

WALTON FAMILY
FOUNDATION



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Most Dynamic Micropolitans



Executive Summary

The Most Dynamic Micropolitans

As American as baseball, hot dogs and apple pie, Main Street America - and its small towns - is a central component to understanding the economic forces at work across the United States. Dotting the U.S. map - in the Heartland and beyond - are 531 small towns, better known as micropolitan statistical areas, which comprise of one or more counties with at least one city with more than 10,000 but less than 50,000 in population. The Most Dynamic Micropolitan Index, which ranks the 531 micropolitan areas across the U.S., analyzes the economic performance and indicators that impact the social and economic fabric of America.

Our Most Dynamic Micropolitans Index attempts to bridge a gap in identifying which smaller communities are thriving and which are struggling to provide economic opportunity for their residents. Most Dynamic Micropolitans is an objective, outcome-based measure of the performance of micropolitan areas across the nation. The index permits economic development officials to monitor their micros' dynamism against others nationally or within their region and state. While international and national economic and geopolitical factors can influence growth patterns, the index provides a fact-based evaluation of whether development strategies have the desired effect. Further, Most Dynamic Micropolitans assists public-policy groups, elected officials, academics and other researchers and businesses in monitoring and assessing small community vitality across the nation.

Most Dynamic Micropolitans rankings are derived from performance-based metrics such as job growth, wage and income gains, and a new metric, the proportion of total jobs at young firms. This measure captures which communities are creating meaningful jobs for their residents and those that might desire to in-migrate. While most of our metrics are commonly used indicators of economic development, the young firm employment ratio is a relatively new measure. The young firm employment ratio has implications for long-term economic growth as new firms develop new products and drive innovation. It provides information on the ability of entrepreneurs to start new businesses and scale them—critical for future job and wage gains.

Beyond the new firm employment ratio, we incorporate new data on regional price parities from the Bureau of Economic Analysis (BEA). These regional price parities are indexes indicating whether goods and services are generally more or less expensive than the national average. Therefore, the indexes can be used to adjust income measures for differing inflation rates and differing levels of purchasing power across regions. The level of per-capita personal income reflects these adjustments and can be viewed as a measure of longer-term economic development because it is the stock of all prior welfare improvements.

BELOW ARE KEY FINDINGS FROM OUR INAUGURAL MOST DYNAMIC MICROPOLITANS INDEX:

Pecos, Texas, hailing from the Heartlands,¹ is first. Pecos leads economic growth across the nation's micropolitans in multiple measures of performance. Pecos and micro-encompassing Reeves County are at the epicenter of the shale oil exploration boom in the Permian Basin enabled by technological advances in hydraulic fracturing and horizontal drilling techniques. Growth has been so strong that local officials feel that the official population count of 15,300 understates the true population by up to 9,000.

With thriving tourism/recreational/lifestyle clusters, Summit Park, Utah, (2nd) and Jackson, Wyoming, (3rd) are close behind. Summit Park is diversifying and its fastest-growing sector is professional and technology services. 52.1 percent of the residents over the age of 25 have a Bachelor's degree or higher. Jackson has used its stunning beauty to drive tourism, attract remote telecommuters and lure wealthy semi-retirees. At \$148,900 in 2016, Jackson's per-capita income is highest in the nation.

Coming in at 4th and 5th are Heber, Utah, and Bozeman, Montana, respectively, both top tourism/recreation centers. Heber is located in Wasatch Back along with Summit Park, and is a 25-minute commute to Provo/Orem and a 45-minute commute to the Salt Lake City metro areas. Snowbird Mountain is a world-class ski resort. Heber is diversifying its economy by providing entrepreneurial support and mentoring. Yellowstone National Park lies to Bozeman's immediate south. Bozeman has thriving clusters in photonics/optics and software and information processing.

Findlay, Ohio, at 7th, distinguishes itself among the leaders as a manufacturing-dependent micropolitan with 22.3 percent of jobs in the sector. Findlay's strategic location and lower cost of doing business have positioned it as a top expansion site for warehousing, distribution, logistics and transportation services. Lewisburg, Tennessee, (14th) is another micro located in the Heartland that owes its position to attracting manufacturing firms and through expansion at existing ones.

Texas and Colorado each had three micropolitans in the top 20. In addition to Pecos, Texas had Fredericksburg, (10th) and Uvalde, (11th). Fredericksburg has a fast-growing wine industry that is boosting tourism. Long an agriculturally-oriented micro, Uvalde has benefitted from the fracking boom. Colorado has Breckenridge, (9th) Glenwood Springs, (16th) and Edwards, (17th). All Colorado micros owe their lofty rankings to tourism- and recreational-related activities.

Among those micropolitans ranking 21st to 50th, the Heartland had nine: Sevierville, Tennessee (26th); Effingham, Illinois (29th); Bardstown, Kentucky (31st); Athens, Texas (36th); Spirit Lake, Iowa (41st); Auburn, Indiana (46th); Angola, Indiana (48th); Brookings, South Dakota (49th) and Durant, Oklahoma (50th).

The Heartland had 27 micropolitans among those ranking 51st to 100th. Seven were in Minnesota and three came from Ohio.

41 of the top 100 micropolitans were in the Heartland, while 62.3 percent of all 531 micropolitans reside in the Heartland—a disproportionately low share highlighting the challenges the region faces.

Most Dynamic Micropolitan : Pecos, Texas

Among those metrics where top-ranked Pecos, Texas, was first: job growth from 2012-2016; average annual pay growth from 2013-2017; average annual pay growth in 2017; and the share that firms five-years-old or less represented of total employment. Pecos and micro-encompassing Reeves County are at the epicenter of the shale oil exploration boom enabled by technological advances in hydraulic fracturing and horizontal drilling techniques. Located at the Western edge of the Permian Basin—the most productive oil basin in the country—Reeves County contains the best hydrocarbon-abundant portion called the Delaware Basin.

However, today's oil boom is not just a bunch of roughnecks roaming the countryside and drilling for oil. An operator of a modern rig occupies a booth and monitors a set of computer displays and guides the drill bit with a joystick. Highly-trained petroleum engineers use computer algorithms of the local geology profile to maximize the release of oil deposits deep in the rock structure. Oil price declines late in 2018 highlighted the necessity of diversifying Pecos economic base, providing further incentives to nurture the development of more innovative-focused research and to promote entrepreneurship.

Top 20 Most Dynamic Micropolitans

Rank	Micropolitan
1	Pecos, TX
2	Summit Park, UT
3	Jackson, WY-ID
4	Heber, UT
5	Bozeman, MT
6	Hailey, ID
7	Findlay, OH
8	Hood River, OR
9	Breckenridge, CO
10	Fredericksburg, TX
11	Uvalde, TX
12	Vineyard Haven, MA
13	Cullowhee, NC
14	Lewisburg, TN
15	Key West, FL
16	Glenwood Springs, CO
17	Edwards, CO
18	Ellensburg, WA
19	Rexburg, ID
20	Calhoun, GA

Figure 1: Top 20 Micropolitans

Height Of Each Micro Reflects The Index Value

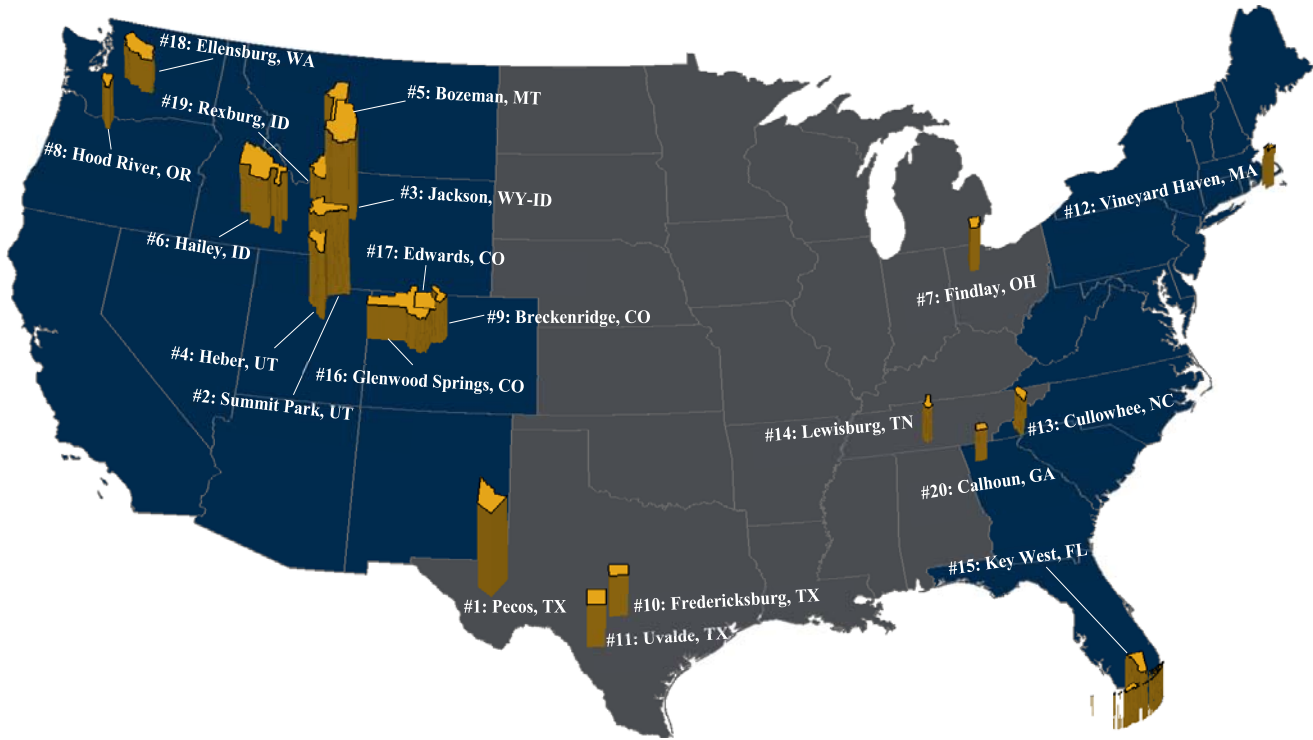
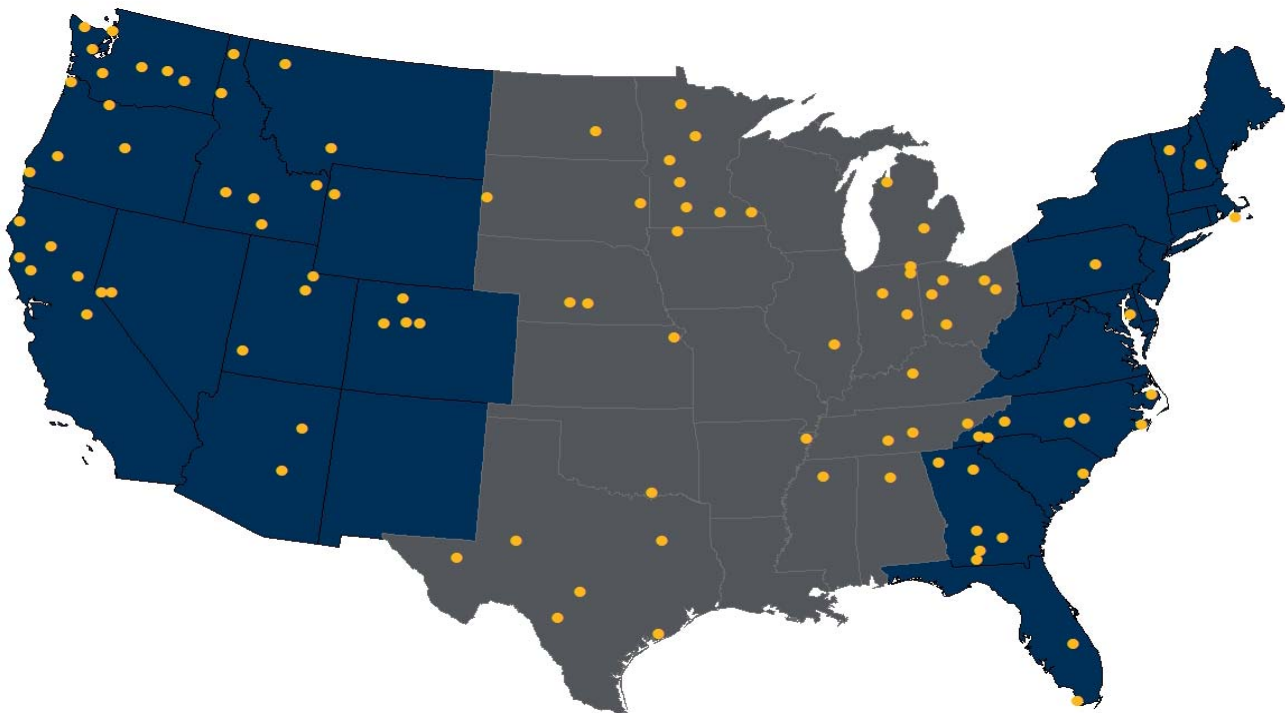


Figure 2: Top 100 Micropolitans



Tourism/Recreation/Lifestyle Communities and Diversification

A majority of the top 20 Most Dynamic Micropolitan areas were driven by some combination of tourism, recreation and the attraction of lifestyle amenities. However, each of these communities has carved out a specialized niche within these categories for themselves and are focused on economic diversification. It is critical for any micropolitan area to capitalize on location advantages whether they are tourism/recreation/lifestyle-related or other attributes such as the presence of a research university.

Summit Park, Utah, is taking advantage of its proximity to Salt Lake City to attract highly compensated individuals into the community. Additionally, it has promoted professional and technical jobs such as research, accounting and engineering. Employment and earnings in professional and technical services averaged growth of 7.9 percent and 12.6 percent, respectively, from 2010 to 2016. Another example of diversification is that employment in management of companies more than doubled between 2010 and 2016.

Among the wealthy individuals attracted to the stunning beauty and lifestyle amenities offered in Jackson, Wyoming, are investment bankers with global experience. These individuals provide their international expertise remotely and contribute to angel investing and management advice in Jackson. Heber, Utah, is targeting software development and information technology, professional services, healthcare and advanced manufacturing. Further, Heber's Small Business Development Center Utah Valley University campus and Business Resource Center provide entrepreneurial support and mentoring.



Bozeman, Montana, is another

example of how a community can build upon strength in tourism and recreation by supporting other clusters critical to its success. Bozeman has a photonics/optics cluster (over 30 firms in total) and is among the national leaders in concentration. Montana State University faculty and graduates founded most of the firms as the university has nationally recognized research expertise in this area. To support its biotechnology sector, Montana State recruited an internationally known stem cell scientist from Stanford to become Vice President for Research and Development.

Located in [Hailey, Idaho, \(6th\)](#), Sun Valley Resort is a premier ski resort in North America. However, Hailey has diversified local tourism to include hikers, mountain bikers, equestrians, and golfers during the summer months. Additionally, Hailey is home to the multinational engineering firm, POWER Engineers. Hailey is providing entrepreneurial training to diversify its economy, too.

[Breckenridge, Colorado, \(9th\)](#) is attempting to lead an entrepreneurial and remote working revolution, where small communities can use their amenities to create year-round tourism and develop startups along the way. [Vineyard Haven, Massachusetts, \(12th\)](#) includes the popular vacation island of Martha's Vineyard driven by summer tourism. Residents have committed to addressing their reliance on summer tourism. The Island Plan is an overarching development strategy created by the people that live there to provide more year-round employment opportunities and economic diversification.

[Cullowhee, North Carolina, \(13th\)](#) is located near the Great Smoky Mountains National Park and has several notable destinations for mountain biking, hiking and fly-fishing. Western Carolina University embarked on a project to support outdoor industry startups in the area. Additionally, Western Carolina recently held its inaugural Outdoor Economy Conference with a student pitch competition and panels featuring outdoor manufacturing and service leaders. [Key West, Florida, \(15th\)](#) is among the most heavily tied micropolitans to travel and tourism. The Florida Keys attract travelers with beaches, reef diving and saltwater fishing. Tourism has grown rapidly since 2010.

While **Ellensburg, Washington, (18th)** benefits from tourism, it is committed to a \$60 million expansion of Central Washington University. **Rexburg, Idaho, (19th)** lies just west of Jackson Hole, Wyoming. Much of Rexburg's recent success is related to the expansion of Brigham Young University-Idaho. Currently at 35,000, student enrollment has increased 166 percent since 2007 with the majority of the gains occurring since 2011. Rexburg is focused on harnessing this human capital to create more startups. The Rexburg Entrepreneurial Eco-System group hosts three startup competitions per year and assists local startups in obtaining venture capital.

Manufacturing

Among the top 20, Findlay, Ohio, is the most tied to manufacturing. Jobs in manufacturing in 2016 were above the pre-recession peak in 2007. Very few micropolitans can make this claim. Findlay prides itself on a high level of cooperation between government, nonprofit organizations and local businesses in creating an environment conducive to company location and expansion. Findlay is headquarters for Cooper Tire and Marathon Petroleum Corporation. Additionally, Whirlpool's sole assembly operation for dishwasher manufacturing is based in Findlay and the facility is the only one in the United States. The University of Findlay is a critical component of the community's success. The school consistently adjusts classroom curriculums to meet the current needs of the student population as they prepare for emerging careers.

Lewisburg, Tennessee, has carved out a manufacturing niche for itself, in part, by taking advantage of its location between Nashville, Tennessee, and Huntsville, Alabama. Economic development officials have actively marketed Lewisburg with an online campaign: Lewisburg has a webpage containing information on the explicit process to receive tax incentives, the area's workforce characteristics, and the types of manufacturing operations where it has a competitive advantage. A Chinese automotive parts supplier, Minth Group, recently announced plans to locate a manufacturing facility in the community.

Calhoun, Georgia, (20th) is another micropolitan that owes its elevated position to success in manufacturing. Calhoun has a flooring cluster anchored by the manufacturing operations of two of the largest providers in the world, Mohawk Industries and Shaw Industries. Their presence has attracted other flooring manufacturing plants that are benefiting from Calhoun's existing cluster infrastructure. It is attempting to add industry diversification by expanding distribution-related activities.

Agriculture

Hood River, Oregon, (8th) has roots in agriculture as it is the largest pear producing county in the nation and one of the largest cherry producers. Hood River has diversified its economic base as a national leader in unmanned aircraft production and has added a high-tech glass manufacturing facility. Further, the community emphasizes and supports entrepreneurship.



Fredericksburg, Texas, is well known as a major producer of wines. A Texas Tech chemist discovered the area's potential to produce high-quality wines in the middle of the 20th century, but when legal barriers were removed in 2005, production soared. Most of the wines produced are sold at local wineries which has thrust related tourism. However, if wine production in the region is to reach its full potential, it will need to extend into the national and international markets. Fredericksburg realizes that industry diversification should be encouraged and is attempting to expand its aviation and machining industries.

Oil

Uvalde, Texas, is not located in the Permian Basin where the fracking explosion is occurring, but it is benefitting from the spillover effects. Uvalde is near the exploration activity and oil companies, and suppliers are opening offices with workers shopping and living in the community. Uvalde is also known for its big game hunting industry and one of the largest solar panel systems in the world.



Factors Affecting Overall Micropolitan Performance

Both industry and structural characteristics underpin the variation in performance among micropolitan areas during our period of evaluation. Among industry factors was the remarkable influence of communities with a high concentration of travel/tourism/recreation and related amenities in determining high rankings. Tourism-destination locations where tourists travel long distances to obtain access to their amenities separated themselves. Communities with clusters of professional, scientific and technical services serve as important anchors with high wages resulting in strong economic spillovers. Micropolitan areas with a heavy reliance on these services were among the overall leaders. Manufacturing was a positive factor in Most Dynamic Micropolitans during the evaluation period, especially automotive, machine tools, other capital goods and non-automotive consumer durables production. Other than a few communities serving the most productive portions of the Permian Basin, those with a heavy reliance on oil exploration witnessed negative impacts. Coal mining drug down the performance of communities most dependent on the activity. Agriculture weighed down communities in the Heartland as crop prices were depressed.

The influence of structural characteristics in explaining performance patterns is evident. Micropolitan areas with awareness and culture of entrepreneurship were among the overall leaders and propelled the ranking of some other communities. Micropolitan areas that support entrepreneurs and small businesses are more dynamic and resilient in the face of economic change.

Micropolitans with research universities and four-year colleges witnessed superior economic growth, holding other factors constant. The most successful do so by commercializing their research and creating human capital that attracts firms in knowledge-intensive industries. Community colleges who actively engage in fulfilling the training needs of local industries achieve better scores. Communities with a portfolio approach to economic development that support firm recruitment, indigenous expansion and startup activity attain better economic growth.

Micropolitan areas located close to metropolitan areas that are witnessing higher growth tend to exhibit better performance as well. Quality of place attributes such as arts, cultural, recreational and lifestyle amenities impart an advantage for communities that possess them and focus on expanding them. An escalating body of research demonstrates a correlation between arts and culture and economic success.



#17 Edwards, Colorado

Home to Vail, Colorado, Edwards is yet another successful micro centered on tourism. In contrast to Vineyard Haven, Massachusetts, the micro has traditionally drawn vacationers with its snowy winter slopes. Much of Edwards' recent economic success has been the result of changing that narrative of seasonality.

The Edwards micro performed better than the national average micro in every index metric, with particularly strong per-capita income growth over the medium term. Recent movements in lodging occupancy rates likely explain these outcomes: Vail's summer average occupancy rate jumped from 65 percent of the winter average in 2010 to 87 percent, while the winter average still grew modestly.^{xcv} The region has transformed itself from largely winter destination to a year-round adventure hub. The town of Eagle exemplifies the transformation, becoming a renowned mountain biking destination and adding a whitewater park to its downtown riverfront.^{xcvi}

A self-identified constraint to continued success in the Edwards micro is affordable housing in Vail; the town's high housing cost has made it difficult to attract and retain hospitality and retail employees. However, the ski resort and town have worked together to rezone land with the specific intent of creating affordable housing for these workers.^{xcvii}

2017 Population	54,772
Overall Z-Score	1.0219
Young Firm Employment Ratio	95th
Per-Capita Personal Income	13th
Medium-Term Job Growth	124th
Short-Term Job Growth	189th
Medium-Term Average Annual Pay Growth	197th
Short-Term Average Annual Pay Growth	238th
Medium-Term Personal Income Growth	6th
Short-Term Personal Income Growth	321st