



Growing Jobs in Chattanooga

An Economic Update

Prepared for the Mayor & City Council

Executive Summary

Chattanooga's economic fortunes are climbing. Unemployment is declining with more Chattanoogaans employed now than any time in recent years. In addition, those who are working are seeing bigger paychecks as incomes rise across various industries. The employees then have more money to spend at local businesses and on housing, which in turn adds jobs to the area – a true virtuous cycle.

Key findings include:

- 77,414 Chattanoogaans are employed today versus 74,724 in April 2013
- In both 2014 and 2015, wages rose 3.5% per year, one of the best performances for a mid-sized city in the U.S.
- Entrepreneurs filed 4,804 new business licenses over the last 4 years
- The Growing Small Business Initiative has enabled 156 jobs in the city
- More than \$1.4 billion has been invested in the city from the work of the Chattanooga Chamber of Commerce, Hamilton County and the city's Economic Development office.

This report will delve deeper into the facts surrounding Chattanooga's rising prosperity. It will examine them from different standpoints to show how it has affected different sectors. From small businesses to big corporations, from manufacturing to information technology, Chattanooga has experienced changes. This report will summarize where our growing economy stands as 2017 begins.

Centered in Chattanooga, the Economy Grows

Chattanooga-Hamilton County is the economic engine of the region. Within the six-county region of the TN-GA MSA, Hamilton County represents 84% of private sector employment, 78% of all private establishments, and nearly 88% of all private sector wages.¹ Further, Hamilton County is responsible for 81.5% of the region's local sales tax, representing a growing share of local sales tax collected in the region and signaling a continued concentration of economic activity in Chattanooga.²

Chattanooga's economy continues to grow as jobs are added across multiple sectors and new businesses open. Hamilton County leads the six-county MSA in private sector jobs growth. While both the MSA and Hamilton County grew private sector jobs, Hamilton County's employment growth outpaces that of the MSA. In the last two years of available data for Hamilton County, private sector employment grew 2.3% from 2013-2014 and 2.9% from 2014-2015. In comparison, MSA total private sector employment growth over the same period was 1.9% and 2.7% respectively. In 2016, Chattanooga issued 1,387 new business licenses.³

2016 shows persistence of the positive momentum. Preliminary data for 2016 shows continued robust employment growth in Hamilton County with 1,899 new jobs from December 2015 to June 2016, the latest month for which data is available. Importantly, that represents the bulk of job growth in the six-county MSA, which without Hamilton County's strength would have seen decreasing

Highlight: Manufacturing Investment Shows Wage Returns

Chattanooga's global profile as a manufacturing hub has risen in recent years with the siting and expansion of Volkswagen's factory. Private sector manufacturing employment in Hamilton County grew 1.1% in 2015. In recently released preliminary data from the first two quarters of 2016, Hamilton County's total private sector manufacturing wages show continued year over year growth, carrying forward positive momentum from the year before.

¹ U.S. Dept. of Labor, Bureau of Labor Statistics comparison of employees, establishments, and wages for Hamilton County and Chattanooga, TN-GA MSA

² Region includes Hamilton, Marion, and Sequatchie in TN as well as Catoosa, Dade, and Walker in GA. September 2016 data. http://www.chattanooga-chamber.com/images/uploads/pdfs/Local_Sales_Tax_Collected.pdf

³ Through November 2016, per Tax Management Records, Office of the Treasurer

employment.⁴ Centered in Chattanooga, the economy grows. This report provides an overview of job growth in Chattanooga and highlights some of the key drivers.

Shrinking Unemployment, Rising Wages

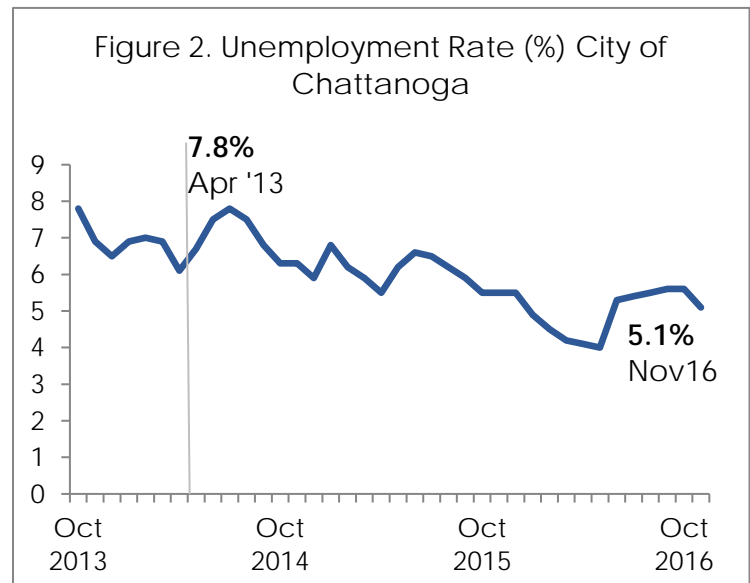
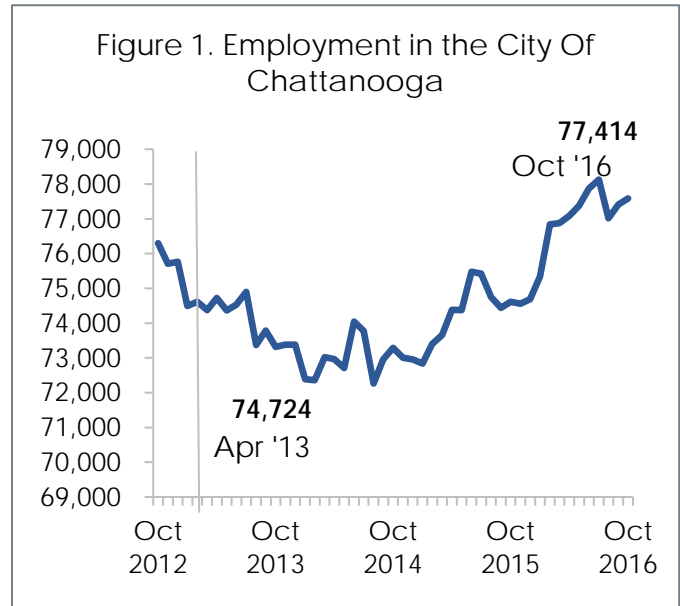
The overall economic health of the region is ultimately dependent upon the ability of residents to find meaningful employment. This has a reverberating effect throughout the economy and ultimately allows more individuals to purchase goods and services, which allows wages to be cycled back into the regional market. Tracking employment and wage growth trends across various sectors gives policy makers, employers, and citizens a broader lens to view the regional economic landscape.

The unemployment rate in Chattanooga has been on a steady decline over the last three years. From a June 2011 high of 9.5%, it reached a low of 4% in May 2016 (See Figure 2). The preliminary fall unemployment rate shows steady at 5.6% in October 2016 with employment at 77,584, an increase of more than 1,800 working Chattanoogaans since April 2013 (See Figure 1). Importantly, wages are also growing (See Figure 3). The Hamilton County average weekly wage increased over 3.5% year over year for the last two consecutive years.

The additional buying power from more employed citizens plus higher wages is seen in greater home values. Last year, Chattanooga had the highest rise in home prices in the mid-South. In turn, the rising prices drive more home construction, investments in existing homes, higher realtor commissions, and additional construction jobs.

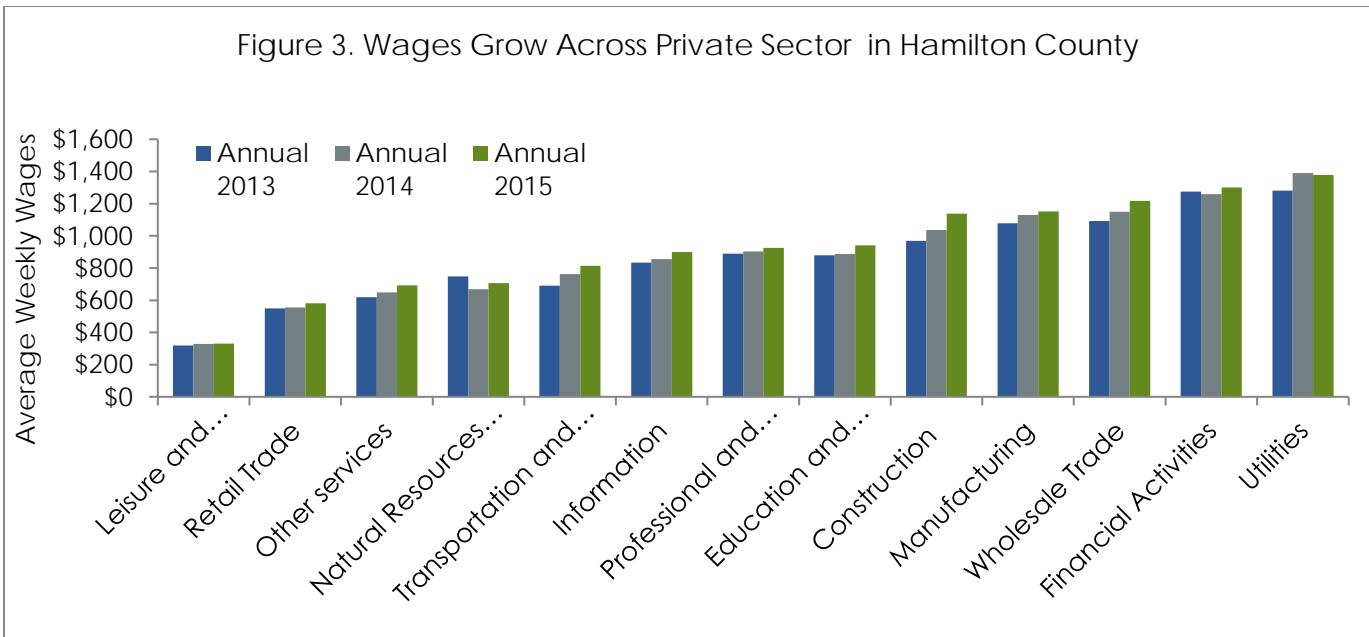
When residents make more money, they can change their lives – buy new houses, pay for child care and afford medical care. Building paths to the middle class can be difficult for any city, but Chattanooga has seen true wage growth over the last three years. In the long run, more families attain middle class only as incomes rise.

Notably, wage growth is occurring across sectors in Chattanooga. As Figure 3 shows, a variety of industries are contributing to the overall increase. This diversity seeds a healthy economic system and helps to inoculate the area against extreme falls in any one sector. Seeing incomes rise in a number of areas also means more Chattanoogaans can pursue a better life with an assortment of skills and talents.



⁴ U.S. Dept. of Labor, Bureau of Labor Statistics comparison of employees, establishments, and wages for Hamilton County and Chattanooga, TN-GA MSA. Private Dec 2015 - June 2016 employment growth in Hamilton County 1,899 vs MSA growth of 1,812.

Figure 3. Wages Grow Across Private Sector in Hamilton County



While there are promising signs of wage growth and declining unemployment across the City, there are still dramatic differences between neighborhoods and zip codes across the City, with as high as double digit differences between Chattanooga’s highest and lowest unemployment zones. The City has joined with a variety of partners to continue dismantling the barriers to economic opportunity that exist in these targeted neighborhoods, which have high unemployment and lower wages.

National Resource Network (NRN)

The National Resource Network is a key element of the Strong Cities, Strong Communities (SC2) initiative from the Obama Administration, which is designed to help cities across the country develop new and innovative solutions to urban issues. The Network is administered through a partnership of experts in finance, housing, public safety, education, and other urban issues. Chattanooga applied and was selected to join the National Resource Network to focus on the intersection of two vitally important issues in our region: housing and workforce development. This application was submitted to help further define the problems Chattanooga faces and develop real world, implementable solutions. The Network has convened dozens of stakeholders in the area who work on housing and workforce development and is currently in the process of finalizing their recommendations, which will be applicable to not only the City, but the entire community.

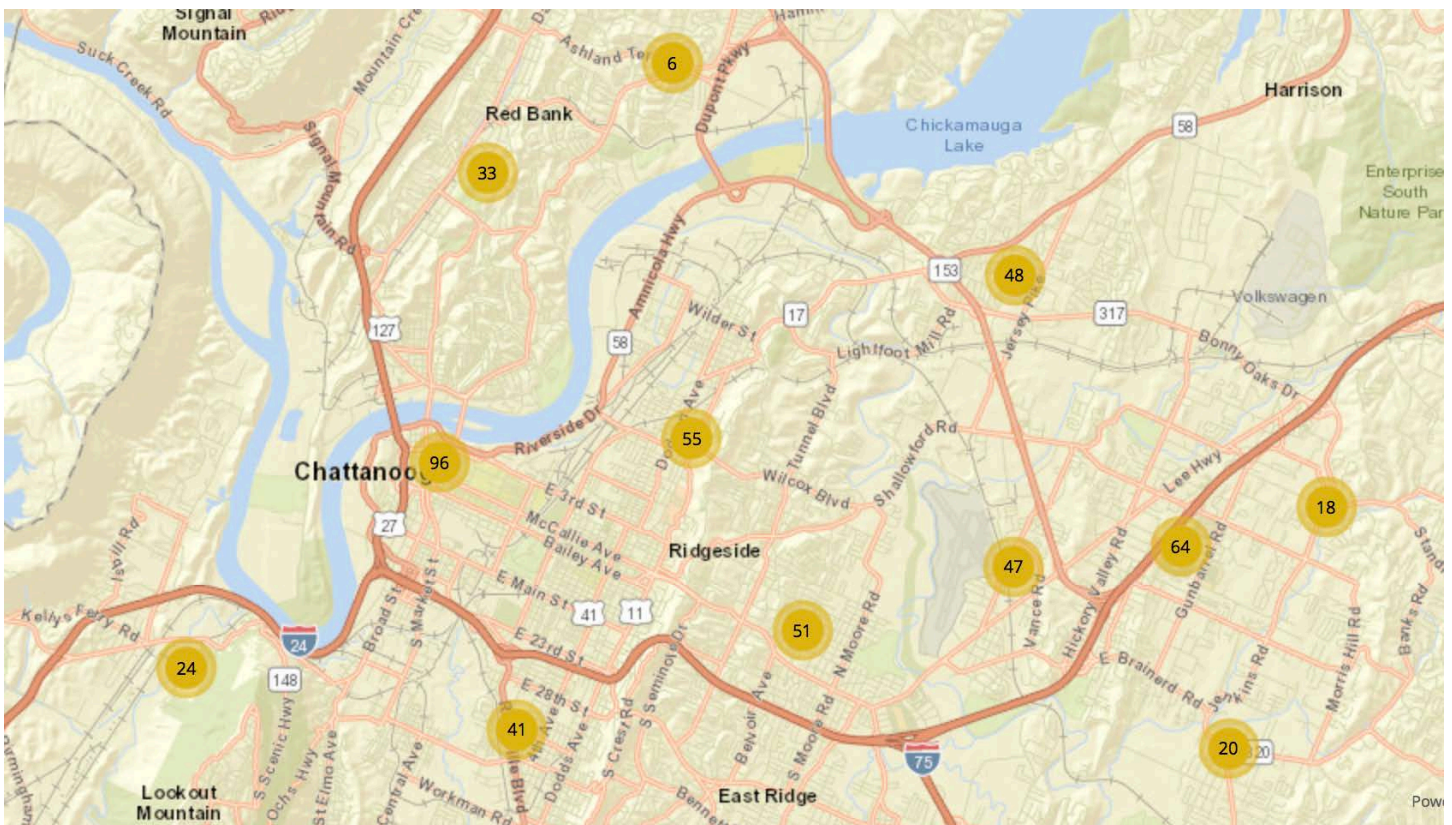
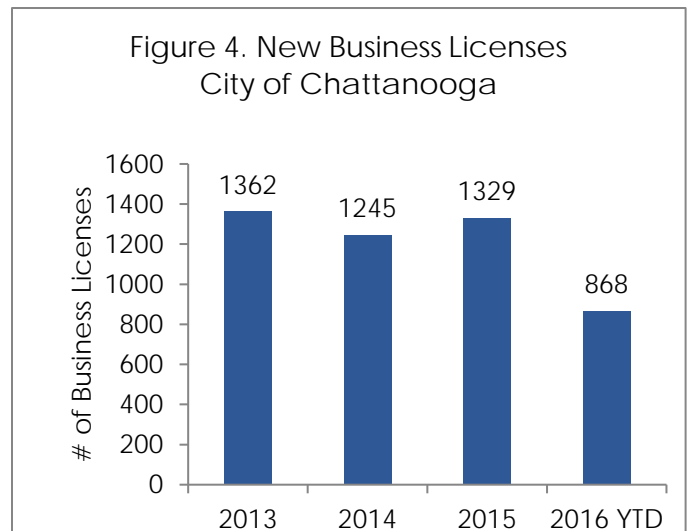
The Network for Southern Economic Mobility

The economic mobility statistics in Chattanooga are not unique to other cities across the South. However, the trend among those Southern cities is unique to the rest of the Country. Chattanooga was chosen to be a member of the first cohort of the Network for Southern Economic Mobility with three other communities. The Network will work to deploy a system-changing approach to removing barriers to economic mobility for young people in Chattanooga through deeply examining data, understanding the factors that lead to economic mobility, and convening untraditional partners – Chattanooga will work to change systems that create barriers to economic mobility.

Entrepreneurial Growth in Chattanooga

Across the City, Chattanoogaans are starting their own businesses. Besides the physical infrastructure of the Gig, Chattanooga has the human and organizational infrastructure to launch new enterprises including venture funding, incubators, accelerators, streamlined government processes, and low start-up costs.

Entrepreneurs fuel the Dynamo of the Dixie. Entrepreneurs filed 4,804 new business licenses in Chattanooga over the last four years with 868 new business licenses solely in 2016⁵ (See Figure 4). While many are taking advantage of the first Innovation District in a mid-sized American city – newly created to concentrate creative capital and spark productive collisions – a map of 2016 Chattanooga new business license filings shows openings across the city (See Figure 5).⁶



⁵ Open Data Portal, City of Chattanooga Finance, through 12/20/2016

⁶ New Business License 12/31/2015-

Chattanooga’s entrepreneurial scene is encouraged by a low burn rate and efficient government processes that have cut red tape. For a business with five employees in a 1,000-square-foot office, the first year start-up costs in Chattanooga are estimated at \$225,442, the lowest cost among the 80 largest cities studied by an outside firm, and significantly less than the \$439,831 estimated bill for a similar start-up in the most expensive city studied, which was San Jose, Cali.⁷ A major start-up cost can be the time required for navigating government procedures. The City of Chattanooga, along with numerous other partners, has undertaken efforts to reduce the startup costs for new businesses.

Cutting Red Tape

The City of Chattanooga’s Economic Development Office took on the White House Startup in a Day Challenge and partnered with OpenCounter to dramatically reduce the time it takes to start a business and greatly increase the ease for entrepreneurs. Startup in a Day is a partnership between the National League of Cities, the Small Business Administration and the White House to reduce the time it takes entrepreneurs to move from concept to market. As a result, the City has a streamlined portal that is available to founders at all hours of the day to help them bring their products to market.

Building the Innovation Economy for All

After re-opening only 14 months ago, The Edney is a creative collision space that creates jobs. After several years of declining occupancy under TVA, the building is now anchored by The Enterprise Center, Co.Lab, and Society of Work, and contains more than 80 private enterprises. Floor 6 alone has 24 businesses with more being created or joining each week. Significantly, the economic activity at the Edney building is paired with community programs that promote digital equity, access to economic opportunity and education. Last year, the Edney building was home to more than 200 events attended by a combined 4,000 people. These events include classes teaching English to first-generation immigrants, workshops instructing kids how to code, or panel discussions with policy experts. The Edney building provides a unique opportunity for residents and businesses to collaborate, enhance skills and improve the community.

The Edney: Tenants	
Floor 1	- Co.Lab
Floor 2	- Co.Starters
Floor 4	- Tayna Legal
Floor 4	- Practice Cafe
Floor 4	- Blue Wave
Floor 5	- TEC
Floor 6	- Society of Work
Floor 6	- 24 businesses
Floor 9	- Crash Creative
Floor 9	- Roman Health Care
Floor 9	- Nirav Patel
Floor 9	- Carbon Five
Floor 9	- Utiliflex
Floor 9	- Jensen Hughes Academy

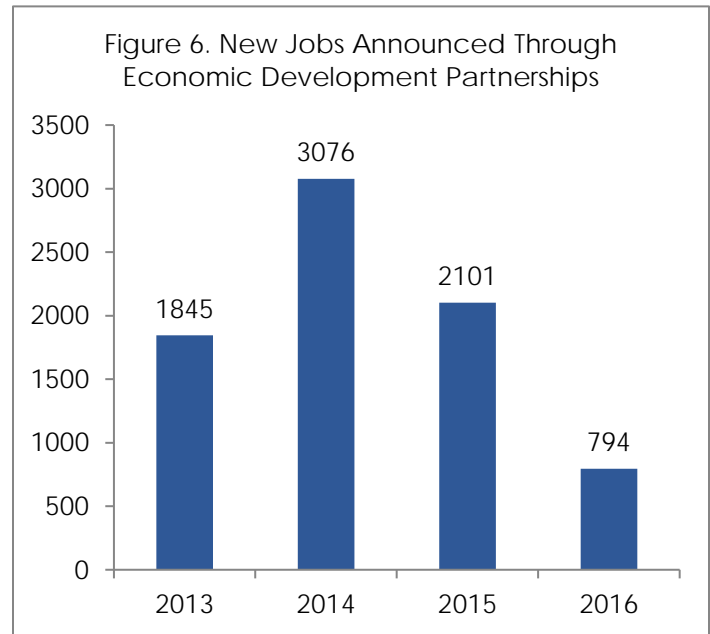
The Minority Business Task Force

In January 2016, Mayor Berke signed an executive order establishing the Minority Business Task Force. The task force, representing more than a dozen local and regional business owners and experts, was asked to examine best practices and new strategies that would help grow minority-owned businesses. To accomplish this work, the Minority Business Task Force is currently analyzing the quantitative and qualitative results of their research. They are on track to make recommendations to the Mayor and broader community in the first quarter of 2017.

⁷ Based on a study by SmartAssets calculating first year costs for labor, office, filing, legal, utility, and other expenses. As reported in the Chattanooga Times Free Press, 8.13.16, ‘City is lowest cost town to start a business’

New Jobs in Chattanooga

The City of Chattanooga's new Economic Development Office partners with the Chamber of Commerce to bring jobs to Chattanooga. Since forming the Economic Development Office in April 2013, the partnership has announced deals to land 7,816 new jobs in Chattanooga with investments of over \$1.4 billion (See Figure 6). The jobs are in diverse sectors including automotive manufacturing, software and service. The City and its partners are developing and expanding targeted initiatives to pool resources from multiple sources and drive business recruitment efforts. These efforts are intended to capitalize on Chattanooga's unique sense of place to recruit businesses that highlight economic strengths – outdoor activity, sustainability, technology and advanced manufacturing. In addition, the Economic Development Office is working to develop initiatives aimed at filling vacant brownfield sites and maximize vacant retail and office space.



One emphasis has been to ensure priority for smaller businesses and expanding local companies. These companies are already committed to the city, have deep roots, and are often interested in improving not just their own bottom lines but also the neighborhoods surrounding them. As a result, the city has created various measures, including the Growing Small Business Initiative, to target this important resource in our city.

The Growing Small Business Initiative accelerates high-growth small businesses (100 employees or fewer) by providing financial support for hiring 5 or more new employees within a 12-month period. Since its inception in 2014, the initiative has helped small businesses add more than 156 jobs to their payrolls, all of whom live within the City of Chattanooga.

Figure 7. 2016 GSB Recipients

Small Business	Jobs Created
Reliance Partners	21
Bellhops	19
Wafflez Factory, Inc.	14
CodeScience	14
Aspire Family Dentistry	12
SIGNIX, Inc.	12
Metro Services	10
American Exchange	8
RMJ Tactical	7
Skuidify	6
Chattanooga Exteriors	6
Servpro	6
Oops Repair	6
TJ Snow Company, Inc.	5
Southern Advertising	5
WECOUNSEL Solutions	5
Total	156

Conclusion

A critical part of a thriving city is a growing economy. Looking back at 2016, the numbers are clear. Chattanooga has seen falling unemployment and rising wages. The good news is spread across sectors and types of businesses. In a variety of industries, hiring and incomes are up. In addition, small businesses are playing their role in growing Chattanooga's economy and hiring new employees. Big businesses are seeing growth as well, meaning the city has a thriving ecosystem.

Certainly challenges remain. Leaders want to see growth reach more neighborhoods and more people. As prices rise from a stronger economy, those left out of the emerging prosperity see shrinking buyer power from their stagnant paycheck. Ultimately, the city needs a pipeline of talented workers to fill new jobs and bring higher income employers to the area.

Still, the progress is undeniable and should be celebrated. For 2017, Chattanooga has set the table for continued economic success with its recent rise. Now it is time to continue our success in the new year.