

Vision Anchorage

Report Summary

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Report 1: Economic Base Analysis

This report examined the Municipality of Anchorage economy in order to understand strategic opportunities and identify existing and looming economic threats. Key findings, based on an analysis of existing economic data, include:

- Anchorage's aging population will result in a smaller workforce, and the population is disproportionately male.
- There is a brain drain as young students leave the area. They may not return unless they are able to find jobs here.
- Anchorage ranks well in the percentage of population completing high school and having college degrees.
- University of Anchorage, Alaska has approximately double the national average of students over age 30.
- Oil revenues declined from 40-50 percent of the GSP to about 20 percent between the 1980s and late 1990s.
- Alaska ranks among the top 15 states in foreign direct investment, due to its geographic position and access to raw materials.
- Worldwide exports from Anchorage accounted for \$2.5 billion (9% of GSP) in 2000. Generally speaking, exports are down from the early 1990s.
- Alaska's top exports are Seafood, Oil and Gas, Minerals, Wood, and Fertilizer.
- More than 70 percent of Alaska's international exports in 2000 were to Japan and the Korean Republic.
- Extraction of raw materials, particularly in the fishing and mining industries, presents an opportunity for Anchorage businesses to develop and expand other processes in the supply chain.
- One of every 15 non-agricultural jobs in the Anchorage Municipality was a direct military position as of 1999.
- Alaska receives \$1.68 in federal spending for every dollar of federal taxes paid.

Report 2: Business Climate Analysis

The business climate analysis assessed and ranked the strengths and weaknesses of Anchorage as a place to do business. The analysis was based on business location factors and an evaluation of the community's readiness to meet and/or exceed the needs of business. The purpose was to:

- Identify unique strengths that can be enhanced and promoted to support and encourage business investment.
- Identify weaknesses to be eliminated or mitigated that constrain Anchorage from being successful.

The bad news for Anchorage from a business climate perspective is that the community is not fully engaged in economic development. The good news is that many of the identified weaknesses are "readiness" issues that can be remedied. The analysis identified several warning signs of a community at risk. The findings included:

- Leadership Warning Signs: No strong sense of urgency for action and weak coordination

- Enterprise Warning Signs: Portfolio of industries is changing, state fiscal crisis, decline in GSP
- Business Infrastructure Warning Signs: New workforce lacks basic skills, weak IT training, weak vocational training programs
- Readiness Warning Signs: No ready to go industrial sites, neglected land use planning for business development, lack of investment in business parks

Anchorage is facing real challenges. Most of these challenges can be addressed by strong visionary leadership stepping forward, organizations operating as a network, and the community fully engaged and involved in the process.

Report 3: Organizational Analysis

The Organizational Analysis assessed the strengths and weaknesses of Anchorage's economic development organizations in terms of their ability to provide relevant, coordinated business development services. These services included the ability to attract new businesses, help existing businesses expand, and facilitate new business start-ups. The purpose of the analysis was to:

- Identify unique organizational strengths that can be enhanced and promoted to support new and expanding business growth and investment.
- Identify organizational weaknesses that can be eliminated or mitigated, which constrain these organizations from delivering premium services to business.

To assess Anchorage's investment in business development, 17 organizations and agencies that support economic development or provide a direct service to business were personally interviewed. Organizations that promote and market Anchorage to visitors and businesses, as well as those that provide direct services (business counseling, technical assistance, workforce development, financing, and advocacy) to businesses and entrepreneurs were surveyed.

The good news is that Anchorage is well served by organizations that provide business development services. The bad news is that these organizations have yet to build a network that leverages all for the combined resources and lays the foundation for coordinated delivery of these services to the business community.

A 'Collaborating to Compete' model was proposed to facilitate coordination among the organizations. This model would consist of three groups: facilitators, industry working groups, and infrastructure working groups. The groups would identify issues and generate possible solutions and actions. Implementation of a new organizational model such as Collaborating to Compete will require commitment. People (and organizations and agencies) will be committed to change only if they have had a hand in crafting the change.

Report 4: Competitor City Analysis

The Competitor City Analysis compared the Anchorage business climate with other selected cities. MetroComp, a database application was customized to measure the business climate in 12 categories and provide an interactive

operating cost comparison module. The following cities were chosen for comparison: Calgary, Los Angeles, Louisville, Memphis, Vancouver, Minneapolis -St. Paul, Oakland, Portland (Oregon), and Seattle.

Key findings:

- Demographics: Anchorage is smaller than the other metro areas but will experience a comparable growth rate of 12 percent from 2000 to 2010.
- Labor Force and Wage Rates: The current unemployment rate of 4.9 percent is about average. Wage rates are generally above average among the selected U.S. cities, but similar to Calgary and Vancouver. Educational attainment is higher than most comparative areas.
- Education: Anchorage is about average on primary and secondary education factors.
- Real Estate: The industrial inventory, consisting of predominantly warehouse space, is competitive for small - and medium -sized companies. Industrial lease rates and construction costs are above average. Office inventory is competitive for small - and medium -sized operations, but vacancy rates are below 5 percent. Office lease rates are above average on the low end, but competitive on the high end.
- Market Access: With the largest cargo airport in the U.S. and a large port, Anchorage is a competitive location for products that can be shipped by air or water.
- Quality of Life: Anchorage had adequate recreational and cultural offerings for its size. Crime rate is average or lower than competitive areas. Housing costs are equal to those on the West Coast, but higher than other locations.
- Taxes and Utilities: Anchorage's tax structure is favorable to businesses, with the exception of the inventory tax. Utilities tend to run higher than most of the comparative cities, however natural gas is very competitive.

Report 5: Industry Targeting

This report identified industries that can be supported in the market and have the highest likelihood for success in the local region. Three analyses were conducted: 1) quantitative research based on industry parameters, 2) research based on similar economic characteristics, 3) logical fit based on location.

The following short-term targets were recommended:

- Transportation/Logistics (for retention/expansion and recruitment)
- Data Processing (for retention/expansion, recruitment, start -up)
- Extraction Support (for retention/expansion)
- Food Processing (for retention/expansion and start -up)
- Cut and Sew (for retention/expansion and start -up)
- Aircraft Repair and Maintenance (for retention/expansion, recruitment, start -up)

The following long-term targets were recommended:

- Manufacturing (for recruitment)
- Pharmaceuticals (for recruitment)
- High Technology Manufacturing (for recruitment, start-up)
- Automotive Parts Assembly (for recruitment)
- Advanced Composite Materials (for recruitment)

Two additional “industries” —visitor and convention attraction and military presence —were not part of this study, although they are considered short-term targets.

Report 6: Marketing Assessment

This report analyzed market perceptions of Anchorage by an external audience of businesses and site selectors. Additionally, an audit of marketing tools in use by 10 organizations was conducted, along with a review of the tools by the AEDC for business attraction.

Key findings:

- Over 640,000 marketing pieces are distributed annually.
- Three market perceptions emerged: 1) “Anchorage is an expensive place to live and do business,” 2) Anchorage “...is too distant from most markets, including being in another time zone....” 3) Anchorage “...has well-educated people, though the pool is small.” These perceptions can be refuted with facts.
- The external marketing activities currently conducted by AEDC are appropriate for industries being targeted and budget allocated.

Recommendations included:

- Investigate cross-promotional opportunities.
- Create a consistent image and slogan for Anchorage.
- Refocus marketing tools on benefits.
- Create target industry profiles and update economic and demographic profiles.
- Several recommendations were made for additional Web site content, but the most important was real estate information.
- Initiate a formal business retention-expansion program.

A marketing strategy will accompany the final economic development plan that will be prepared in conjunction with this report.