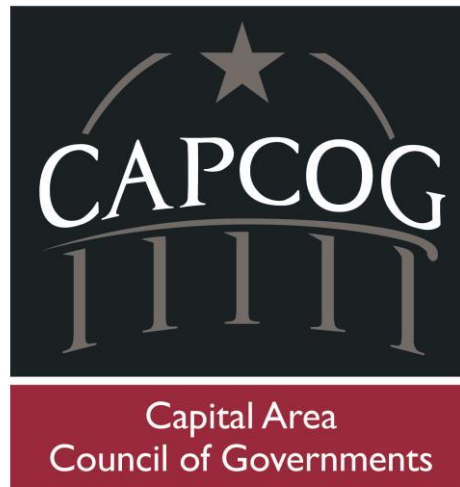


# COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY 2015 - 2020



**2018 UPDATE**

# INTRODUCTION

*The 2018 Update to the 2015-2020 Comprehensive Economic Development Strategy (CEDS) features updated data and analysis for the region, with particular focus on:*

- *Population Growth,*
- *Jobs and Employment,*
- *Workforce and Education,*
- *Challenges the Capital Area faces, and*
- *Updated Performance Metrics for the region.*

*Many of the trends identified and discussed in detail in the initial edition of the 2015-2020 CEDS are still relevant and are observed in the updated data. Population continues to grow, adding roughly 50,000 people per year to the ten-county Capital Area. The highest rates of population increase are in the counties that contain the IH-35 corridor, and new population growth is increasingly shifting from Travis County to Williamson and Hays Counties. Employment opportunities in these traditionally suburban counties are growing as well, but employment in the region remains much more concentrated in Travis county than population is.*

*The overall unemployment rate in the region was at or below 3% for much of 2017, though geographic pockets of higher unemployment remain. Job creation in the region, though still positive, showed signs of slowing down in 2017. Some of the region's historically strong sectors – professional and business services, retail, and leisure and hospitality – saw substantial declines in their rates of job creation in 2017. More time and data are needed to clarify whether this trend represents a specific structural issue for the Capital Area or whether these numbers simply reflect a reversion to the statewide mean rate of job growth.*

*Additionally, there is an unevenness in the types of jobs that are being created in the region. The jobs that are being created in the retail and accommodation sectors are not typically jobs that pay wages sufficient to keep up with rising costs in the region, and in Austin in particular. Many of the workers in these sectors cannot afford housing near their jobs in Austin, increased suburbanization of low-income households, long commutes, and roadway congestion. The rising cost of housing in the urban core is accelerating this redistribution of population toward more suburban and rural communities.*

*Workforce development and educational attainment remain key issues for the region in order to make sure that the benefits of the Capital Area's economic growth are broad-based and accessible for all residents. Currently across the region, educational attainment rates vary from very high to very low, and outcomes are closely linked to race/ethnicity and household income.*

*CAPCOG is working with local communities and elected officials to develop thoughtful, data-driven, and context-specific approaches to addressing the challenges that the region faces. This CEDS represents a key tool in developing awareness and aligning responses to the policy and programmatic needs of the Capital Area.*

# POPULATION GROWTH

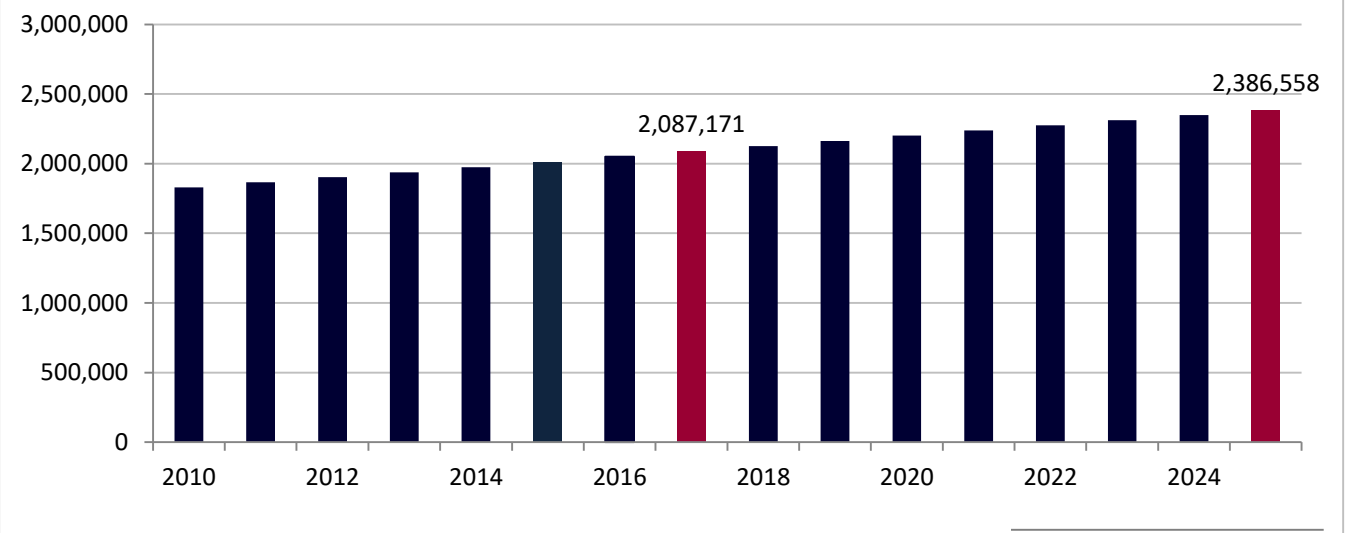
Population in 2017 in the Capital Area was just shy of 2.1 million. Even modest forecasts of immigration rates from the Texas State Data Center (using half the immigration rate the region experienced between 2000 and 2010) still show the region adding roughly 300,000 people by 2025.

In absolute terms, the population is growing fastest in Hays, Travis, and Williamson Counties – those counties through which IH-35 passes. But strong double-digit population growth rates are expected over the next 10 years in Bastrop and Caldwell Counties as well, as population spreads out more thoroughly through the Metropolitan Statistical Area.

Expectations for population growth are more varied in more rural counties. Burnet County is expected to lead the way, with (11.2% growth over the next 10 years.) Blanco, Lee, and Fayette Counties all show positive growth as well, while Llano County is expected to remain largely flat in terms of population growth.

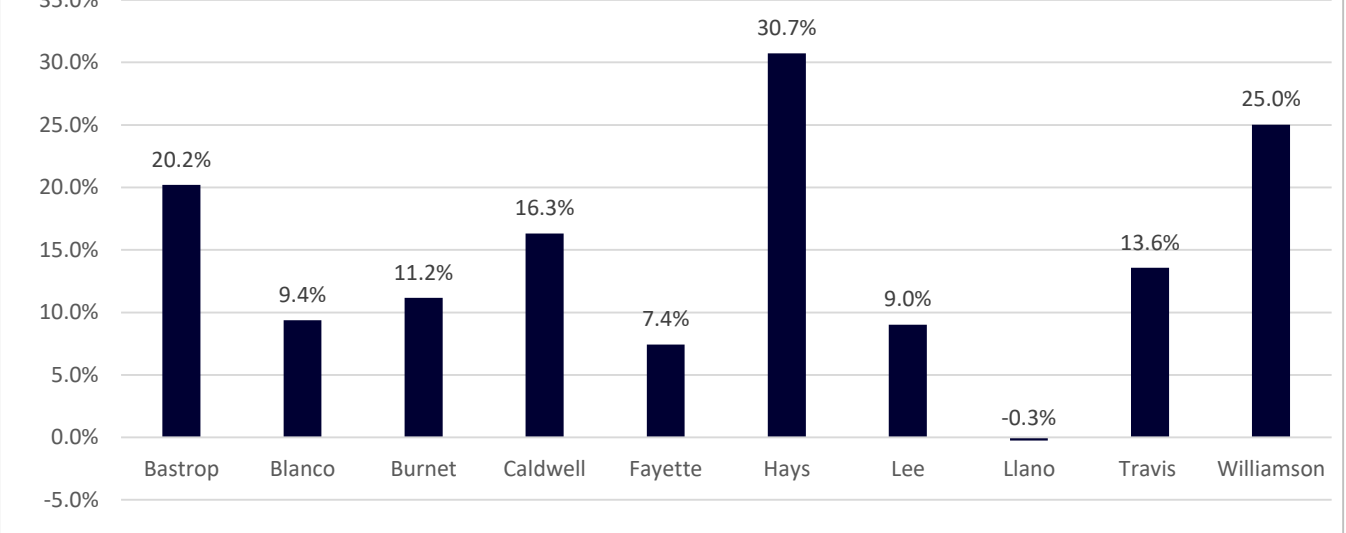
Migration is a key driver of regional population growth. Should job creation slow down, it is likely that these population growth forecasts would be revised downward.

## HISTORICAL & PROJECTED REGIONAL POPULATION



SOURCE: U.S. CENSUS BUREAU / TEXAS STATE DATA CENTER

## PROJECTED 10-YEAR POPULATION GROWTH RATES (2017 – 2027)



SOURCE: U.S. CENSUS BUREAU / TEXAS STATE DATA CENTER

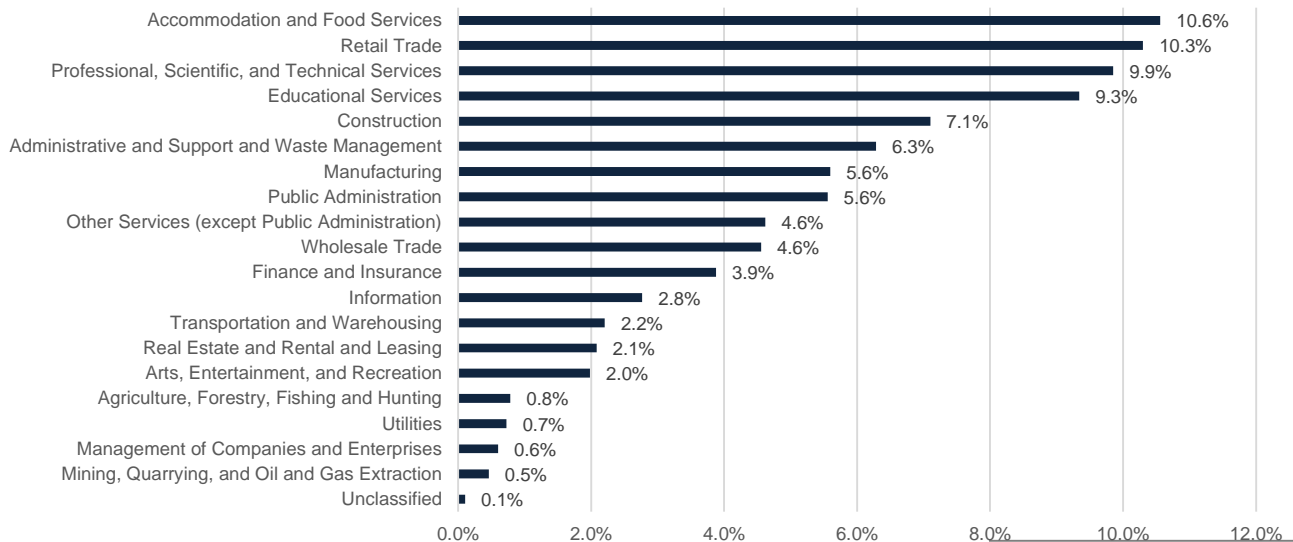
# JOBS AND EMPLOYMENT

*The Capital Area added nearly 30,000 jobs in 2017. The rate of job creation fell year over year from 3.0% in 2016 to 2.8% in 2017, though the rate of job creation fell much more sharply in certain sectors. Accommodation and food services, retail trade, professional services, educational services, and construction are the top-5 largest industry sectors, making up nearly half (47.2%) of regional employment.*

*After slowing down in 2016, mining, quarrying, and oil and gas extraction employment rebounded in 2017. The construction industry, one of the region's largest employment sectors, grew by 4.7% in 2017.*

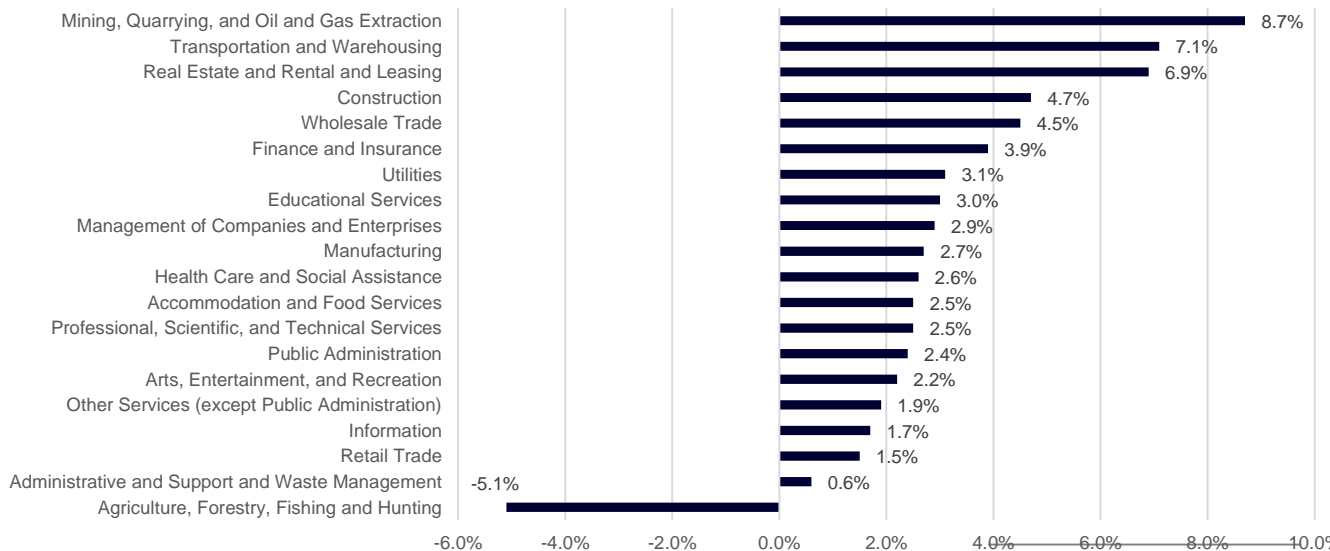
*While positive job growth in so many different sectors reflects the diversity of the economy in the Capital Area, affordability challenges have worsened. One driver of this is the low average wage paid by several large sectors of the economy, notably Retail Trade as well as Accommodation and Food Services. Pressure on wages to match the pace of rising housing costs is an issue for many workers, as well as for businesses that struggle to attract workers to travel long distances for lower-wage jobs.*

## CAPITAL AREA EMPLOYMENT BY INDUSTRY SHARE (2017)



SOURCE: JobsEQ

## CAPITAL AREA EMPLOYMENT CHANGE BY INDUSTRY (2017 – 2018)



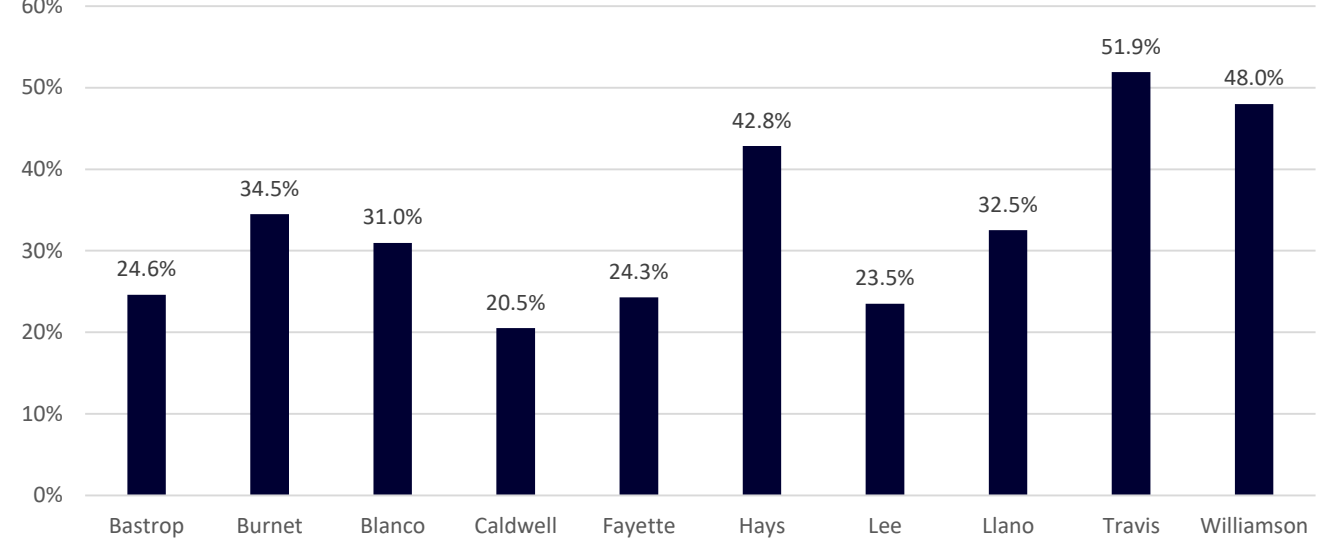
SOURCE: JobsEQ

# EDUCATION AND WORKFORCE

Educational attainment rates overall for the Capital Area are higher than in most other parts of the country. Within the Capital Area, educational attainment rates are highest in Travis, Williamson, and Hays Counties, to some extent reflecting the presence of several large and well-established universities and community college systems in those counties. More rural counties in the Capital Area have somewhat lower levels of educational attainment, with attainment of an Associate's Degree or higher ranging from 20.5% in Caldwell County to 34.5% in Burnet County and 32.5% in Llano County, where many residents are highly-educated retirees.

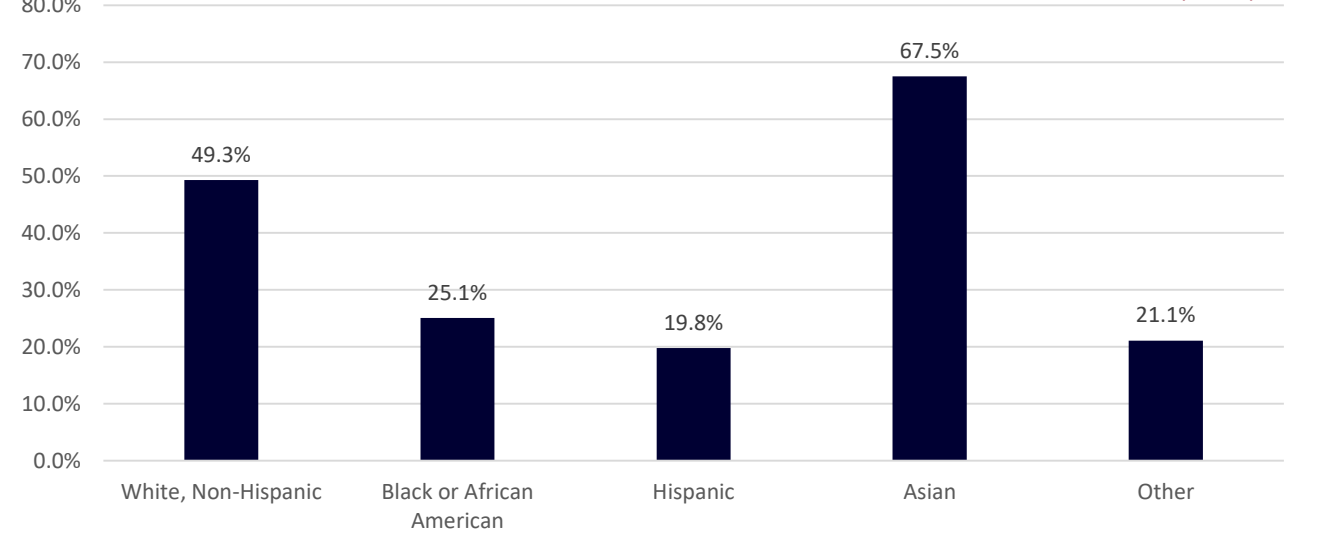
In addition to variation across counties, there is significant variation in educational attainment outcomes along racial/ethnic lines in the Capital Area. Non-Hispanic Whites and Asians are more than twice as likely as African Americans or Hispanics to have attained a Bachelor's Degree or higher, reflecting issues of access and equity in the region. Attainment rates of at least a Bachelor's Degree have risen for all races/ethnicities between 2014 and 2016 (the most current years for which there is Census data).

— ATTAINMENT OF AN ASSOCIATE'S DEGREE OR HIGHER, POPULATION AGE 25+ (2016) —



SOURCE: U.S. CENSUS BUREAU

— ATTAINMENT OF A BACHELOR'S DEGREE OR HIGHER, POPULATION AGE 25+ (2016) —



SOURCE: U.S. CENSUS BUREAU

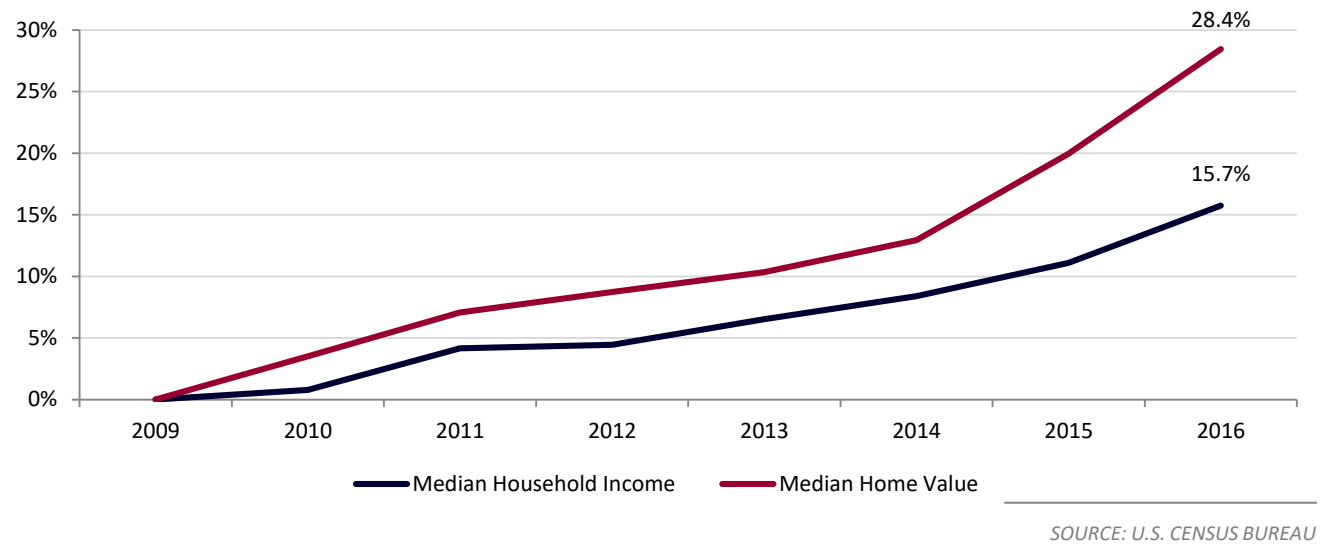
# CHALLENGES

Though many of the trends in the region are positive, the Capital Area also faces strong challenges. Many of the region's challenges stem from managing the consequences of such robust growth in recent years. For example, between 2009 and 2016, median home values in the 5-County MSA rose 28.4%, while incomes only rose 15.7%. Within the city of Austin, home prices have risen even faster, creating widespread housing affordability challenges.

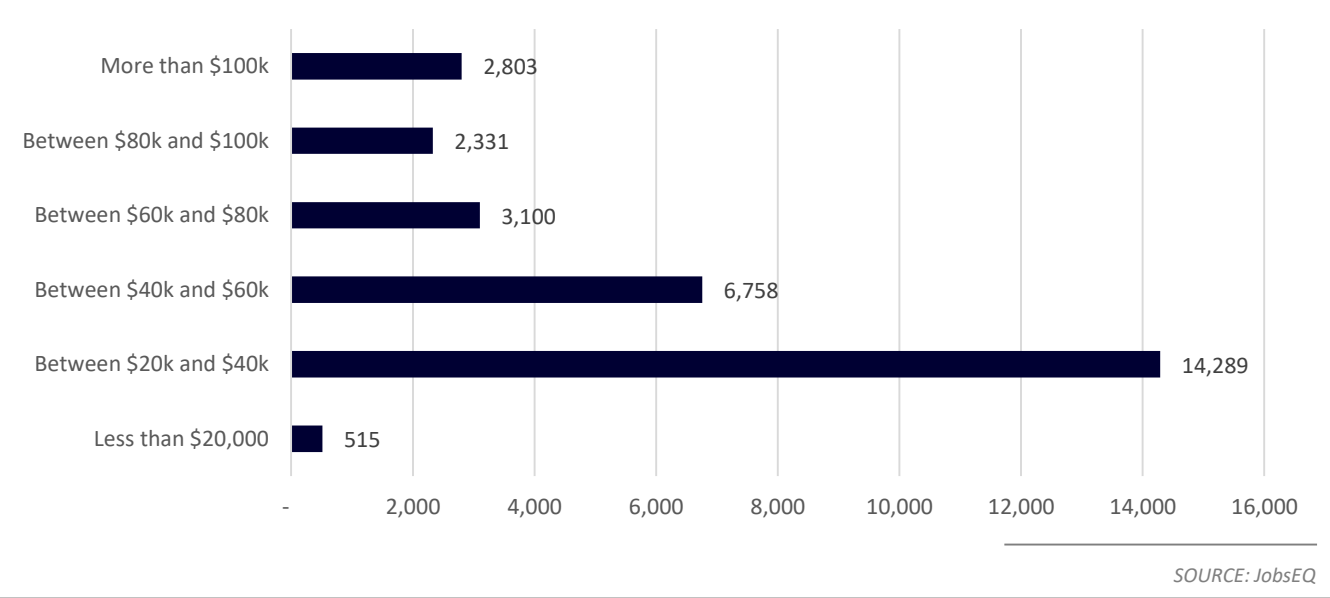
These affordability challenges have been exacerbated in part by rapid job growth in low-wage occupations. Nearly half of all jobs created in 2017 in the Capital Area were in occupations that pay a median annual wage between \$20,000 and \$40,000 per year.

As housing near the urban core of the region becomes increasingly expensive, more and more workers are moving to suburban and rural communities, where housing is more affordable. However, this creates transportation congestion, long commutes, and sprawling land-development pressures in the region. These outcomes, in turn, increase environmental and resiliency vulnerabilities.

— PERCENTAGE CHANGE IN MEDIAN HOUSEHOLD INCOMES AND MEDIAN HOME VALUES IN THE AUSTIN-RR MSA —







— JOBS CREATED IN 2017 BY OCCUPATIONAL MEDIAN ANNUAL WAGE —





# PERFORMANCE METRICS

## THEME 1: WORKFORCE DEVELOPMENT

METRIC	INITIAL CEDS VALUE (2015)	2017 CEDS VALUE	CURRENT VALUE	TREND	SOURCE
Increase in the share of the population aged 25+ in all Capital Area counties with a post-secondary degree	In 2013, 46% of Capital Area residents aged 25+ had a post-secondary degree.	In 2015, this estimate rose to 47%.	In 2016, this estimate remained at 47%.		U.S. Census Bureau, American Communities Survey
Increase in the share of households in all counties in the Capital Area earning an annual income more than \$35,000	In 2013, 71.4% of Capital Area households earned more than \$35,000 per year.	In 2015, 72.9% of Capital Area households earned more than \$35,000 per year.	In 2016, this estimate rose slightly to 74.2%.		U.S. Census Bureau, American Communities Survey
Increase in the number of vocational certificates awarded by the region's post-secondary institutions	In the 2012-2013 academic year, 6,660 vocational certificates and Associate's Degrees were awarded by Capital Area post-secondary institutions.	In the 2014-2015 academic year, 6,559 vocational certificates and Associate's Degrees were awarded by Capital Area post-secondary institutions.	In the 2015-2016 academic year, 7,869 vocational certificates and Associate's Degrees were awarded by Capital Area post-secondary institutions.		National Center for Education Statistics, College Navigator; Jobs EQ 2015-2016
Increase in the share of jobs added to the regional economy that pay average hourly wages above \$20.	The Capital Area added 29,700 jobs in 2014, of which 13,000 (44%) paid over \$20 in average hourly wages.	The Capital Area added 28,083 jobs in 2016, of which 10,302 (37%) paid over \$20 in average hourly wages.	The Capital Area added 29,796 jobs in 2017, of which 14,068 (47%) paid above \$20 per hour on average.		JobsEQ

# PERFORMANCE METRICS




## THEME 2: ENTREPRENEURSHIP AND GROWTH ACCELERATION

METRIC	INITIAL CEDS VALUE	2017 CEDS VALUE	CURRENT VALUE	TREND	SOURCE
Increase in the number of new firms created in the Austin-RR MSA each year	In 2012, 3,313 new firms were established in the Austin-RR MSA.	In 2014, 3,469 new firms were established in the Austin-RR MSA.	No more current data produced.		U.S. Census Bureau, Business Dynamics Statistics
Increase in the number and value of venture capital investments in the Austin-RR MSA	In 2015, 99 venture capital deals were completed in the MSA worth a total of \$740.0 million.	In 2016, 188 venture capital deals were completed in the MSA worth a total of \$977.2 million.	In 2017, 207 venture capital deals were completed in the MSA worth a total of \$1.17 billion.		National Venture Capital Association
Increase in the number of patents awarded to intellectual property owners in the Capital Area	2,810 patents were awarded to intellectual property owners in the Capital Area in 2014	2,715 patents were awarded in 2015.	No more current data produced.		U.S. Patent and Trademark Office
Increase in the number of jobs created through expansion of existing businesses	In 2014, 4,871 jobs were created by firms in the Austin-RR MSA that announced major expansions.	In 2016, 5,423 jobs were created by firms in the Austin-RR MSA that announced major expansions.	In 2017, 10,212 jobs were created by firms in the Austin-RR MSA that announced major expansions.		Greater Austin Chamber of Commerce





# PERFORMANCE METRICS

## THEME 3: ECONOMIC RESILIENCE

METRIC	INITIAL CEDS VALUE	2017 CEDS VALUE	CURRENT VALUE	TREND	SOURCE
Increase in the value of international exports from the Austin MSA	The value of international exports from the Austin MSA was \$8.9 billion in 2013	The value of international exports from the Austin MSA was \$10.1 billion in 2015	The value of international exports from the Austin MSA was \$10.7 billion in 2016		International Trade Administration
Increase in the number of industry clusters that have developed in the region	As of 2014, 7 sectors (3 digit NAICS) account for 46% of regional employment. 3 sectors (local government, food services, and professional services) account for 28%.	In 2016, the top 7 sectors accounted for 47% of regional employment. Education services, food services, and professional services accounted for 29%.	In 2017, the top 7 sectors accounted for 46% of regional employment. Education services, food services, and professional services accounted for 29%.		JobsEQ
Reduction in per capita water use in the Capital Area	In 2013, water use was 0.19 acre-feet per capita in the Capital Area.	In 2015, water use was 0.17 acre-feet per capita in the Capital Area.	No more current data produced.		Texas Water Development Board
Sufficient reduction in ozone levels to maintain compliance with EPA's air quality standard	In 2014, the Austin-RR MSA averaged 69 ozone parts per billion (ppb), below the current 75 ppb standard.	In 2016, the Austin-RR MSA averaged 66 ozone parts per billion (ppb), below the revised 70 ppb standard.	In 2017, the Austin-RR MSA averaged 69 ozone parts per billion (ppb), below the revised 70 ppb standard.		Texas Commission on Environmental Quality

# PERFORMANCE METRICS

## THEME 4: PLACE BUILDING

METRIC	INITIAL CEDS VALUE	2017 CEDS VALUE	CURRENT VALUE	TREND	SOURCE
Increase in number of communities using place-building scoring criteria in economic development incentives	Data did not previously exist	57% of communities that completed CAPCOG's survey used place-building scoring criteria	Data not updated		Survey abandoned due to survey selection issues
Reduction of daily vehicle miles traveled per capita	In the 2013-2014 TxDOT Fiscal Year, Capital Area residents drove 21.1 vehicle miles per capita.	In the 2015-2016 TxDOT Fiscal Year, daily vehicle miles traveled per capita in the Capital Area fell to 19.5.	In the 2016-2017 TxDOT Fiscal Year, daily vehicle miles traveled per capita in the Capital Area rose to 20.4.		Texas Department of Transportation
Reduction of share of workers in the Austin-RR MSA that drive to work alone	In 2013, 75.9% of those employed in the Austin-RR MSA drove alone to work	In 2015, the share of workers employed in the Austin-RR MSA that drove alone to work increased to 76.5%.	In 2016, the share of workers employed in the Austin-RR MSA that drove alone to work remained at 76.5%.		U.S. Census, American Communities Survey
Increase in amount of downtown investment in communities across the Capital Area	Data did not previously exist	For communities outside Austin that completed CAPCOG's survey, a total of 19 projects took place in downtowns, worth \$2.3 million.	Data not updated		Survey abandoned due to survey selection issues



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# COMPREHENSIVE ECONOMIC DEVELOPMENT STRATEGY

## 2015-2020

### Capital Area Economic Development District

# Comprehensive Economic Development Strategy – 2015 to 2020



**Capital Area Economic Development District**



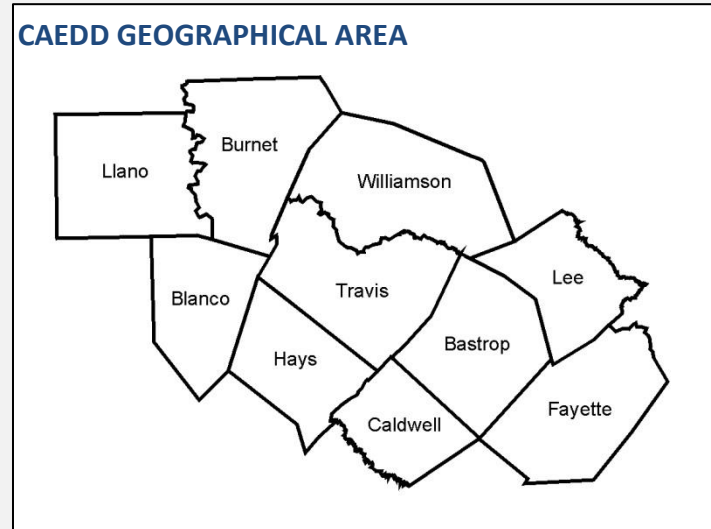
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## INTRODUCTION

The Capital Area Council of Governments (CAPCOG) is designated by the Economic Development Administration (EDA) to serve as the Capital Area Economic Development District (CAEDD), and by virtue of the regional stakeholders that make up its membership and the organization's regional focus, the CAEDD has a unique perspective on the dynamics shaping the Capital Area's economy. This Comprehensive Economic Development Strategy (CEDS) is a product of that regionalism, having come out of numerous meetings of a CEDS Committee designed to reflect the diverse interests of the economic actors throughout the Capital Area.

The CAEDD consists of ten counties: Bastrop, Blanco, Burnet, Caldwell, Fayette, Hays, Lee, Llano, Travis, and Williamson; and the CEDS applies to that same geographical area. The CEDS is written with the hope that it will provide useful regional information, guidance, and perspective to local economic development stakeholders, be they at the city, county, or regional level. The CEDS is a product over a year-long planning process that was intentionally inclusive of diverse representatives in the public, private, and non-profit sectors throughout the Capital Area. Even still, the CEDS is not intended to generate mandates to individual cities within this region. Rather, this CEDS is designed to provide a conceptual framework to be used by local actors to strengthen the competitiveness, economic resilience, and quality of life in the Capital Area.



The Economic Development Administration requires that each Economic Development District produce a CEDS every five years. This ensures that each district maintains an up-to-date strategy to establish economic goals, address challenges facing their respective region, and guide development priorities. The CEDS process drives districts to examine the region they serve, innovate new ways of supporting development in that region, and stipulate specific metrics for measuring success. Hence, the CEDS process, not just the final strategy document, is critical for districts. At its core, the CEDS is a pillar of locally-based, regionally-driven economic development planning process in the Capital Area.

The Capital Area has a long history of developing and adopting CEDS documents, and this strategy builds upon that history. Austin and the communities that surround it have seen tremendous growth in recent decades, and there are clear reasons for continuing to pursue the policies and strategies that have driven so much economic development in recent times. This strategy, therefore, looks to

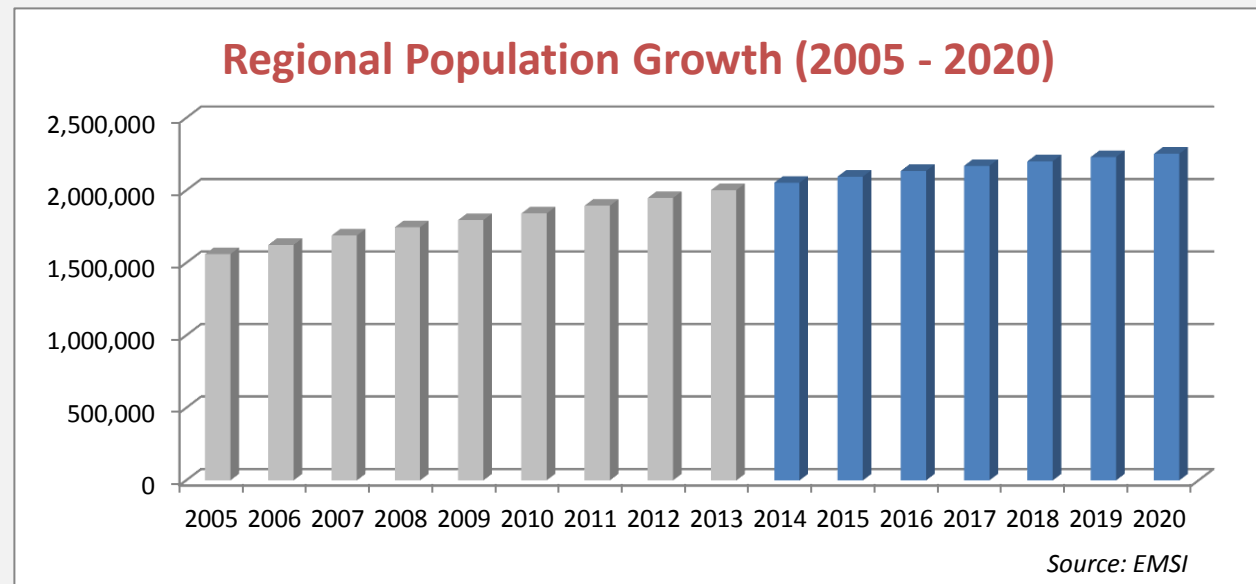
identify ways of shaping the way the region grows to support a resilient and robust local economy that is increasingly competing on a global scale.

This CEDS begins by providing a summary of the current conditions and trends in the Capital Area. The observations in that section are then analyzed and compiled in a SWOT (strengths, weaknesses, opportunities, and threats) framework. Responding to the SWOT analysis, the next section of the strategy is a Strategic Direction and Action Plan, which identifies development objectives and outlines strategies for achieving those objectives. Following that section, an Evaluation Framework is developed to gauge progress on the successful implementation of the CEDS.

## BACKGROUND SUMMARY

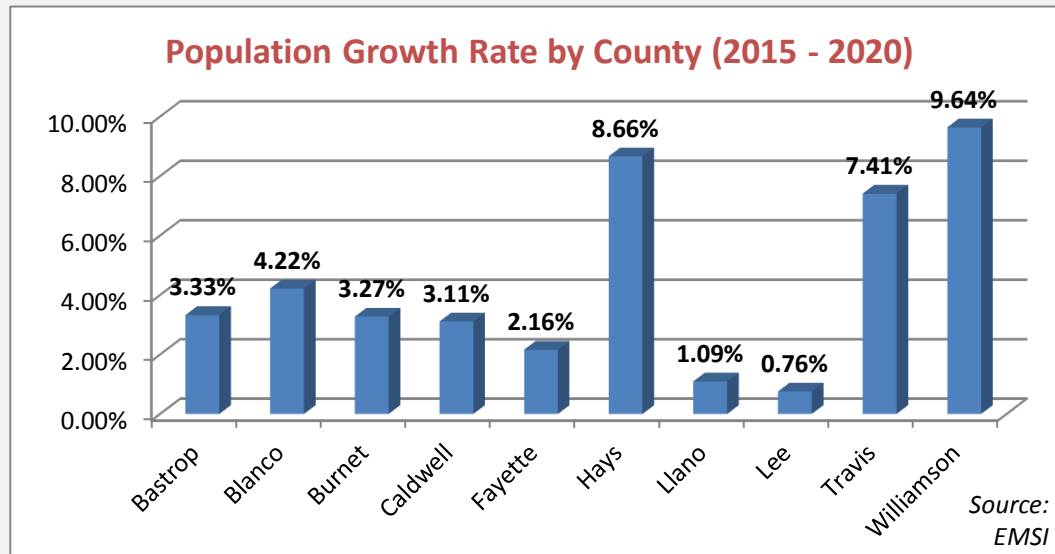
### POPULATION GROWTH

The Capital Area experienced significant population growth in recent years, adding approximately 500,000 people between 2005 and 2014. That growth is expected to continue throughout the region, though the pace of growth is forecast to slow from an annualized rate of 2.6% between 2010 and 2015 to 1.5% between 2015 and 2020. Despite having the largest share of the regional population already, the highest growth rates are expected to occur in Hays, Travis, and Williamson counties, highlighting the importance of the IH-35 corridor in the region.



Population growth in Hays and Williamson counties also reflects how much of the growth in the region is occurring in communities

outside of Austin. Between 2015 and 2020, Hays and Williamson counties are expected to account for 40% of the region's overall population growth. Travis County is expected to still lead the region, accounting for 55% of new occupants, and Bastrop County will lead the remaining CAPCOG area counties, accounting for an expected 1.6% of population growth.



In the three fastest growing counties (Hays, Travis, and Williamson), examining the source of population growth reflects interesting migration patterns. In Travis County, the key source of in-migration is from other cities in Texas, specifically Dallas and Houston. In Hays and Williamson Counties, the primary source of in-migration is out-migration from Travis County. Generally speaking, most residents moving into the region move to Travis County from other population centers in Texas. Within the region itself, however, migration tends to flow from Travis County to surrounding counties.

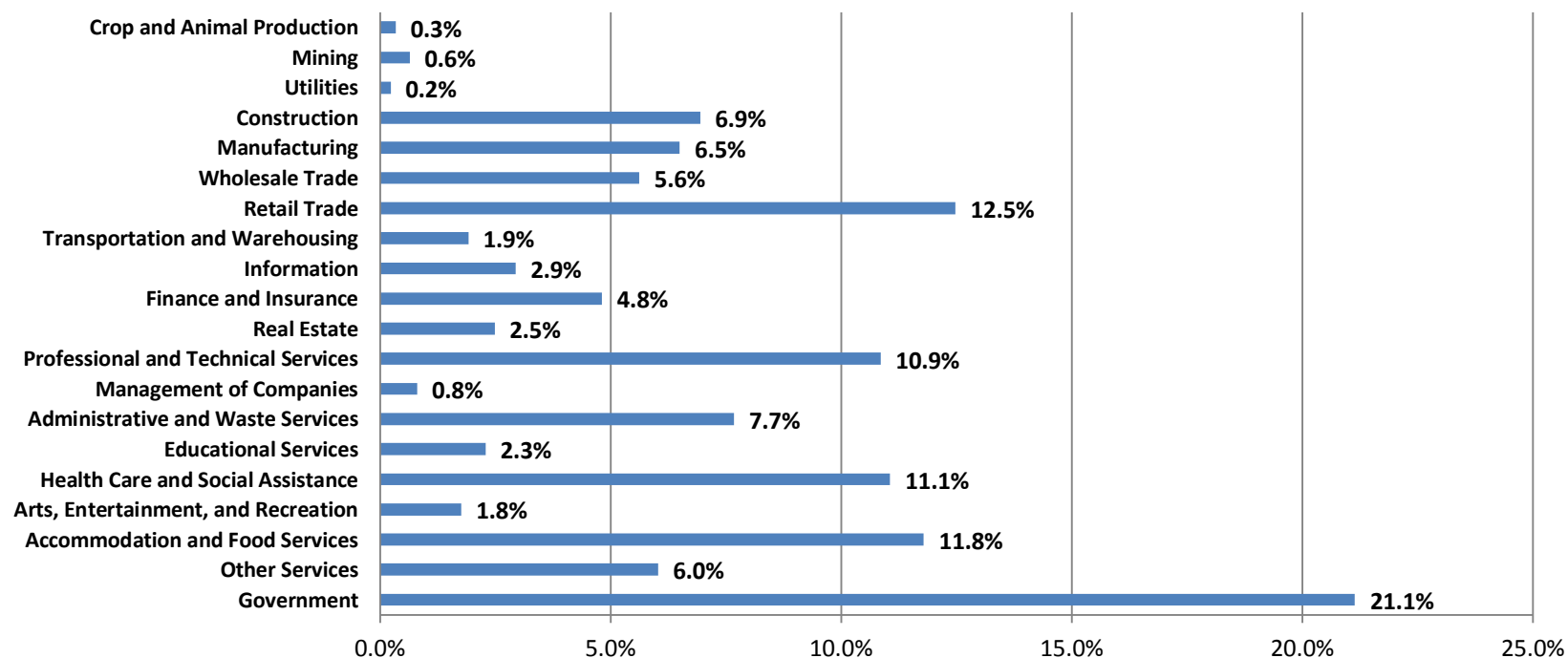
the CEDS, as new residents represent new skills in the workforce, reflect new dynamics in the industries that make up the local economy, and heighten demands on local infrastructure and public services.

## **JOBS AND EMPLOYMENT**

The population growth noted above is in considerable part fueled by the availability of jobs in the Capital Area. The region added over 162,000 jobs between 2010 and 2015. In fact, the region's job performance has been steadily improving for some time. It has added jobs every year since 2000 except for 2002, 2003, and 2009. The tech-driven recession in the early 2000s was particularly hard on the Capital Area economy. The region was better prepared during the Great Recession. Although roughly 20,000 jobs were lost in 2009, it had more than recovered those jobs by 2011, a feat many regions of the country still have not achieved. As of 2013, the region's annualized unemployment rate was 5.2%, below the state-wide average of 6.3% and much lower than the U.S. rate of 7.4%. In short, the Capital Area has performed exceptionally well in overall job creation figures.



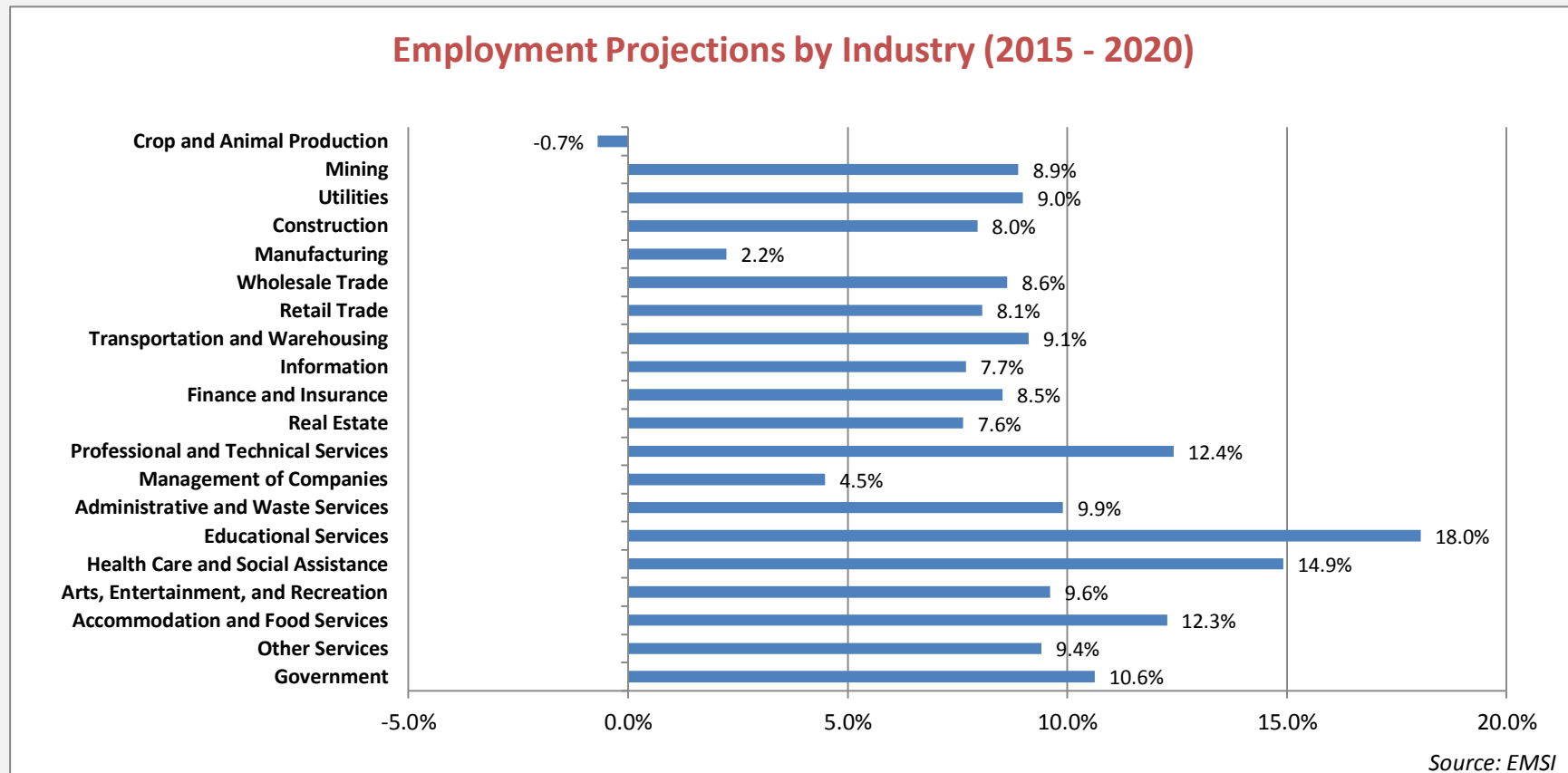
### Share of Employment in the Capital Area by Industry (2015)



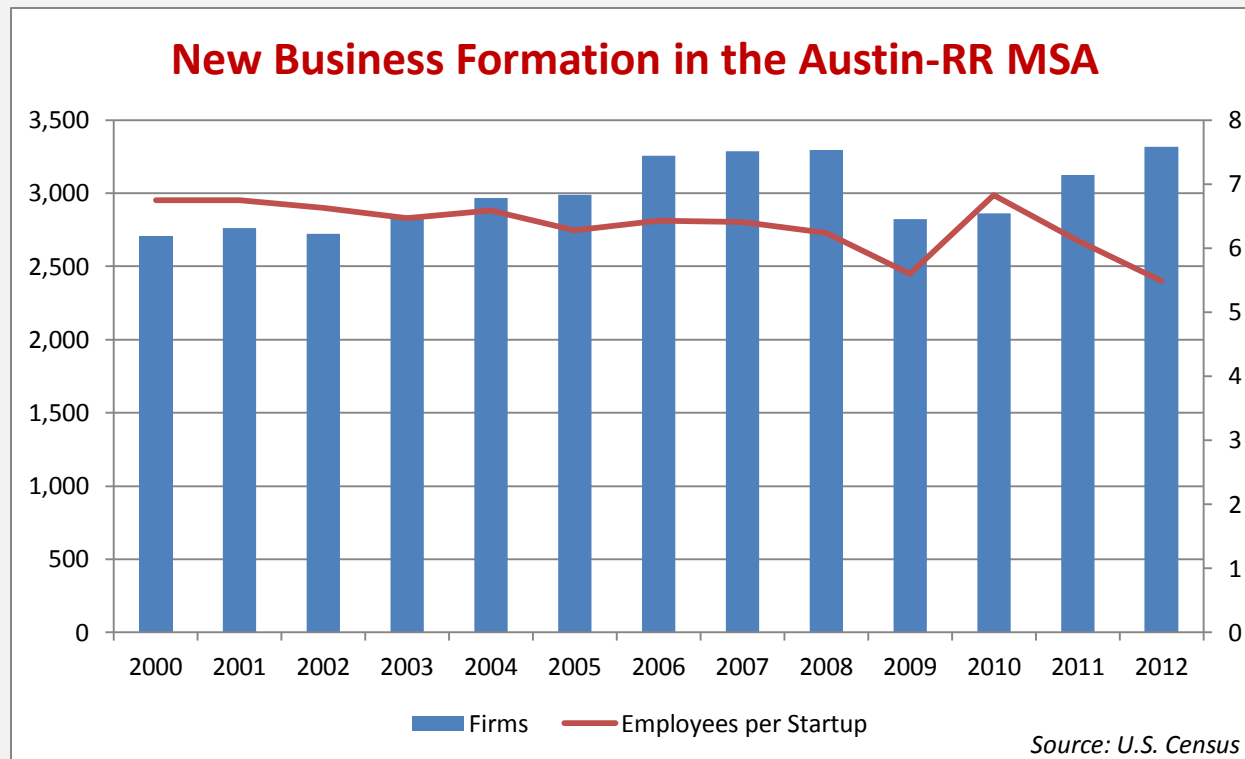
Source: EMSI

Some of the key employment sectors creating jobs in the region include government, retail trade, accommodation and food services, healthcare, and professional/technical services. Together, these sectors comprise 67% of the region's employment. Across several sectors, technology plays a key role in regional employment. Roughly 29% of all professional/technical services employment is associated with computer systems design. In the manufacturing sector, nearly 40% of all manufacturing employment is engaged in producing computer equipment or semiconductor/electronic components.

Looking to the next five years, employment growth is expected in all sectors except crop and animal production, which comprises only a small share of employment at present. Manufacturing and management of companies are projected to grow at slower rates than the rest of the economy. On the other hand, educational services and healthcare are forecast to grow significantly.



Essentially, this forecast shows a healthy and growing economy that is not experiencing any kind of dramatic shift in employment by sector. Those sectors which employ large numbers of workers in the region – government, accommodation, retail, professional/technical services, and so forth – are expected to continue driving the regional economy.



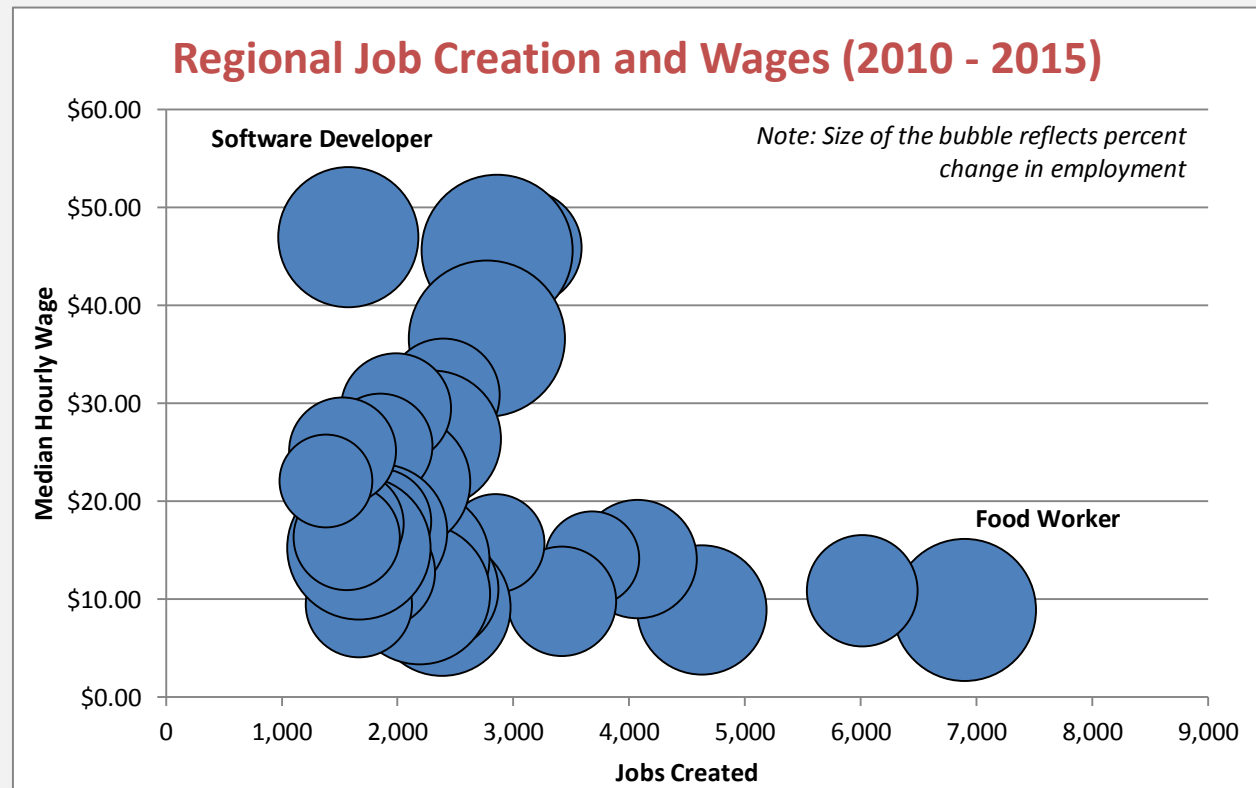
One of the regional economy's strengths is the vibrant entrepreneurial ecosystem in the region. New business formation in the Austin-Round Rock MSA has rebounded with force following the Great Recession. In 2012, over 3,300 new firms were established in the Austin metro area. The region has established financing mechanisms for startups, and the 13 accelerators and 19 coworking spaces in the metro area reflect the collaboration and mentorship taking place among entrepreneurs in the region.

One data point potentially of note, although the number of firms created has grown steadily, the

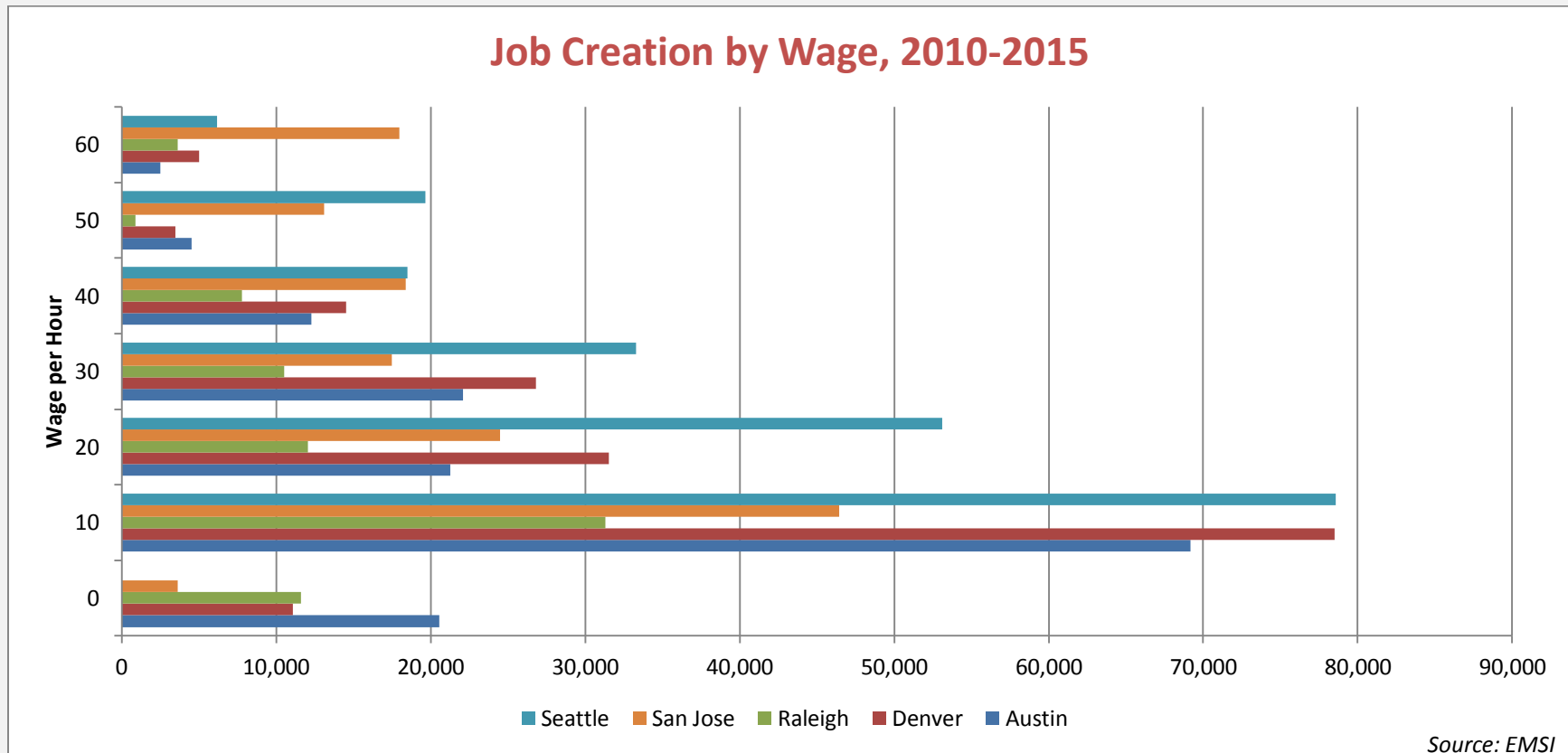
average number of employees per startup in the MSA fell to 5.5 in 2012, its lowest point in the data period. In fact, aside from recession-addled 2009, 2012 saw the fewest number of residents employed in startups in the region.

Looking once again at the entire Capital Area and all industry sectors, there is a challenge the region's economy faces. Although job creation figures in the region are strong, much of the job growth in the region has taken place in low-skill and low-wage occupations. As noted earlier, two of the largest segments of the economy are retail trade and accommodation/food service. While these sectors are important sources of employment in the region, job creation in middle- and high-skill sectors is an important complement.

For example, the following figure plots the 30 fastest growing occupations in the region, according to the absolute number of jobs created in the region. The median hourly wage associated with that occupation is charted on the left axis, and the total number of jobs created between 2010 and 2015 is plotted on the bottom axis. The figure reveals a distinct “L” shape, indicating that the strongest employment growth in the region is taking place in low-wage occupations. A labor market where job growth was even, irrespective of wage, would show a straight vertical line. A labor market where the number of jobs created increased steadily as the wage fell would show a diagonal trend line sloping down and to the right.



Another way to visualize this phenomenon is to consider the labor force as a pyramid. There are many workers in the lower-wage jobs at the bottom of the pyramid. As wages rise, the number of people employed in positions that pay those wages typically falls. The following figure applies that concept to job creation in the Austin-RR MSA and a number of comparable MSAs throughout the U.S.

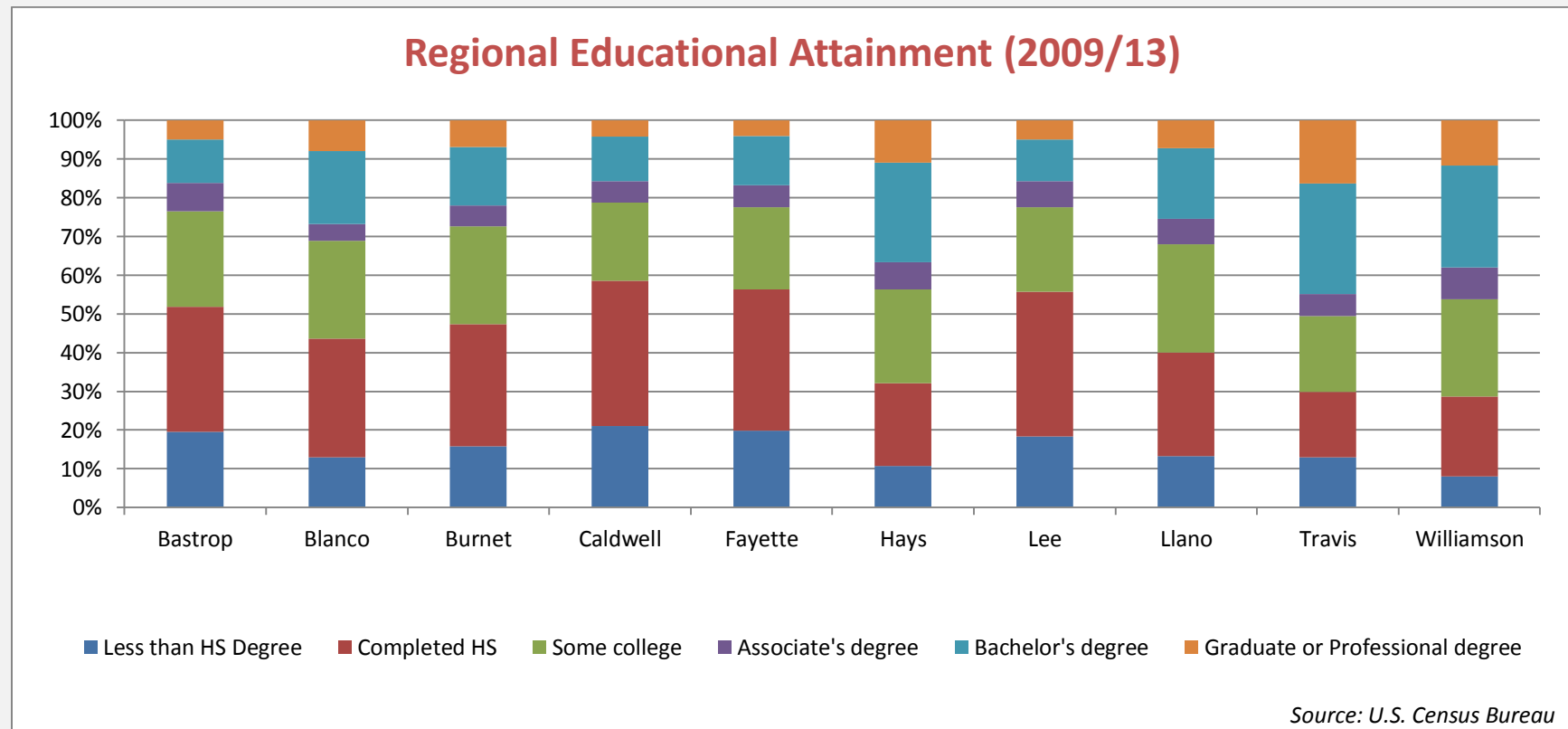


As the figure shows, each metro area created the most jobs over the past 5 years in occupations that paid between 10 and 20 dollars per hour. Austin has a large drop in the jobs created in the next wage group, from 20 to 30 dollars per hour. This drop is markedly steeper than what is observed in Seattle and in San Jose. It is roughly comparable to what is observed in Denver and Raleigh. This phenomenon, and a potential shortfall of middle-wage jobs in the Capital Area, is an issue the CAEDD will continue monitoring.

### EDUCATION AND WORKFORCE

Overall, the Capital Area has high levels of educational attainment and a skilled workforce. In 2013, an estimated 39% of residents in the Capital Area ages 25 and older had at least a Bachelor's degree. That compares to 28% for Texas and 30% across the entire U.S. This higher level of attainment reflects the considerable post-secondary institutional presence in the region. There are 7 different 4-

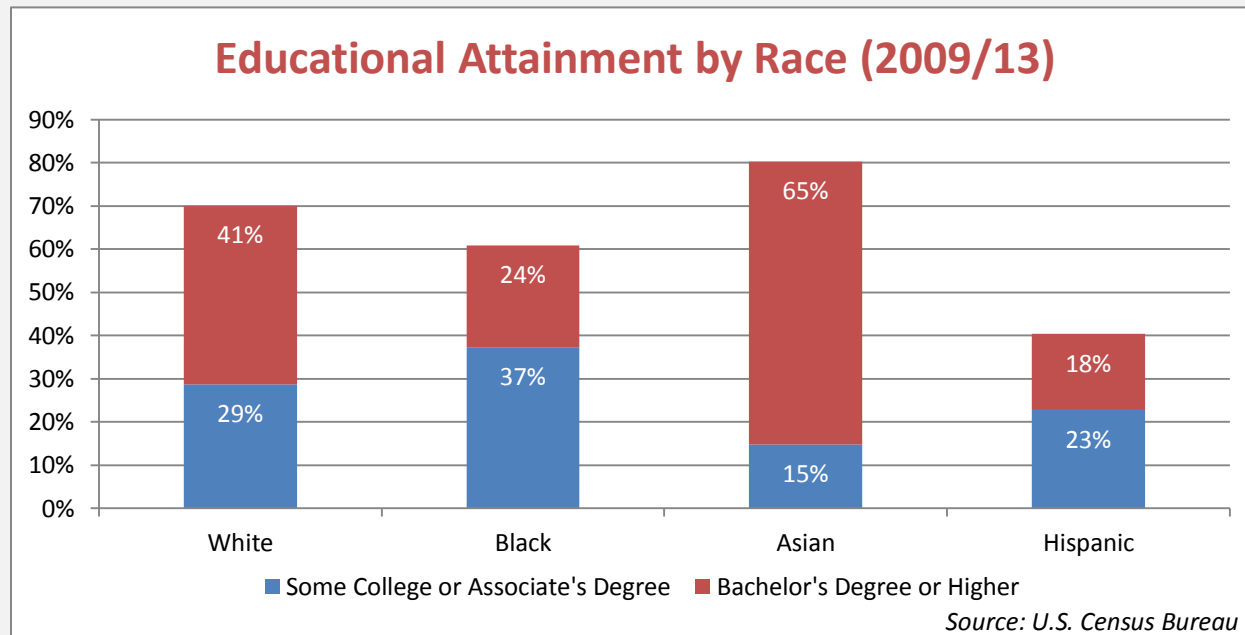
year post-secondary campuses and 10 2-year campuses in the Capital Area. The region's highly-skilled workforce is one of the key selling-points for many firms that choose to locate in the Capital Area.



Although educational attainment is high overall, intra-regional educational attainment shows a fairly high degree of variance. In Travis County for example, 45% of residents aged 25 or older have obtained a Bachelor's Degree or higher. On the other hand, only 16% of residents in 3 counties (Bastrop, Caldwell, and Lee) have attained a Bachelor's Degree or higher.

This reflects historical trends, as most post-secondary institutions are located in Travis County, and Travis County has historically held many of the employment opportunities in the region for college graduates. However, as population growth outside of Travis

County continues to take place, addressing educational attainment issues will be critical to continuing to expand employment options in those areas.

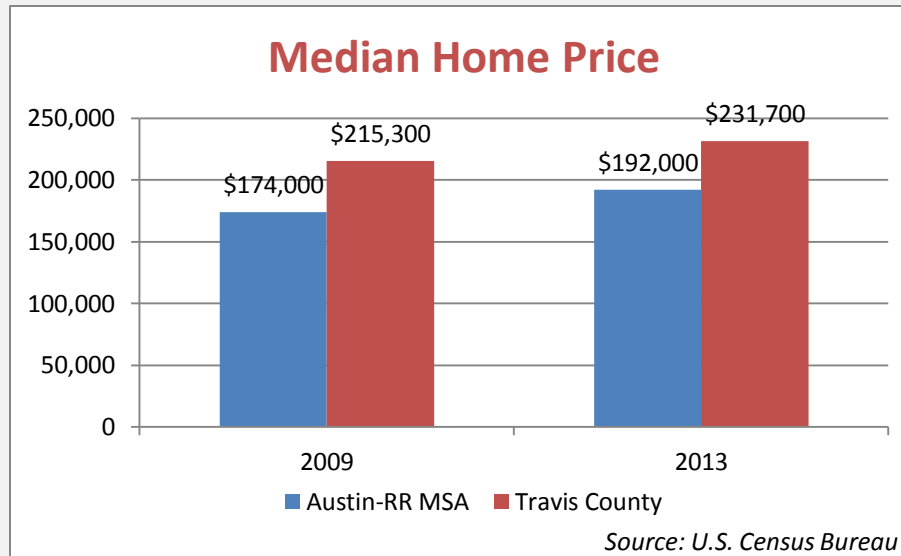


In addition to variance at the county level, there are significant differences in educational outcomes along racial/ethnic lines across the region. Specifically, Whites and Asians, on average, have much higher Bachelor's Degree attainment rates than Blacks, and particularly Hispanics. Such divides have stark implications for employment and wage equity outcomes in the region.

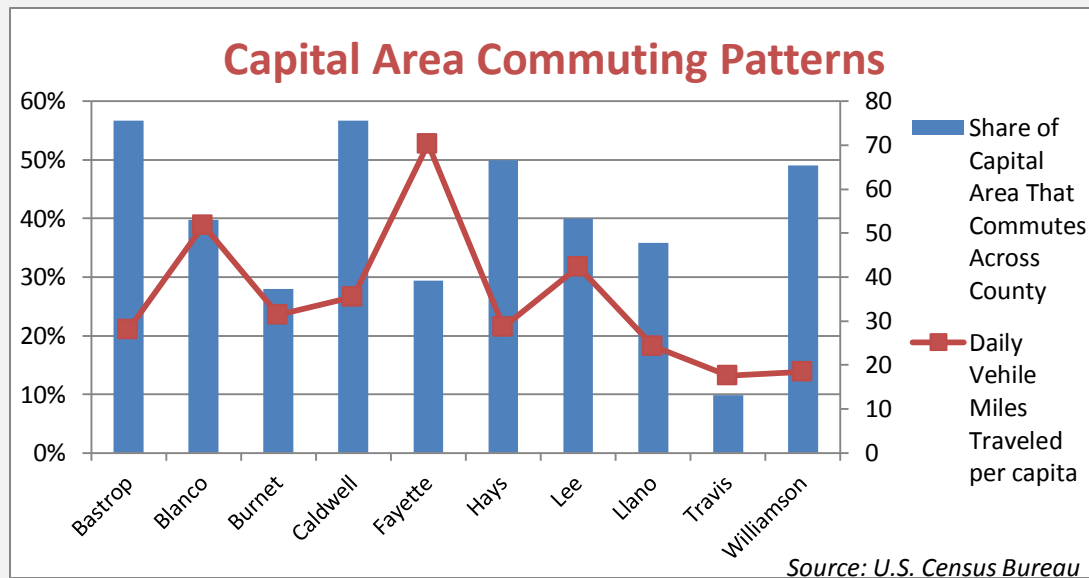
One important educational outcome on which the Capital Area has begun to focus, and on

which more emphasis must be placed, is on education credentials. Many jobs exist in the region's fast growing industries which do not require a college degree. For example, there were over 6,000 job opening in the Capital Area in 2013 for IT-related positions, many of which only require only a post-secondary vocational certification. Continuing to use vocational certifications as a means by which to create better employment opportunities for residents is an important part of workforce development in the region.

## HOUSING AND TRANSPORTATION



With the population and employment growth taking place in the region, there has been a rapid expansion of housing stock in the Capital Area. Along with the rise in the overall housing stock, the value of homes in the Capital Area has been on the rise. In places where the ability to expand is more constrained, such as central Austin, home prices have risen substantially. Travis County has seen the median home price rise from roughly \$215,000 to nearly \$232,000 in only 5 years, and in spite of increasing supply. Responding to these upward price pressures, many households have elected to move from Travis County to more suburban communities, often in either Williamson or Hays counties. Prices of homes in these areas have risen as well, though many are more attainable for lower- and middle-income households.



This intra-region migration pattern places pressure on local transportation infrastructure, however, as over 75% of employment in the region is still located in Travis County. Many of the region's workers cross a county line as part of their daily commute, and a majority of these commuters drive alone to do so. Public transit options are much less prevalent when commuting from the more rural counties into Travis County than within Travis County itself. The resulting traffic, time allocation and necessity of car ownership is a challenge for the region's workforce, particularly those in low-wage employment.



## SWOT ANALYSIS

Responding to the trends outlined in the previous section requires an organizational framework that categorizes those trends and leads to development responses. This CEDS utilizes a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats) to do that. The SWOT framework is presented below, and each component is analyzed in the subsections that follow.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>Population &amp; job growth</li> <li>Post-secondary education institutions</li> <li>Advanced industry clusters</li> <li>Brand appeal of the Austin area</li> <li>Strong entrepreneurial ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>Middle-skill job mismatch</li> <li>Traffic &amp; transportation infrastructure</li> <li>Rural vs. urban divides</li> <li>Education equity</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>Harmonize development efforts in the region</li> <li>Diversify regional economy by developing adjacent clusters</li> <li>Advocate for middle-skills development</li> <li>Advocate for smart traffic solutions</li> </ul>	<ul style="list-style-type: none"> <li>Resource constraints (water, transit, agriculture)</li> <li>Overreliance on few industries for employment</li> <li>Intra-region migration</li> <li>Growth vs. Place-building</li> </ul>

## STRENGTHS

As noted previously, population growth in the region is quite healthy. While managing this growth presents some challenges, the influx of residents, drawn in part by the strong job growth here, is a strength for the region overall. Similarly, the region's well-developed and high-performing network of post-secondary institutions is a key strength. The multiple universities, community colleges, and trade schools in the region provide an economic driver for the region, ensuring the capability to develop a skilled workforce. That skilled workforce is also a strength for the region, as the Capital Area has several advanced industrial clusters which pay their employees well, the largest example being the information technology sector.

Strengths
<ul style="list-style-type: none"> <li>Population &amp; job growth</li> <li>Post-secondary education institutions</li> <li>Advanced industry clusters</li> <li>Brand appeal of the Austin area</li> <li>Strong entrepreneurial ecosystem</li> </ul>

The Capital Area is also the beneficiary of a strong reputation, or brand appeal. Austin in particular is noted throughout the country as a place where innovation and quality of life both thrive. That reputation is a key strength in efforts to recruit new businesses to the region. To complement business attraction efforts, the Capital Area provides considerable resources to support entrepreneurship. There are 13 accelerators/incubators and 19 coworking spaces in the Austin MSA alone.

## WEAKNESSES

Though the region has many strengths, it does also have competitive disadvantages, or weaknesses as they are termed here. First, though job creation in the region is strong overall, it is strongest at the high- and low-skill levels of the employment spectrum. In the market for middle-skill jobs, there is often a mismatch between the applicant's credentials and the skills an employer expects.

### Weaknesses

- Middle-skill job mismatch
- Traffic & transportation infrastructure
- Rural vs. urban divides
- Education equity

Likewise, traffic issues and transportation infrastructure that has not kept pace with population growth negatively affect quality of life in the region. Long commutes and limited rural public transportation options also constrain employment options for residents. Strained transportation infrastructure also slows the movement of goods through the region. Divides between rural and urban/suburban residents are a challenge for the region as a whole. Education and employment opportunities are not as accessible for rural residents. Access to education and educational attainment outcomes are also very uneven along racial lines. Educational attainment outcomes are particularly low for the area's Hispanic residents, who are also the fastest growing population segment in the region. This poses a workforce challenge for the Capital Area.

## OPPORTUNITIES

The Capital Area is fortunate to have numerous stakeholders involved in promoting economic development throughout the region. There is already strong collaboration at work across these local and regional actors, but the opportunity always exists to strengthen coordination and harmonize development efforts across the region. Greater information sharing and complementary initiatives (e.g., regional GIS services or complementary target industries across localities) are examples of such coordination.

### Opportunities

- Harmonize development efforts in the region
- Diversify regional economy by developing adjacent clusters
- Advocate for middle-skills development
- Advocate for smart traffic solutions

The region can also become more economically resilient by working to develop the industry clusters adjacent to its existing strengths. For example, strength in the IT sector is being leveraged into more activity in the life sciences cluster, and the Austin

Chamber has identified life sciences as a target industry. The existing and developing industry clusters in the region would also benefit from the further development of middle-skills labor in the region. A greater focus and more resources toward developing and credentialing middle-skill employees would enhance economic development in the region. Additionally, smart traffic solutions, which enhance mobility, access, and quality of life would help the region manage its rapid population growth.

## THREATS

The rapid growth in the region also poses a potential threat in the form of resource constraints. The region has limited water resources, and unchecked development without efforts to conserve water threaten those resources. Similarly, the transportation and local food/agricultural production resources are not scaling at the pace of population growth. The dominance of several sectors in the Austin economy also poses a threat. A decline in software development and other computer systems development would be particularly damaging the region. Continued diversification of high-value-add industries in the region will enhance the overall economic resilience of the Capital Area.

Threats
<ul style="list-style-type: none"><li>• Resource constraints (water, transit, agriculture)</li><li>• Overreliance on few industries for employment</li><li>• Intra-region migration</li><li>• Growth vs. Place-building</li></ul>

Intra-regional migration patterns in the region pose a distinct challenge, as many residents who have moved to communities surrounding Austin still work in Travis County, adding to commuting distances in the region. Home affordability has also caused many lower-income households to move outside of Travis County, often pushing those households farther from public services targeted to them. The region's growth also places a burden on city planners, government officials and developers to manage the growth of the region that preserves a distinct sense of place. Attracting new businesses to the region is essential, but must be complemented by efforts to grow existing local businesses and develop local community engagement, or risk losing some of the distinct look and feel that marks so many different Capital Area communities.

## STRATEGIC DIRECTION & ACTION PLAN

In light of the region's strengths and weaknesses, as well as the opportunities and threats it faces, the Capital Area Economic Development District proposes the following Strategic Direction and Action Plan for the region. The Direction is laid out as a series of development themes, and an Action Plan for CAPCOG's role in the implementation of the Strategic Direction follows.

## THEME 1: WORKFORCE DEVELOPMENT

The vitality of the region is predicated upon the skills and productivity of its workforce. Therefore continued growth in the region requires an expansion of employment opportunities and the creation of more pathways for advancement for all Capital Area residents. Efforts to develop a skilled workforce throughout the region and across the entire wage spectrum will be a core contribution to the region's ongoing economic competitiveness. Workforce needs vary widely across the region, particularly along rural and urban lines, but key priorities for the entire region do exist. Specifically, important strategic directions in regional workforce development include:

- Identify and address gaps in educational support to match students to appropriate programs and improve educational attainment outcomes, with a particular focus on increasing attainment in fields aligned with employment needs throughout the region;
- Increase the capacity of programs that credential students for career skills at the secondary and post-secondary level, and support educational institutions in the implementation of curriculum driven in part by employment opportunities;
- Coordinate between educational institutions and the private sector to align post-secondary program offerings and expand accessibility of programs oriented toward meeting labor needs at the local and regional level; and
- Support the sharing and distribution of labor market and career knowledge to inform Capital Area residents as they make decisions related to their own skills development and workforce competitiveness.

## THEME 2: ENTREPRENEURSHIP & GROWTH ACCELERATION

With a strong entrepreneurial ecosystem and advanced R&D capabilities in the region's businesses and universities, the Capital Area is a well-positioned launch point for entrepreneurs looking to compete in the global innovation economy. Likewise, facilitating the growth of the region's existing businesses is critical to retaining the pillars of the local ecosystem. The Capital Area must be a region where businesses are constantly being started and being re-invented to remain economically competitive. Specific objectives for supporting entrepreneurship and accelerating growth among the region's existing firms include:

- Raising the reach, scale, and accessibility of programs in the region that support and encourage prospective entrepreneurs to start and grow a business;
- Foster collaborative working spaces where ideas can be commercialized and innovative businesses can grow;

- Supporting the development of place-specific and innovation-based industry clusters throughout the region that create desirable jobs; and
- Dialogue with public and private stakeholders in order to identify and alleviate growth constraints for existing businesses

### THEME 3: ECONOMIC RESILIENCE

Resilience encompasses the notion that the Capital Area much be prepared to respond and recover from a disaster. The CAEDD is focused on developing the region's economic resilience, which includes working to reduce the region's vulnerabilities to economic shocks, enhancing the regional economy's ability to recover from a shock, and supporting innovation in the region so that industry clusters in the Capital Area remain competitive as industries evolve. The region's economic resilience would be bolstered by:

- The formation and growth of businesses that export goods and services from the Capital Area to broaden the potential customer base of industries in the region, thereby minimizing the impact of a shock affecting any one prominent trading partner;
- The continued development of new industry clusters in sectors adjacent to the region's existing industrial base, thereby minimizing the region's reliance on any one single industry;
- Employing a regional approach to resource development and management, namely coordination and collaboration for water planning and management, air quality emission reduction, accessibility of broadband, future power demands and transportation capacity; and
- Maintaining a database of establishments in the Capital Area that is searchable by sector, thereby strengthening the ability to respond to individual establishments affected by a disaster affecting any one sector.

### THEME 4: PLACE-BUILDING

The Capital Area region is growing rapidly, and it is incumbent on those shaping that development to guide it in a sustainable, efficient, and distinct direction. Place-building encompasses the notion that local businesses, residents, and developers can craft development scenarios that are both locally-driven and advantageous for future growth. Previously, CAPCOG managed a Sustainable Places Program, which provided detailed information to local leaders to support sustainable planning. The region can continue advancing this objective by:

- Acknowledging and preserving the distinct sense of place in local communities and incorporating that sense into future growth strategies;
- Cultivating new “places” by developing sustainable, fiscally efficient, and resilient communities and neighborhoods;
- Working to alleviate the region’s traffic issues by supporting the transformation of commuter communities into communities with a stronger base of local employment; and
- Leveraging CAPCOG’s regional perspective to provide information, data, and consultation to support the growth and diversification of industries in the region’s communities.

### **ACTION PLAN**

The Capital Area Economic Development District is fortunate to have a well-developed network of stakeholders who can contribute to the implementation of this CEDS. The CAEDD Board is comprised of invested stakeholders from throughout the region’s local governments in order to reflect the diverse perspectives and interests in the region, as well as to give the CAEDD efficacy in implementing the CEDS.

In the broadest sense, CAPCOG will support the implementation of the CEDS by providing assistance to communities throughout the region, including through the provision of data and information, development counsel and expertise, the identification of opportunities for catalyzing growth, and coordinating regional development efforts. The CAEDD will continue to meet regularly in order to share and disseminate best practices in development, coordinate development activities, and align strategies with the CEDS. CAPCOG will also look for opportunities to partner with organizations outside of the CAEDD in order to affect positive developmental change throughout the region that is aligned with the CEDS.

### **EVALUATION FRAMEWORK**

Ultimately, a CEDS is only as useful to the extent that it translates to positive developmental impacts in the region. Therefore, the following performance metrics are included as a vehicle for measuring the successful implementation of the CEDS and assessing that implementation’s development impact. The performance metrics are driven by the themes described in the previous section. Therefore, that framework has been applied to present the CEDS’ evaluation framework below.

METRIC	VALUE AT PRESENT	SOURCE
<b>THEME 1: WORKFORCE DEVELOPMENT</b>		
Increase in the share of population aged 25+ in all CAEDD counties with a post-secondary degree	As of 2013, 46% of Capital Area residents aged 25+ have a post-secondary degree	U.S. Census, American Community Survey
Increase in the share of households in all counties in the Capital Area earning an annual income more than \$35,000	As of 2013, 71.4% of Capital Area households earn more than \$35,000 per year	U.S. Census, American Community Survey
Increase in the number of vocational certificates awarded by the region's post-secondary institutions	In 2013, 6,660 vocational certificates were awarded by Capital Area post-secondary institutions,	National Center for Education Statistics, College Navigator
Increase in the share of jobs added to the regional economy that pay average hourly wages above \$20.	The Capital Area added 29,700 jobs in 2014, of which 13,000 (44%) paid over \$20 in average hourly wages.	Economic Modeling Specialists International
<b>THEME 2: ENTREPRENEURSHIP &amp; GROWTH ACCELERATION</b>		
Increase in the number of new firms created in the Austin-RR MSA each year	As of 2012, over 3,300 new firms were established in the Austin-RR MSA	U.S. Census, Business Dynamics Statistics
Increase in the number and value of venture capital investments in the Austin-RR MSA	In 2014, 114 deals in the MSA were worth \$620.6 million	National Venture Capital Association
Increase in the number of patents awarded to intellectual property owners in the Capital Area	2,683 patents awarded to Capital Area residents in 2013	U.S. Patent and Trademark Office
Increase in the number of jobs created through expansion of existing businesses	In 2014, 4,871 jobs were created by firms in the Austin MSA that announced major expansions	Greater Austin Chamber of Commerce

METRIC	VALUE AT PRESENT	SOURCE
<b>THEME 3: ECONOMIC RESILIENCE</b>		
Increase in the value of exports from the Capital Area in each county	The value of goods exported outside the Capital Area was \$108.1 billion in 2013	Economic Modeling Specialists International
Increase in the number of industry clusters that have developed in the region	As of 2014, 7 sectors (3 digit NAICS) account for 46% of regional employment. 3 sectors (local government, food services, and professional services) account for 28%.	Economic Modeling Specialists International
Reduction in per capita water use in the Capital Area	In 2012, water use was 0.20 acre-feet per capita in the Capital Area	Texas Water Development Board
Sufficient reduction in ozone levels to maintain compliance with EPA's air quality standard	In 2014, the Austin-RR MSA averaged 69 ozone parts per billion (ppb), below the current 75 ppb standard	Texas Commission on Environmental Quality
<b>THEME 4: PLACE BUILDING</b>		
Increase in number of communities using place-building scoring criteria in economic development incentives	Would require a new survey	CAPCOG survey of local communities
Reduction of VMTs per capita	In the 2013-2014 TxDOT Fiscal Year, Capital Area residents drove 21.1 vehicle miles per capita.	Texas Department of Transportation
Reduction of share of workers in the Austin-RR MSA that drive to work alone	In 2013, 75.9% of those employed in the Austin-RR MSA drove alone to work	U.S. Census, American Communities Survey
Increase in the number of jobs created by firms with fewer than 10 employees in the Austin-RR MSA	In 2012, 20,526 jobs were created by firms with fewer than 10 employees.	U.S. Census, Business Dynamics Statistics
Increase in amount of downtown investment in communities across the Capital Area	Would require a new survey	CAPCOG survey of local communities



Annual progress on the CEDS performance metrics will be reported on the GPRA form submitted to EDA, as well as on the CAPCOG website.