

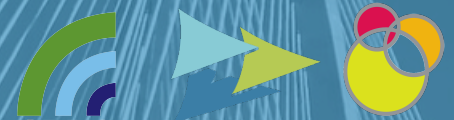


ONE REGION

A GLOBAL COMPETITIVENESS STRATEGY

COMPETITIVE ASSESSMENT EXECUTIVE SUMMARY

February 15, 2016



PROJECT PARTNERS

The One Region Competitive Assessment was developed by Avalanche Consulting and McCallum Sweeney Consulting in partnership with the Charleston Metro Chamber of Commerce, the Charleston Regional Development Alliance, and community stakeholders.



Charleston Metro Chamber of Commerce

The Charleston Metro Chamber of Commerce serves as an advocate for a healthy business climate and is committed to advancing our region's economy and supporting our member businesses through work in areas such as infrastructure and talent development, military retention, innovation and entrepreneurship, and economic development.



Charleston Regional Development Alliance

The Charleston Regional Development Alliance (CRDA) serves as a catalyst for long-term regional prosperity by attracting the world's best companies, talent, and entrepreneurs. CRDA is organized as a public/private corporation supported and led by the region's most influential business leaders, three county governments, the largest municipalities, and top academic institutions.



Community Stakeholders

Development of the Competitive Assessment has involved face-to-face discussions with more than 200 local stakeholders as well as the One Region Steering Committee. Additionally, more than 500 stakeholders completed the online survey and shared their perspectives on the current well-being of the region and its future opportunities.



Avalanche Consulting

Avalanche Consulting is the nation's premier economic development strategist. The firm is deeply driven to make a positive impact and seeks clients who are equally inspired to energize their economies. Since it was established in 2005, Avalanche Consulting has provided strategic planning, research, and marketing assistance to more than 100 communities.



McCallum Sweeney Consulting

McCallum Sweeney Consulting (MSC) provides site selection and incentives negotiation services to leading companies worldwide. MSC brings experience, commitment, integrity, and leading-edge technology to our clients in helping them make the best, and most informed, location decisions.

ABOUT THE ONE REGION GLOBAL COMPETITIVENESS STRATEGY

The One Region Global Competitiveness Strategy will be developed through a three-phase process:

Phase 1: Competitive Assessment

In this first step of the project, Avalanche conducted a detailed economic and demographic analysis of the Charleston region. The report provides a comprehensive analysis of eight critical dynamics of community well-being that ultimately contribute to the economic dynamism of the region—affordability, quality of place, infrastructure, talent, innovation and entrepreneurship, equity, global fluency, and economic momentum.

Phase 2: High Impact Clusters & Competencies Validation

During the second phase of the project, the consulting team will evaluate the past performance of the Charleston region's existing clusters. This phase will include an examination of state, national, and global industry trends and how they relate to the Charleston region. A series of analytical tools, such as cluster analysis, will be utilized to understand the health of the region's industry base as well as emerging opportunities. Validating high impact clusters and competencies will also involve input from the region's business leaders.

Phase 3: One Region Global Competitiveness Strategy & Implementation Plan

The third and final phase of the One Region Global Competitiveness Strategy will provide a series of strategic recommendations to help the Charleston region realize its full economic potential. The final phase of the project will also include an implementation plan detailing timing, metrics, and task assignments.



REGIONAL DYNAMICS IN CONTEXT

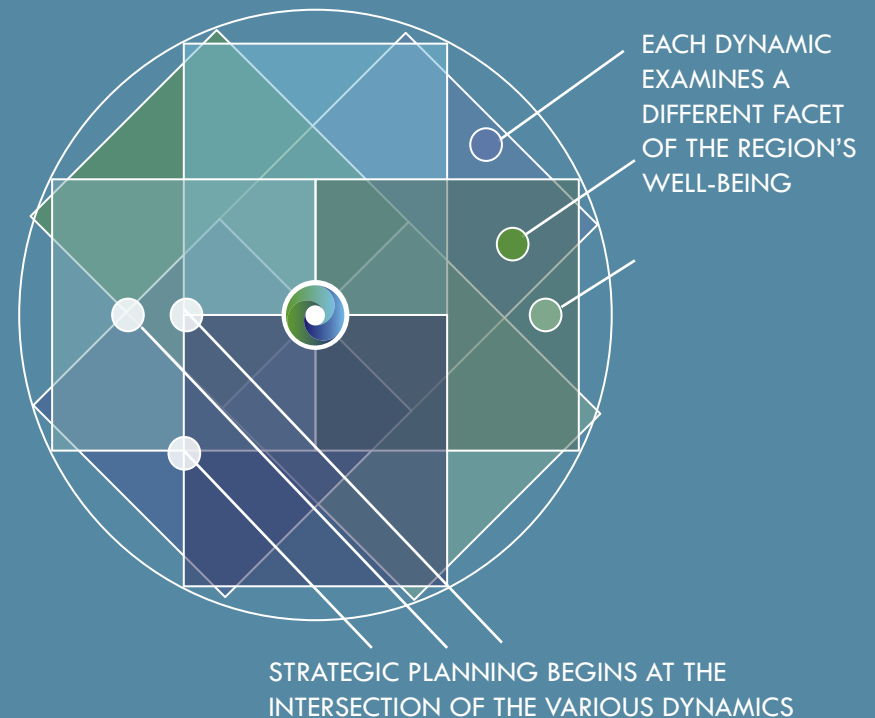
This Competitive Assessment focuses on eight dynamics affecting the Charleston region's well-being:

- Affordability
- Quality of Place
- Infrastructure
- Talent
- Innovation & Entrepreneurship
- Equality & Equity
- Global Fluency
- Economic Momentum

To add context to this Assessment and the forthcoming One Region Global Competitiveness Strategy, each dynamic evaluated in this report is contrasted against eight benchmark regions. (Benchmarks are the same as those analyzed in the region's annual scorecard.)





The dynamics explored reflect a more holistic approach to economic development. The One Region Global Competitiveness Strategy will go beyond traditional job creation and product development activities to also include opportunities related to innovation, equity, talent alignment, and overall quality of place.

The One Region Global Competitiveness Strategy begins with the foundation of objective data presented in this report. The information examined in this Assessment is intended to spark honest discussions among community leaders about the region's pressing challenges and how they relate to each other. Economic momentum is high, and this is a time of transition for the region. As the economy evolves, the region will need a multifaceted and cohesive approach to tackling issues. The points at which regional dynamics intersect with one another are the starting places for dialogue and collaboration.



REPORT HIGHLIGHTS

The following pages examine metrics and benchmark comparisons within eight community dynamics. To summarize:

-  **Affordability** – The Charleston region has struggled with affordability issues even during times of lower growth. The breakneck pace of job creation and income growth has only compounded the region’s affordability issues. Nearly 1 in 3 homeowners with a mortgage in the region struggle to afford their monthly payment. More than half of all renters spend more than 30% of their income securing housing. Among the eight benchmark metros included in the analysis, the Charleston region has the second lowest percentage of homeowners who are 35 years old or younger. Heightened demand for housing and rising income levels has placed upward pressure on home prices.
-  **Quality of Place** – The Charleston region possesses a remarkable quality of place. In recent years, the region has enjoyed strong employment growth and rising income levels. The region combines natural beauty, abundant cultural and recreational opportunities, and a rich history. The region’s compelling quality of place is also a significant contributor to its continued success in attracting talent. The largest threat to the Charleston’s strong quality of place remains traffic congestion. Many interviewees and survey respondents expressed concerns about sprawl and the shortage of public transit options in the region.
-  **Infrastructure** – Air connectivity and Port of Charleston activity have improved in recent years and continue to advance. However, the Charleston region’s economic and population growth has placed significant strains on the region’s road infrastructure. During the past decade, motor fuel tax revenues in South Carolina have declined by nearly a third on an inflation-adjusted basis. The distance between where workers can afford to reside and the location of job centers in the region further exacerbates traffic congestion.
-  **Talent** – The Charleston region is well educated and in recent years the region has made significant strides in improving secondary and post-secondary educational outcomes. With strong employment growth and limited local degree production, however, the region remains highly dependent on imported talent. With the regional economy showing no signs of slowing, the region should continue to expand local programs to generate talent in key fields such as science, technology, and skilled trades.

REPORT HIGHLIGHTS, CONTINUED

-  **Innovation & Entrepreneurship** – The Charleston region performs moderately well on most measures of innovation and entrepreneurship. The region’s rate of self-employment is higher than most benchmark regions. On a per capita basis, the Charleston region’s level of university research and development expenditures is greater than regions such as Seattle and Austin. Patent production within the Charleston region remains limited but has increased over time. The situation is similar for regional talent production. Though the region is making significant strides in the proportion of residents in computer, math, architecture, and engineering occupations, the Charleston region trails benchmark regions such as Seattle, Austin, Raleigh, and Salt Lake City. Office space is relatively expensive and availability is limited, impacting the region’s ability to house entrepreneurial start-ups.
-  **Equality & Equity** – Charleston is far from the only metropolitan area in the US struggling to increase equity. Nonetheless, the Charleston region is characterized by especially large discrepancies in the financial health and educational attainment of its minority residents relative to White residents. Of all benchmark regions, the Charleston region has the greatest discrepancies in most measures. For example, African American household incomes are lower as a percentage of White incomes than in any other benchmark region. Similarly, earnings and educational attainment in the Charleston region are the lowest when compared to other benchmark regions.. Furthermore, these gaps extend beyond racial and ethnic differences. During the past five years, for example, the median wages for the top half of earners increased by more than 5 times the rate of median wages for the bottom half of earners. The Charleston region performs much better on measures of equity between the sexes. Female household income in the Charleston region relative to male household income is also higher than in virtually every other benchmark region.
-  **Global Fluency** – For a smaller metropolitan area, the Charleston region is remarkably well integrated with the global economy. Among benchmark regions, the Charleston region has the highest proportion of jobs supported by foreign-owned companies. Exports account for 17% of the Charleston region’s gross regional product, a number that will likely grow in the years ahead thanks to massive investments by Boeing, Daimler, and Volvo. Already, the value of goods and services exported from the Charleston region has increased more than 300% since 2009. However, the diversity of the Charleston region’s economy is not reflected in its demographics.. Less than 5% of Charleston residents are foreign-born, the lowest proportion observed among benchmark regions.
-  **Economic Momentum** – The Economic Momentum section provides a summary of the Charleston region’s movement within the community dynamics mentioned above. The Charleston region has made significant progress in most areas examined. Employment has increased by 10% during the past five years, and unemployment has declined substantially. Charleston’s gross regional product has grown nearly 25% since 2009, with exports making a significant contribution to this growth. Median household income has increased by 10% during this period (on a non-inflation-adjusted basis). Educational attainment has increased among all racial and ethnic groups. Regional patent production is up. Unfortunately, both commute times and congestion costs have also increased.

KEY FINDINGS

Often, the intersections of issues provides the insights needed to find solutions:

Affordability: Infrastructure: Equity

- Housing in the Charleston region is expensive for both homeowners and renters. And, the region has the lowest rate of home purchases for millennials.
- The region's jobs to population imbalance is severe. Population growth and job growth are not occurring in the same place.
- Suburban population growth forces single-passenger commuters. Commute times have increased dramatically in recent years.
- Longer distances to work means higher transportation costs for workers and worsening affordability. And, traffic fatalities per capita are high.
- The region does not have adequate roadways to support the population to job growth imbalance. And, funding for roadway improvements is low in South Carolina.
- As a result, traffic is the number one problem cited by survey respondents.

Education: Equity: Economic Momentum

- The Charleston region is well educated but depends heavily on imported talent.
- A lot more residents are getting Associate's degrees. Residents with Bachelor's degrees are also growing, but primarily for older workers, not for 25-44 year old workers.
- Minority educational attainment improvements are mixed. African-Americans are becoming more educated, but not Hispanics.
- In the Charleston region, median income levels for African-American and Hispanic households are less than half that of White households.
- Education outcomes are improving, but funding per capita is average compared to other benchmark regions.
- Demand for technology skills is booming, but output of STEM graduates by local institutions lags.
- The profile of individuals in management occupations does not match regional demographics or that of other globally competitive regions. Non-White and female corporate leadership levels are low.

Global Fluency: Economic Momentum

- The region enjoys a tremendous increase in exports and large foreign employer base.
- But, foreign-born residents are a small and slow-growing share of the region's population.
- Residents have yet to travel the world like other benchmark communities, despite the large retiree population.