the objective of the City to enhance opportunities for all participants within those target industries, whether existing or attracted, and an important element in ensuring support from those existing companies is to include them from the outset in the strategic development of the industry. Advantages associated with clustering of related activities, shared services and opportunities for alliances are some of the possible outcomes. In addition, support for a target industry may be suitably directed at the existing companies with no attempt at all to attract additional local participants. The outcome of these efforts, just like attraction strategies, is to enhance employment and output within the City, and this can come about through the growth of the existing industrial base as well as through additional companies.

- Build Company Database
- Conduct Business Retention Survey
- Conduct Retention Visits
- Establish BR&E Program Metrics
- Publicize BR&E Program
BUILD COMPANY DATABASE

This process utilized here will be similar to that used for building the targeted company list for business attraction efforts. We recommend building a knowledge database for the businesses in the City. A few examples of the type of information we will collect include:

- Company profiles (e.g. facility ownership and lease data, including lease expiration dates, ownership structure, employment, sales, executives, etc.)
- Customer and supplier linkages
- Industry data and trends
- Industry competition (e.g. international, national and regional)
- Mergers & acquisitions

This proactive approach provides upfront competitive intelligence about potential business retention and expansion opportunities and/or threats, allowing for the prioritization of retention visits based on the information that has been collected.

There are several sources of information that can be used to build the company database. A company list can be purchased from ReferenceUSA or a similar provider. The Hillsdale County Chamber of Commerce and the MEDC have searchable business directories on their websites. Local tax filings could also be reviewed to identify businesses operating in the City.

CONDUCT BUSINESS RETENTION SURVEY

Although we are aware that business surveys have been conducted in the past with limited success, the implementation plan and timeline below may be able to improve upon the number of survey responses.

While this may seem slightly counterintuitive, the goal of this Business Retention Survey is not to maximize the response rate. Rather, the primary goal is to identify companies that have opportunities to expand, are at risk for closure or relocation, or are struggling with other business related needs such as finding qualified workers or obtaining financing.

A sample cover letter and survey are included as Appendices 2 and 3.

21 Silverlode purchased a list of companies from ReferenceUSA. The list includes companies located in Hillsdale County with 10 or more employees. We will provide the company list as a separate Excel file accompanying this report.
IMPLEMENTATION PLAN & TIMELINE

CONDUCT RETENTION VISITS

Conducting regular retention visits are one of the most important economic development activities for any organization. They provide an opportunity to build new and strengthen existing relationships with local business owners.

For businesses that did not respond to the survey, it is important to cover the questions included on the survey throughout the course of the discussion, rather than simply read the survey. For businesses that responded to the retention survey, the visit should focus on addressing any opportunities or threats that were mentioned.

Businesses often express frustration with the time and work involved in obtaining all of the necessary permits and licenses needed to operate their business. This is especially true for small businesses. If this is mentioned as a potential concern during a retention visit, we suggest that the City has a specific staff person that is available to guide businesses through all phases of the permitting process.
There are many economic and workforce development programs available to assist businesses that may have expansion opportunities or are at risk for closure or relocation. Many of these programs are relatively unknown to most business owners. Once a business’s needs have been determined, identify relevant economic development programs, make recommendations about the most relevant programs to meet their stated needs, provide relevant applications materials and direct, on-going assistance during the application process.

**ESTABLISH BR&E PROGRAM METRICS**

As a new initiative being undertaken by the City of Hillsdale, it is imperative that a set of quantitative metrics are established to monitor the progress of the BR&E program. We suggest that the BR&E program metrics include, but not necessarily limited to, the items listed below:

- Number of businesses visited
- Number of businesses assisted
- Number of jobs created/retained
- Percent of jobs created/retained held by local residents
- Average salary of jobs created/retained
- Amount of new business investment

We recommend that Quarterly Progress Reports are completed. This helps to “formalize” the program, and provide a consistent reminder that the City working proactively to assist local businesses.

**PUBLICIZE BR&E PROGRAM**

The overall success of the BR&E program may be impacted by how well it is publicized. We recommend that press releases are issued to local media outlets to announce the release of the survey, to announce the presentation of the survey results, and most importantly, when a business has benefited from the City’s efforts.

Positive media coverage that focuses on the City aiding business growth will not only be a positive reflection on the BR&E program, but also provide a powerful marketing message: Hillsdale is a good location to operate a business. Not only does this help external perception of Hillsdale, but it also helps internal perception.
OTHER ECONOMIC DEVELOPMENT INITIATIVES

ESTABLISH A REVOLVING LOAN FUND

During our interviews with key stakeholders, the absence of a revolving loan fund was mentioned several times. The City should apply for a Rural Business Enterprise Grant from the U.S. Department of Agriculture to establish a revolving loan fund. The application process is handled by the state USDA office. For program information, please visit: http://www.rurdev.usda.gov/rbs/busp/rbeg.htm.

AIRPORT EXPANSION

The extension of the runway at the Hillsdale Municipal Airport may provide an opportunity to attract aviation-related businesses, such as those providing maintenance, repair, and overhaul services (NIACS 4881) to the General Aviation industry, to locate at the airport.

This may be attractive to a company looking to expand or relocate to the Hillsdale Municipal Airport, as Michigan offers an exemption from the state’s 6.00% sales and use tax as applied to the purchase of aircraft repair parts. As applied to the General Aviation industry, qualifying for the sales tax exemption requires that the aircraft being repaired is registered in another state and the aircraft leaves Michigan within 15 days of the service completion/final billing. 22

REGIONAL ECONOMIC DEVELOPMENT ORGANIZATION

The City should actively pursue membership with an existing regional economic development organization, or investigate the creation of a new organization for South Central Michigan. Regional economic development organizations tend to focus on business attraction and marketing, which, especially for smaller communities, is often more effective when done on a regional level.

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22 Michigan Governor Jennifer Granholm signed House Bills 4855 and 4856 on February 9, 2006, creating this exemption.
APPENDIX 1: ABOUT IMPLAN ECONOMIC IMPACT ANALYSIS

Portions of this analysis were completed using the IMPLAN economic impact model. The IMPLAN model is used by more than 1,000 universities and government agencies to estimate the economic and fiscal impacts of investments and/or changes in industry, to forecast tax revenue and employment generation, and to conduct economic comparison studies of two or more geographic locations.

IMPLAN is an input-output model. Input-output accounting describes commodity flows from producers to intermediate and final consumers. The total industry purchases of commodities, services, employment compensation, value added, and imports are equal to the value of the commodities produced.

An IMPLAN impact analysis involves specifying a series of expenditures or other changes and applying them to the region's economic multipliers. The expenditures are identified in terms of the sectoring scheme for the model; in producer prices; and in historical dollars with the current year used as a base year. Only the dollars spent within the region are applied to the model.

The notion of a multiplier rests upon the difference between the initial effect of a change in final demand and the total effects of that change. Total effects can be calculated either as direct and indirect effects, or as direct, indirect, and induced effects. Direct effects are production changes associated with the immediate effects or final demand changes. Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries (for example, additional purchases to produce additional output). Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects.

Purchases for final use (final demand) drive the model. Industries producing goods and services for final demand purchase goods and services from other producers. These other producers, in turn, purchase goods and services. This buying of goods and services (indirect purchases) continues until leakage from the region (imports and value added) stops the cycle.

These indirect and induced effects (the effects of household spending) can be mathematically derived. The resulting sets of multipliers describe the change of output for each and every regional industry caused by a one-dollar change in final demand for any given industry.

Creating a regional input-output model requires a tremendous amount of data. The costs of surveying industries within each region to derive a list of commodity purchases (production functions) are prohibitive. IMPLAN was developed as a cost-effective means to develop regional input-output models. The IMPLAN accounts closely follow the accounting conventions used in the "Input-Output Study of the U.S. Economy" by the Bureau of Economic Analysis (1980) and the rectangular format recommended by the United Nations.

(Source for much of this description: Olson, Doug and Scott Lindall, "IMPLAN Professional Software, Analysis, and Data Guide"; Minnesota IMPLAN Group, Inc., 1725 Tower Drive West, Suite 140, Stillwater, MN 55082)
APPENDIX 2: SAMPLE BR&E SURVEY COVER LETTER

January 1, 2010

RE: 2010 Business Survey

Dear Hillsdale Business Owner,

The City of Hillsdale is in the initial process of establishing a Business Retention & Expansion program (BR&E). This citywide business survey will serve as the foundation of the BR&E program. The purpose of this survey is to learn more about existing businesses in the City of Hillsdale. Although the newspaper headlines often focus on high profile business relocations, we realize that the long-term economic growth of our community will come from the retention and expansion of existing Hillsdale businesses. The City of Hillsdale is committed to working with you in order to create an environment that is conducive to the success of your business. We hope to be able to provide the assistance your business needs to thrive. In certain instances, the City of Hillsdale will be unable to provide the assistance your business requires. However, we can help connect you to the resources your business needs by leveraging our relationships with Economic Development Organizations at the county, region, and state levels.

Your responses to the 2010 Business Survey will help us to identify strengths and weaknesses associated with owning and operating a business in the City of Hillsdale. Moreover, your responses will help provide us with direction as we aim to create policies and programs to provide individualized business support, while also supporting the growth of the entire business community. All individual responses to this survey will be held in strict confidence. By submitting a completed survey, you will receive a report of the survey analysis.

A self-addressed, stamped envelope is enclosed to submit your completed survey. Completed surveys must be received by February 1, 2010 in order to be included in the analysis. If you have any questions or concerns, please do not hesitate to contact me at (513)437-6479. Thank you.

Sincerely,

Christine Bowman

Economic Development Director
APPENDIX 3: SAMPLE BR&E SURVEY

Company name: __________________________________________

Contact name and title: __________________________________________

Phone number: __________________________

Email: ________________________________________________

Date survey was completed: ________________

- What products/services are offered from this location?
- How long has the company been in business?
- Is the company privately or publically owned?
- Is the company owned by a parent company or investment group? If yes, please name the company/group and list the city/state where the company/group is located.
- Is the company a division or subsidiary of another company? If yes, please circle which type.
  - If yes, please name related company(s): _________________________________
- How long has the company been located in Hillsdale?
- Does the company operate facilities elsewhere? If yes, please list the type of facilities and their location (domestic and international).
- Who are your major competitors and where are they primarily located?
- Who are your major customers and where are they located?
- Who are your major suppliers and where are they located?
- Would your business operate more effectively/efficiently by having certain customers/suppliers located in closer proximity to you? If yes, please explain:
- Over the past 5 years, has top-line revenue been increasing, decreasing or stable (please circle)?
- What percent of the company’s sales are:
  - Local/Regional (within adjacent counties) _____%
  - State (inside Michigan) _____%
  - National (outside Michigan) _____%
  - International _____%
- Please list the states and countries associated with your national and international sales.
Over the next 5 years, what percent of the company’s sales to expect to be:

- Local/Regional (within adjacent counties) _____%
- State (inside Michigan) _____%
- National (outside Michigan) _____%
- International _____%
- Please explain major changes: __________________________________________

Does the company plan to introduce new products/services/technologies within the next 3 years? If yes, please describe:

Are there future changes (e.g. technology, market, regulatory, etc.) that may alter your product/service offerings or the way you do business? If yes, please describe:

Has the company’s management team changed recently or do you expect it to change in the near future? If yes, please describe:

Does your current facility meet your operating requirements and offer room to expand? If no, please explain:

Do you plan to expand your facility in the next 3 years? If yes, please estimate:

- number of jobs to be created: ______
- size of facility increase (square feet): _______________
- total capital investment: $_______________
- date of expansion: ______________
- reason(s) for growth: _____________________________________________
- any hurdles: _____________________________________________________

Do you own or lease your facility in Hillsdale? If you lease, when does your lease expire?

Do you have problems recruiting employees? If yes, indicate why in the chart below. Check all that apply:

<table>
<thead>
<tr>
<th>Description of Recruiting Problem</th>
<th>Yes/No</th>
</tr>
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<tbody>
<tr>
<td>High competition for skilled employees</td>
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<tr>
<td>Poor work attitudes</td>
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<tr>
<td>Available labor has low skills</td>
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<tr>
<td>High cost of training employees</td>
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<tr>
<td>High wage rate for skilled labor</td>
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<tr>
<td>Skilled workers are reluctant to move here</td>
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<tr>
<td>Other (please indicate reason below)</td>
<td></td>
</tr>
</tbody>
</table>

What are Hillsdale’s strengths as a place to do business?

What are Hillsdale’s weaknesses as a place to do business?
• If your company is owned by a parent company or investor group, what does the leadership at the parent/group think of Hillsdale as a place to do business?

Please rate Hillsdale on the following areas on a scale of 1 to 5.

<table>
<thead>
<tr>
<th>Area</th>
<th>1 (Very Poor)</th>
<th>2 (Poor)</th>
<th>3 (Neutral)</th>
<th>4 (Good)</th>
<th>5 (Excellent)</th>
<th>Not Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highway accessibility</td>
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<td>Infrastructure condition</td>
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<td>Utility service</td>
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<td>Utility costs</td>
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<td>Occupancy/lease costs</td>
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<td>Availability of buildings</td>
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<td>Quality of buildings</td>
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<td>Tax costs</td>
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<td>Incentives</td>
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<td>Regulatory environment</td>
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<td>Proximity to customers</td>
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<td>Proximity to suppliers</td>
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<td>Proximity to colleges &amp; universities</td>
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<td>Safety</td>
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<td>Public schools</td>
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<td>Amenities (shopping, parks, etc.)</td>
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<tr>
<td>Recreational opportunities</td>
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</table>

Please comment on any 1 and 2 ratings:

• Are there any reasons you would not consider staying and/or expanding in Hillsdale? If yes, please explain:

• What can Hillsdale do to better serve your business?

• Would you like to speak with the Economic Development Director regarding your business and any concerns/problems?