



NWMI Regional Recovery and Investment

May 15, 2020

Agenda

01 4E Process and Scope of Work

02 Economic Impacts of COVID-19

03 Recovery Planning Roadmap

04 Beyond: Marketing and Investment

05 Discussion and Next Steps

Scope of Work

Economic Impact Disruption Modeling

Impacts of COVID-19 pandemic
on businesses, workers, and
community



Ecosystem Mapping 2.0

Map economic development
entities and encourage
collaboration



Community Marketing Plans

Content (community assets,
investment opportunities) to promote
the most populated areas in each of
the 10 counties



Recovery Roadmap

Recommended phasing & fillable
template for counties to document
actions taken



Commercial Corridor Inventory Content

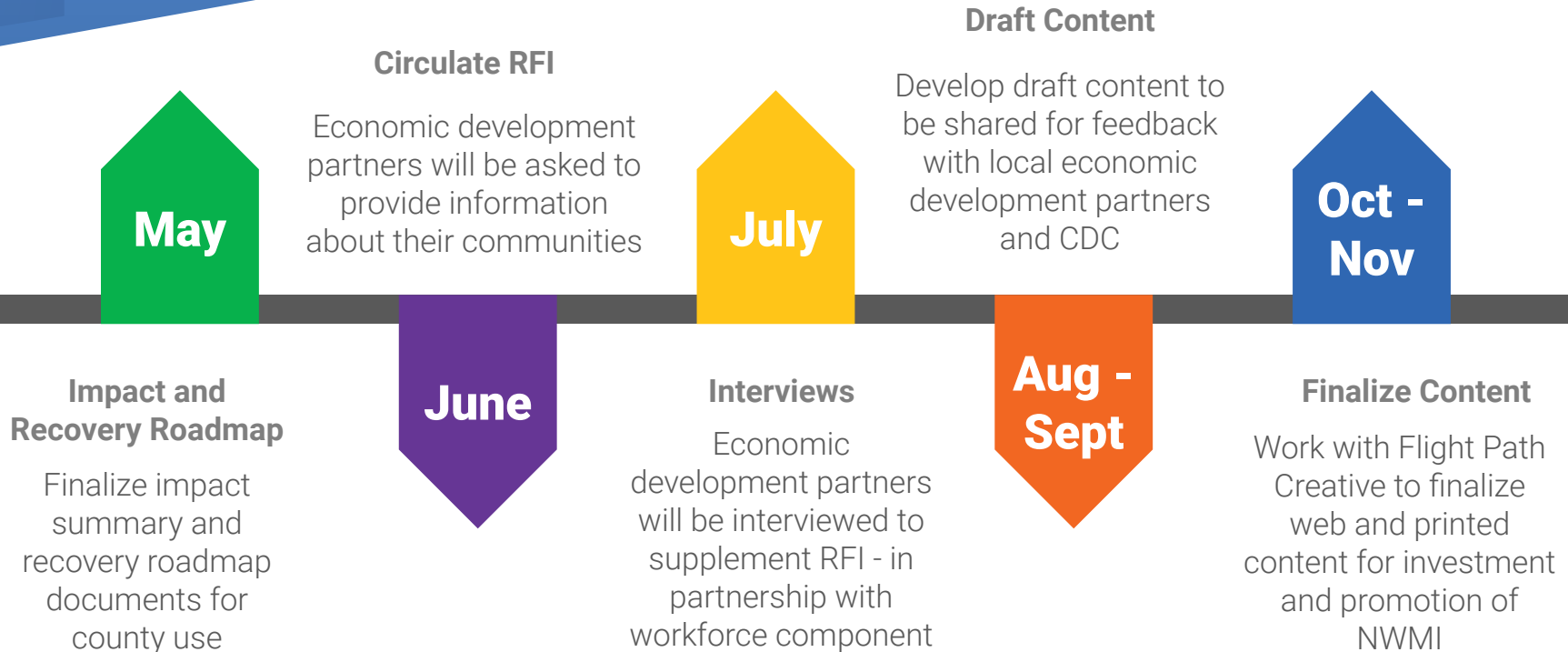
Data for NWMI's 31 Growth and
Investment Areas of local,
regional, statewide, and national
investor & development interest



Opportunity Zones

Investment Prospectuses for
region's 8 OZs and sites of
interest

Timeline



Economic Disruption Impact Modeling



Objectives

Assess the scale and scope of the economic impacts of COVID-19 related disruptions in Northwest Michigan.

Final Deliverable

Articulate the high-level impacts into a visual 1-pager that regional stakeholders can share and reference to create a shared understanding and prepare for a unified response.

Recovery Roadmap



Objectives

Assess applicability of federal and philanthropic resources available to assist businesses, individuals, and communities

Final Deliverable

- Document the region's collaborative efforts at relief, response, and recovery, including focus, goals, actions, stakeholder roles, and resources tapped
- Fillable template for individual county strategy
- Visual Summary of regional response

Commercial Corridor Inventory



Objectives

- Update the commercial corridor inventory of the region's 31 "growth & investment" areas
- Develop a priority "ranking" framework that identifies those with a national, state, regional, or local significance.

Final Deliverable

Growth and Investment Area Report for each area - formatted for digital (to host on multiple websites) and in a format to be printed and shared.

Opportunity Zone Investment Prospectus



Objectives

- Craft an overall **economic opportunity vision and message** for each of the 8 Opportunity Zones in Region 2
- Determine **high-value, catalytic projects** within the opportunity zones and facilitate the development of a **framework for investment**. If a strategy around these properties has been developed we will work with that material. If not - **brainstorm potential uses**.

Final Deliverable

Investment Prospectus Document

Digital & Printable

Community Marketing Plans



Objectives

- Develop content that can be used to market and promote the most populated areas in each of the 10 counties.
- Highlight the relevant **data**, **community assets**, **investment opportunities** and other information that is determined useful by Networks Northwest, partners and other community stakeholders.

Final Deliverable

Collaborate with Flight Path Creative marketing and communications firm to create a base level marketing plan for each community

Economic Development Ecosystem Map



Objectives

- Renewed effort to collect information from regional stakeholders in a more **systematic** and sustainable way
- Regional event whereby participants use the map to learn about other organizations' initiatives, and think about shared objectives or points of potential collaboration

Final Deliverable

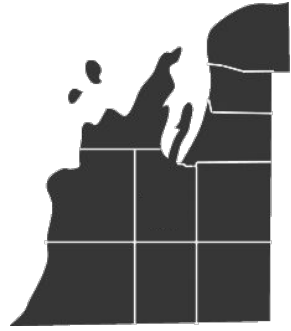
A comprehensive map (kumu) that serves as a compendium of economic development projects related to Network Northwest's three main focus areas: Talent, Business, and Community.

Impacts

COVID-19 **Analysis of the** **Economic Impacts** **on Northwest** **Michigan**

1. Baseline
2. Business closure status & impacts in Northwest Michigan
3. Impacts by sector, by county
4. Impacts on vulnerable businesses
5. Impacts on vulnerable workers & child care

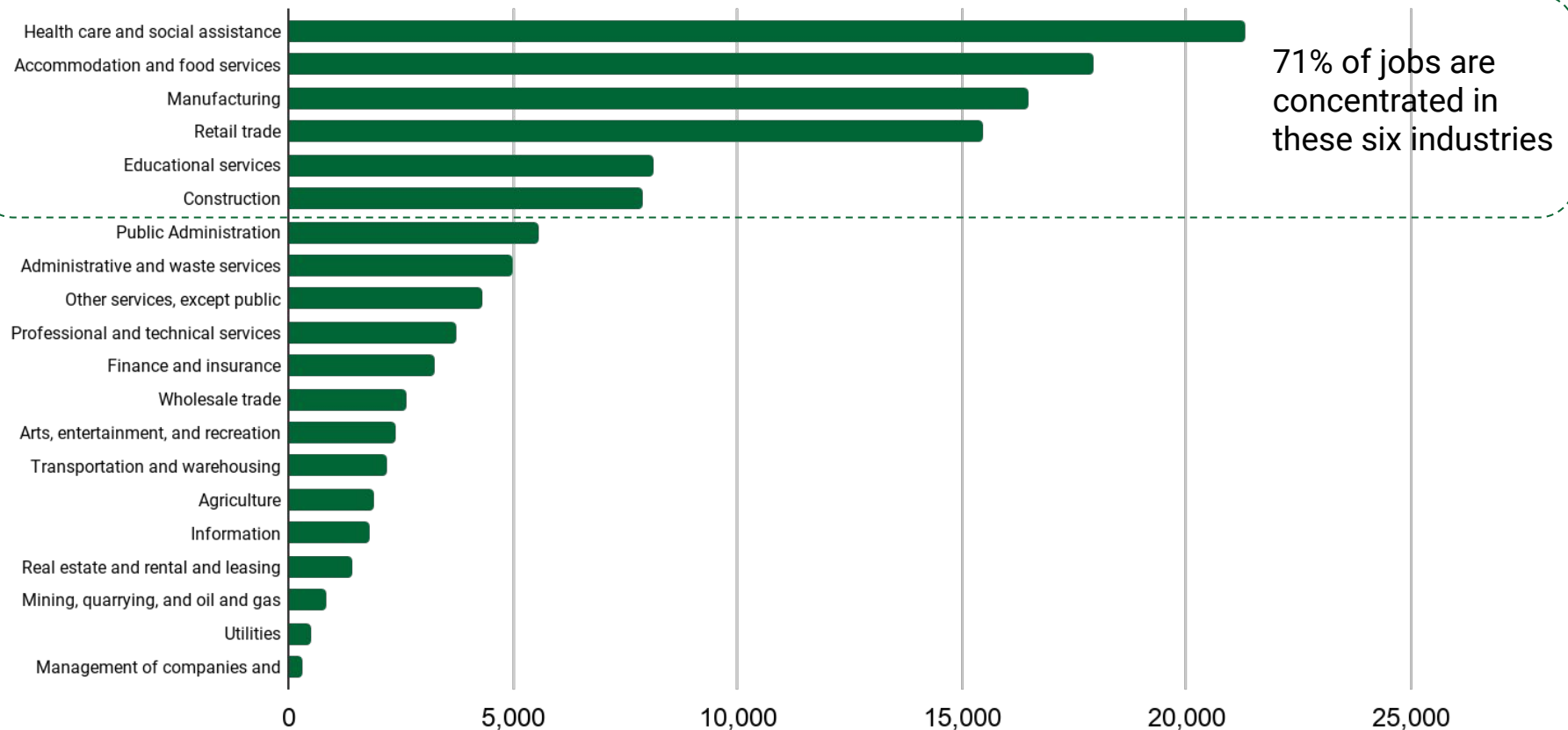
What did Northwest Michigan's economy look like before COVID-19?



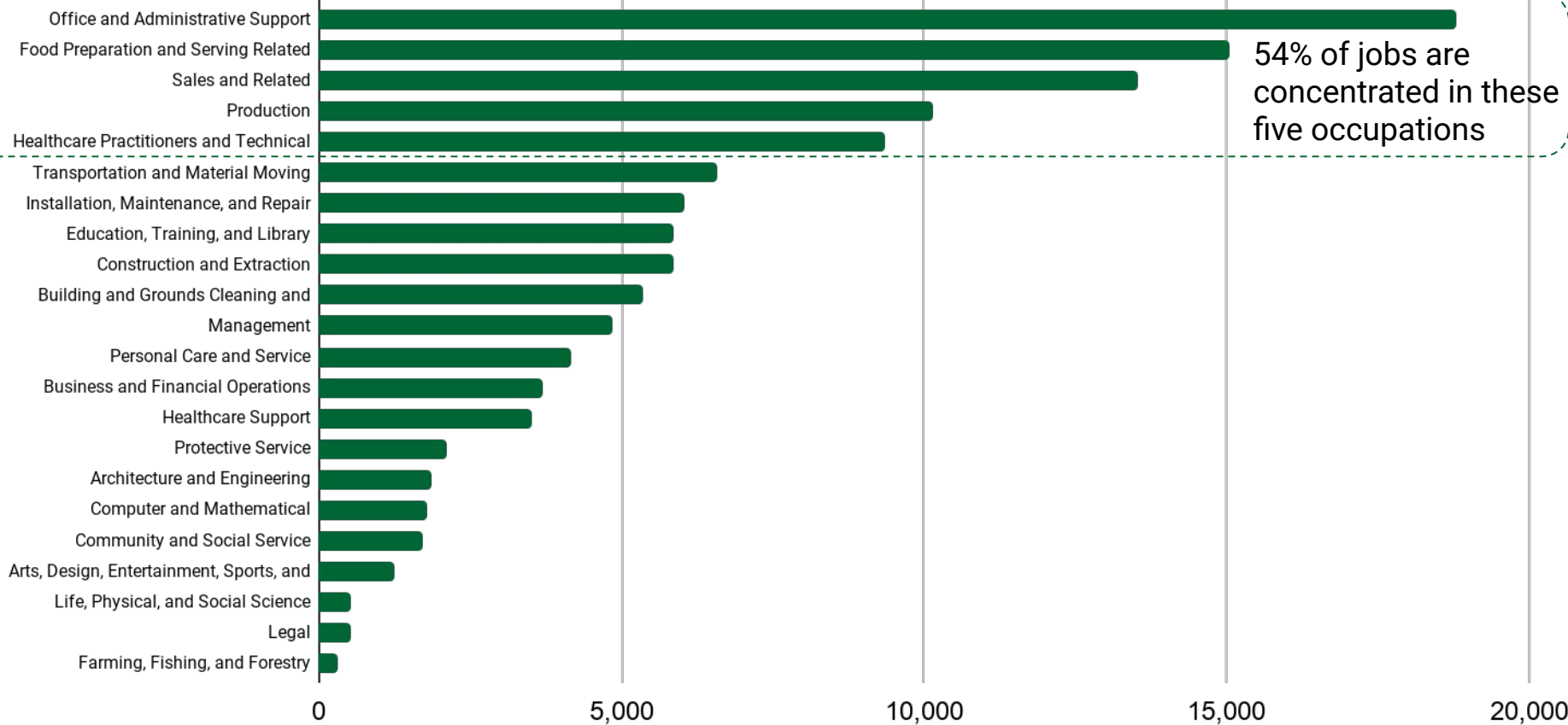
122,800 jobs

Networks Northwest's member counties are: Antrim, Benzie, Charlevoix, Emmet, Grand Traverse, Kalkaska, Leelanau, Manistee, Missaukee, and Wexford.

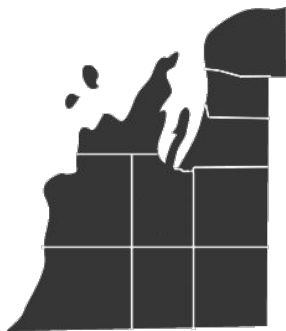
Jobs by Industry



Jobs by Occupation



Region vs State



\$13.1 Billion

The region creates over \$13 B in annual economic output.

2.5%

The region creates 2.5% of the state's GDP.

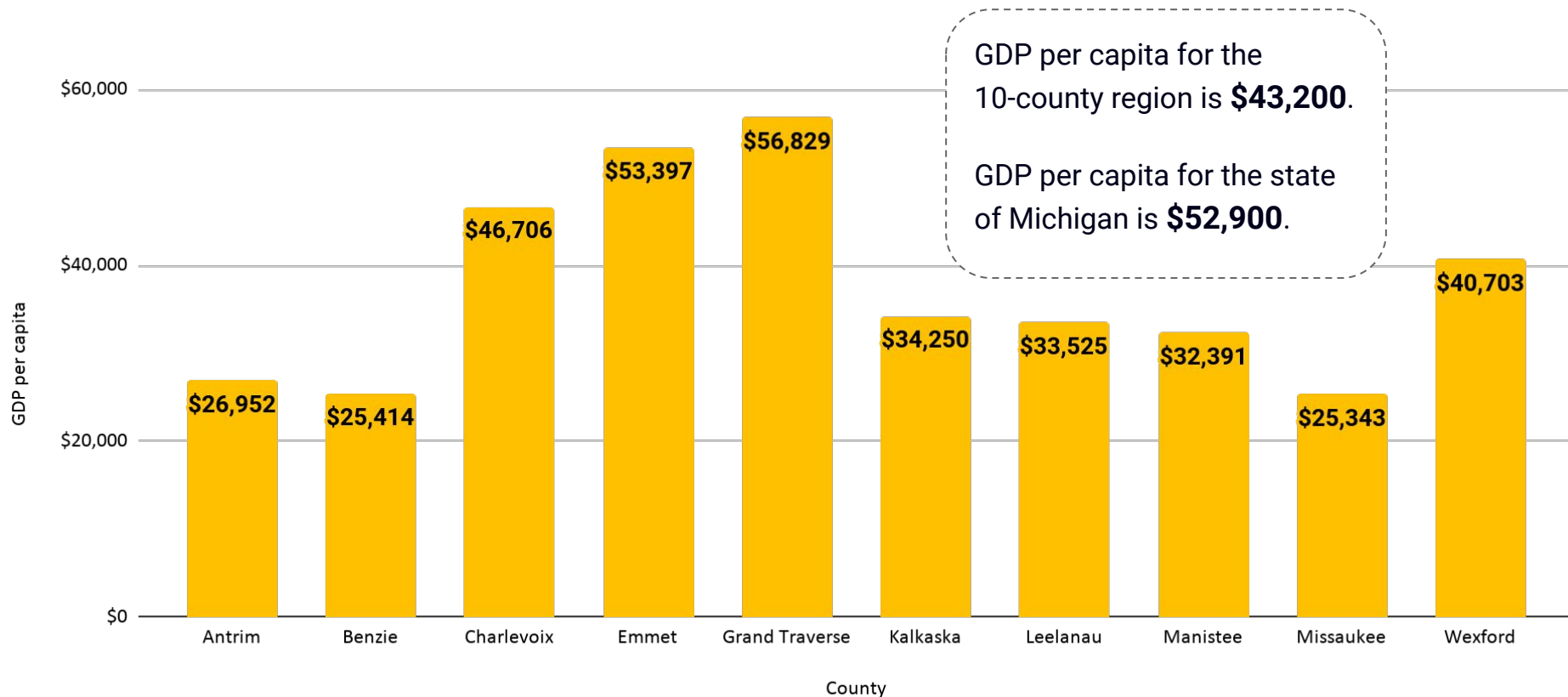
2.8%

The region is home to 2.8% of the state's jobs.

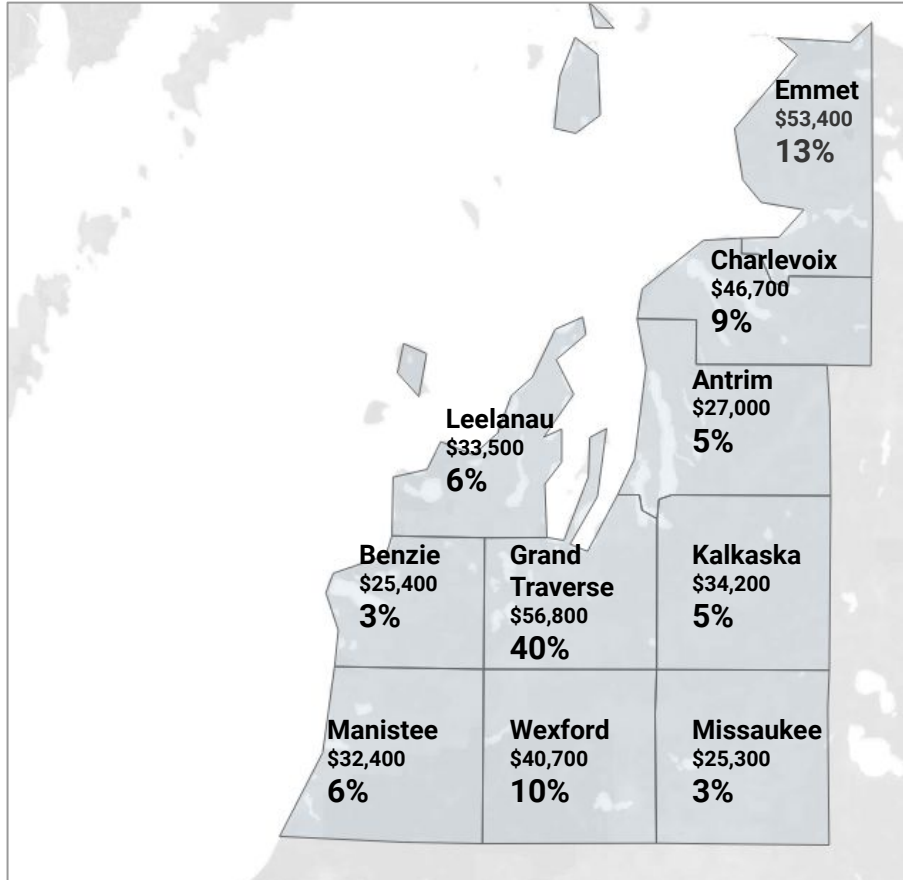
3.0%

The region is home to 3.0% of the state's population.

GDP per capita by County



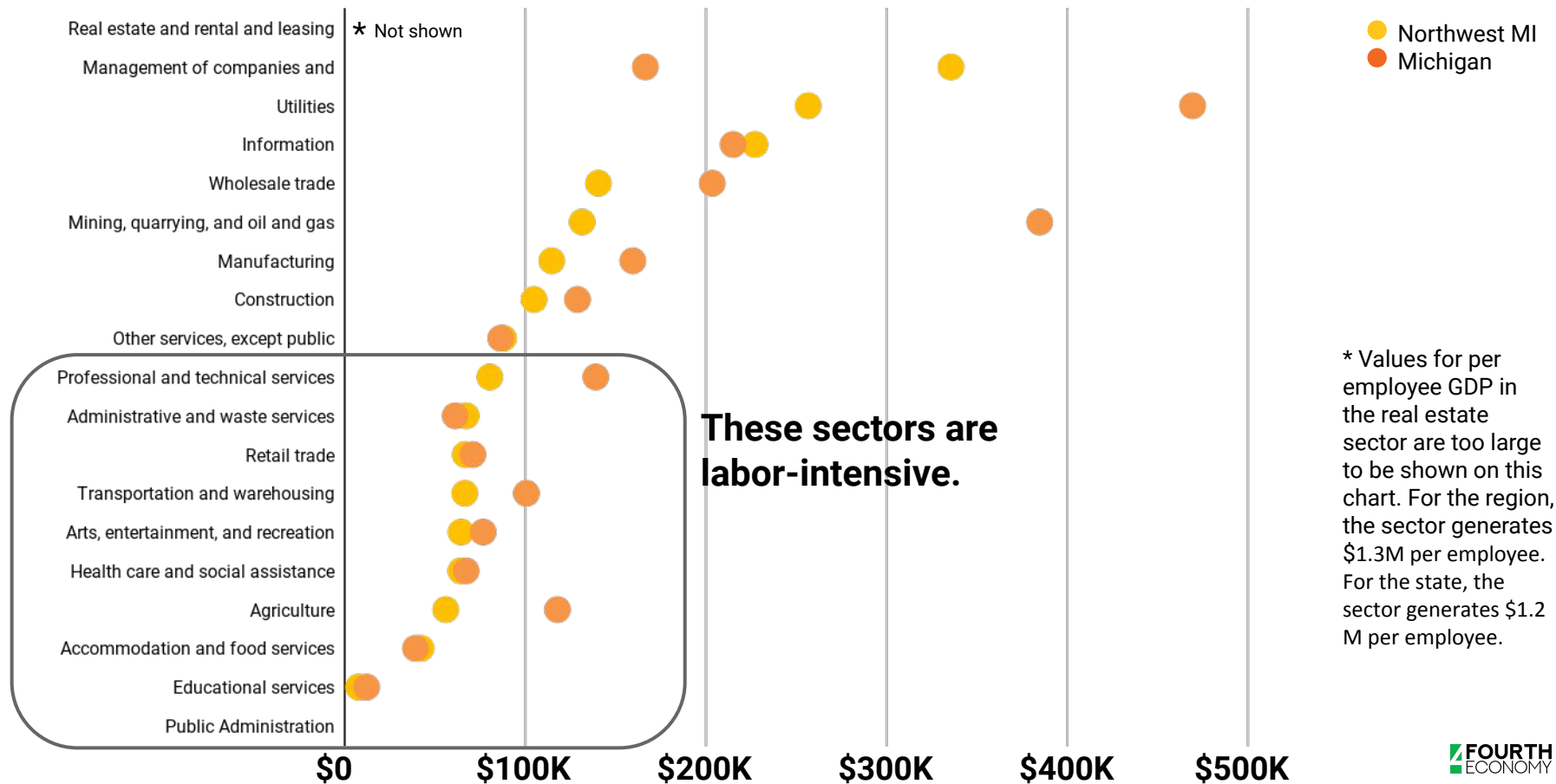
GDP per capita by County (% of region's total GDP)



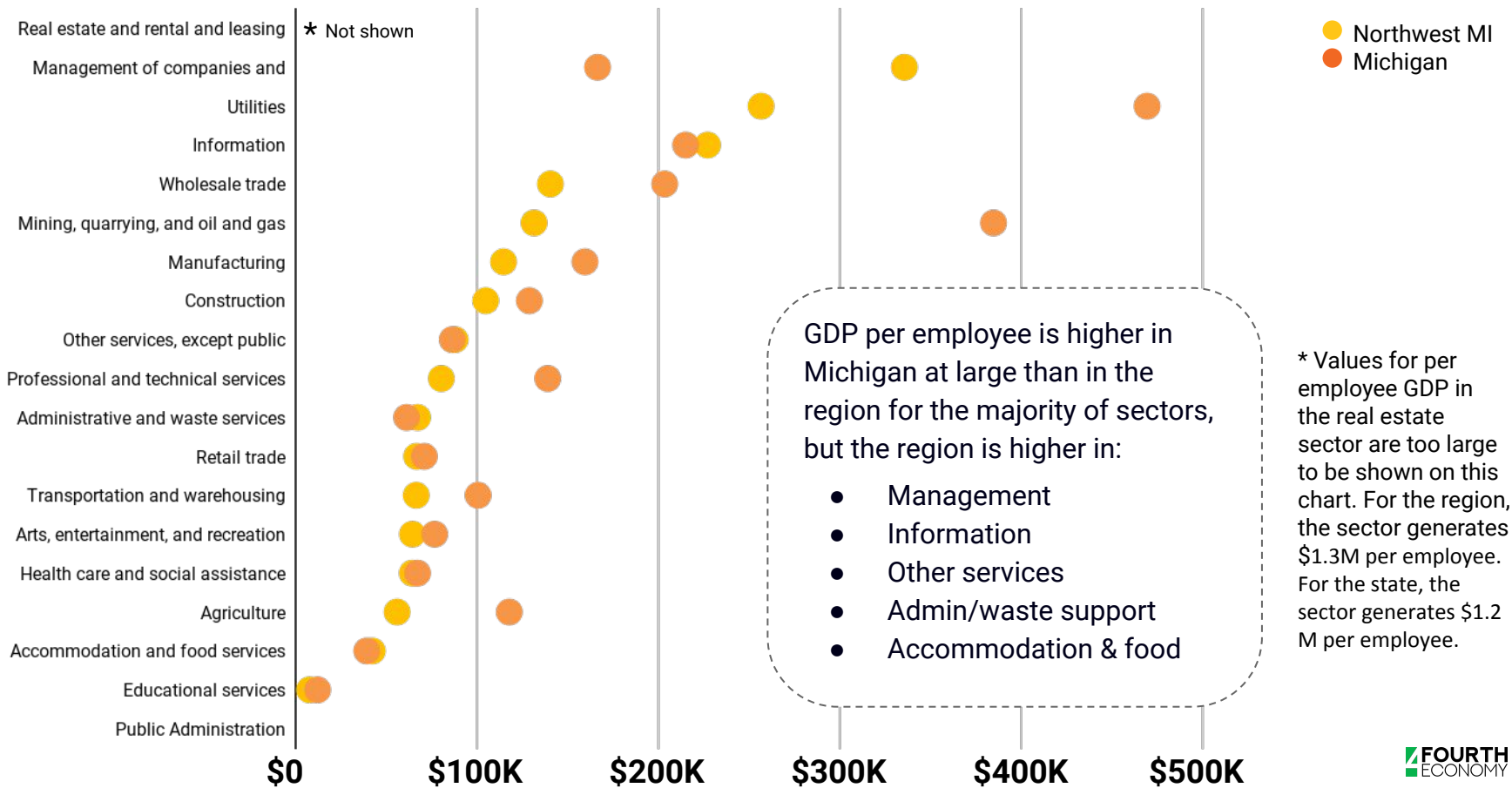
GDP per capita for the 10-county region is **\$43,200**. GDP per capita for the state of Michigan is **\$52,900**.

Grand Traverse County accounts for 40% of the region's total GDP, while Wexford accounts for 10% and Emmet accounts for 13%.

GDP per employee by industry



GDP per employee by Industry

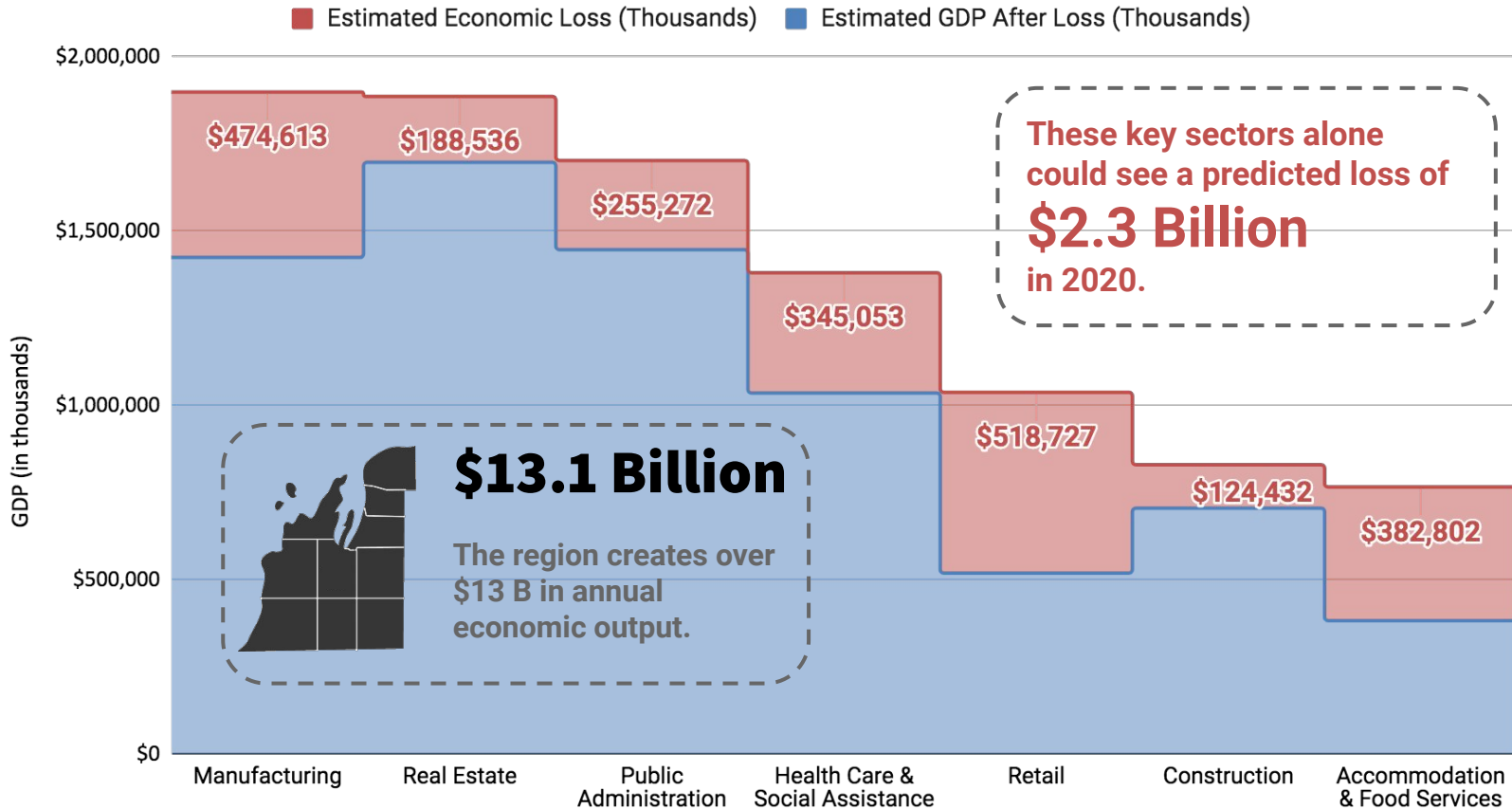


Percent of GDP by Industry

75% of the region's GDP is concentrated in these industries.

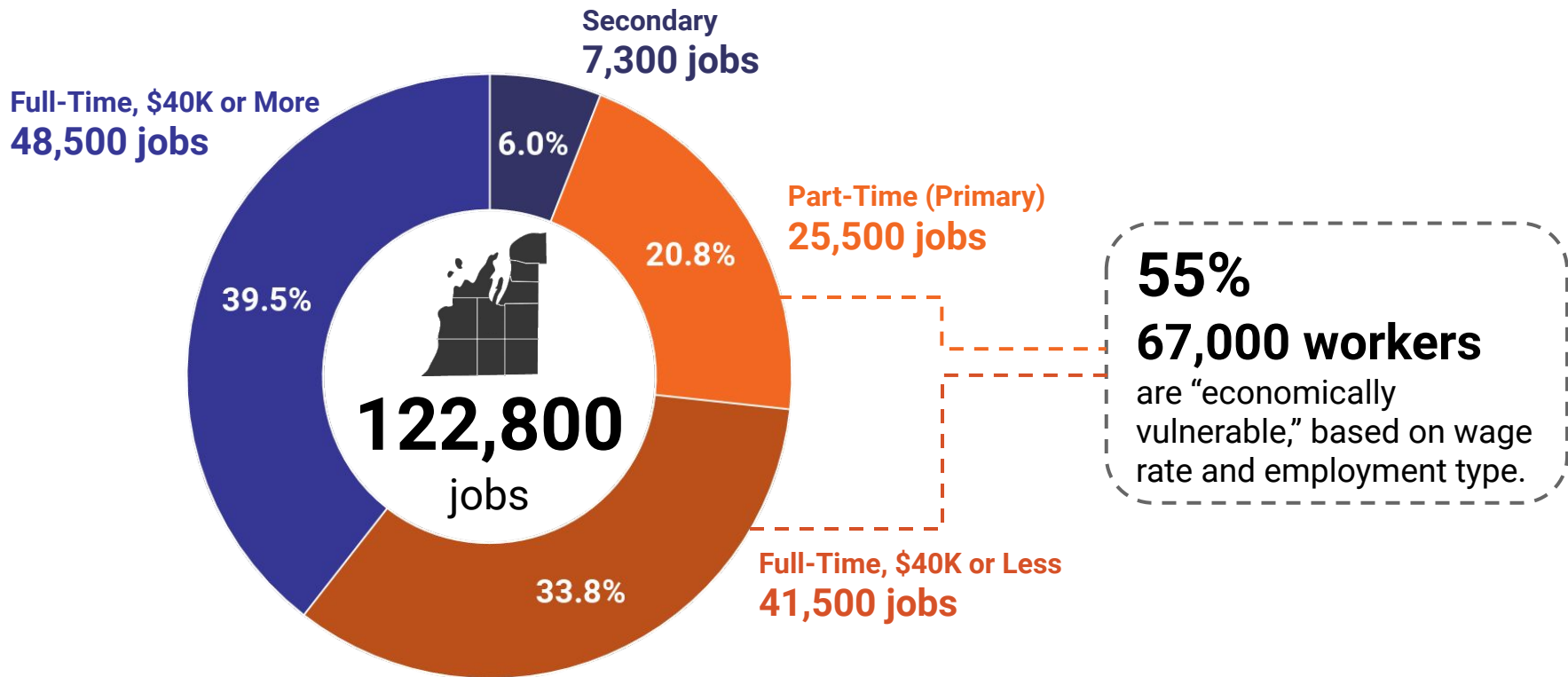
	Percent of All GDP in Northwest Michigan	Percent of All GDP in the state of Michigan
Manufacturing	15%	19%
Real Estate	15%	12%
Public Administration	13%	11%
Health Care & Social Assistance	11%	9%
Retail	8%	6%
Construction	7%	4%
Accommodation & Food Services	6%	3%
Finance & Insurance	5%	5%
Other Services	3%	2%
Wholesale Trade	3%	7%
Professional & Technical Services	2%	8%

Estimated Economic Loss in Northwest MI, 2020



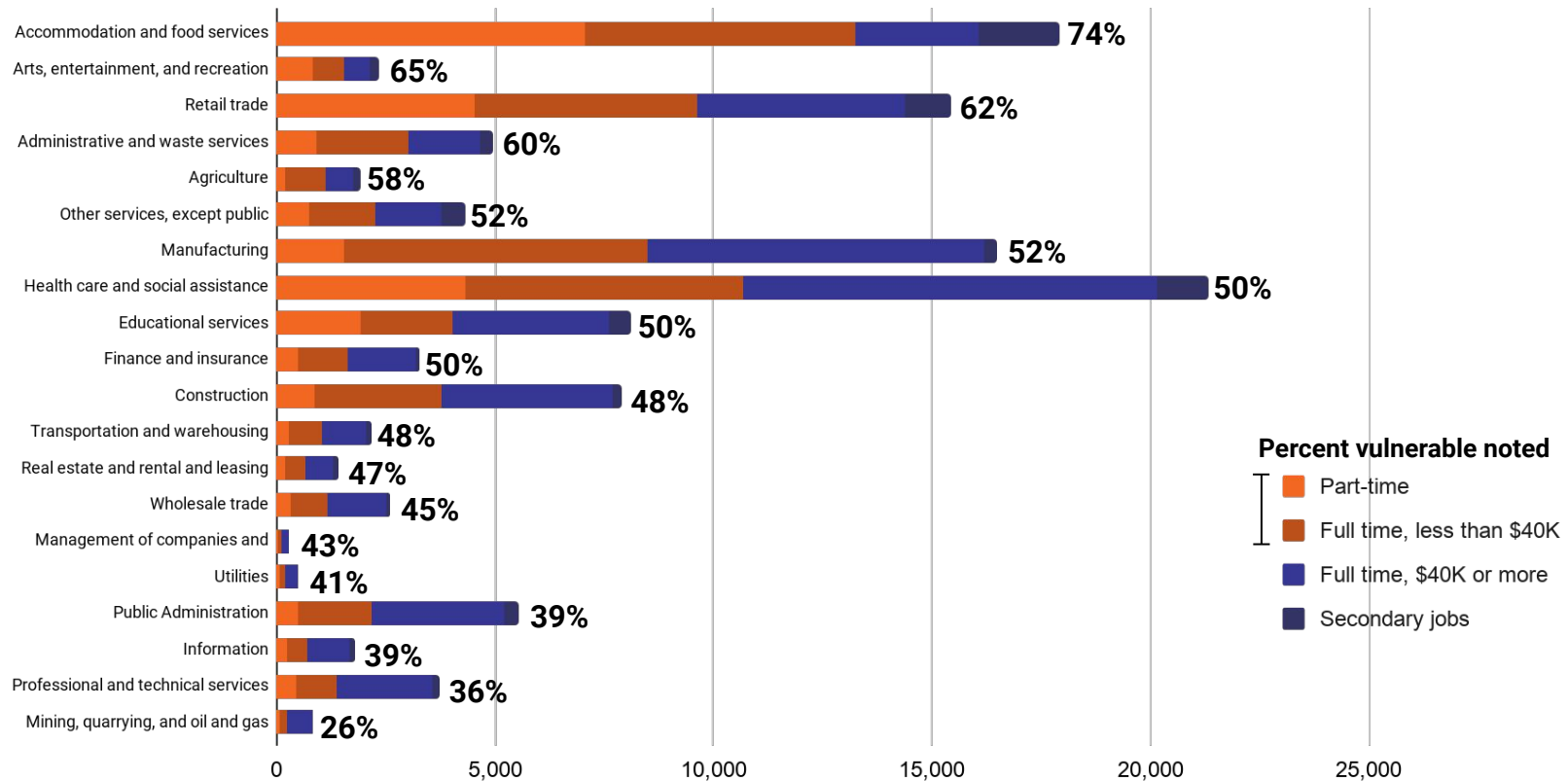
Data source: Bureau of Economic Analysis, 2018 with Fourth Economy Analysis. Notes: Percent of Estimated GDP Decrease is based on national and regional projections of industry impacts. Estimated Economic Loss in Region does not consider any Federal CARES Act impacts. Estimated GDP in Northwest MI may be slightly lower than actuals, due to undisclosed data in certain sectors.

Economically Vulnerable Workers



Source: Estimates were created by combining Census PUMS data, BLS OES data, and Census LEHD data. Estimates represent 2018 annual averages.

Economic Vulnerability by Industry



Jobs in NW Michigan

What did the Governor's closure order mean for Michigan businesses and workers?

Initial Closure Order Impacts on Workers

Temporary Closures to Protect Health and Safety

- In response to widespread harm posed by the COVID-19 pandemic, in March 2020 Governor Whitmer declared a state of emergency and a state of disaster across the State of Michigan. The Governor also issued orders to temporarily restrict in-person work, travel, and gatherings in public places in order to mitigate the spread of COVID-19, protect the public health, and provide essential protections to vulnerable Michiganders.
- Some businesses are already starting to re-open in the state. The following analysis represents a preliminary baseline of what impacts the initial order might have had.

Initial Closure Order Impacts on Workers

Governor Whitmer's initial closure orders refer to CISA's list of "critical occupations."

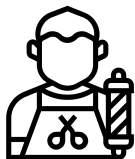
- [Whitmer - Executive Order 2020-43 \(COVID-19\)](#)
- [Whitmer - Executive Order 2020-42 \(COVID-19\)](#)

In addition, the following places of public gathering were closed:

- **Restaurants, food courts, cafes, coffeehouses**, etc.;
- **Bars, taverns, brew pubs, breweries, microbreweries, distilleries, wineries**, tasting rooms, etc.;
- Hookah bars, cigar bars, and vaping lounges, etc.;
- **Theaters, cinemas**, and indoor and outdoor performance venues;
- **Libraries and museums**;
- **Gymnasiums, fitness centers, recreation centers**, indoor sports facilities, indoor exercise facilities, exercise studios, and facilities offering non-essential personal care services (**hair, nail, tanning, massage, traditional spa**, tattoo, body art, and piercing services);
- **Casinos**, racetracks, and Millionaire Parties licensed by the Michigan Gaming Control Board; and
- Places of public amusement not otherwise listed above (amusement park, arcade, bingo hall, bowling alley, indoor climbing facility, skating rink, trampoline park, and other similar recreational or entertainment facilities).

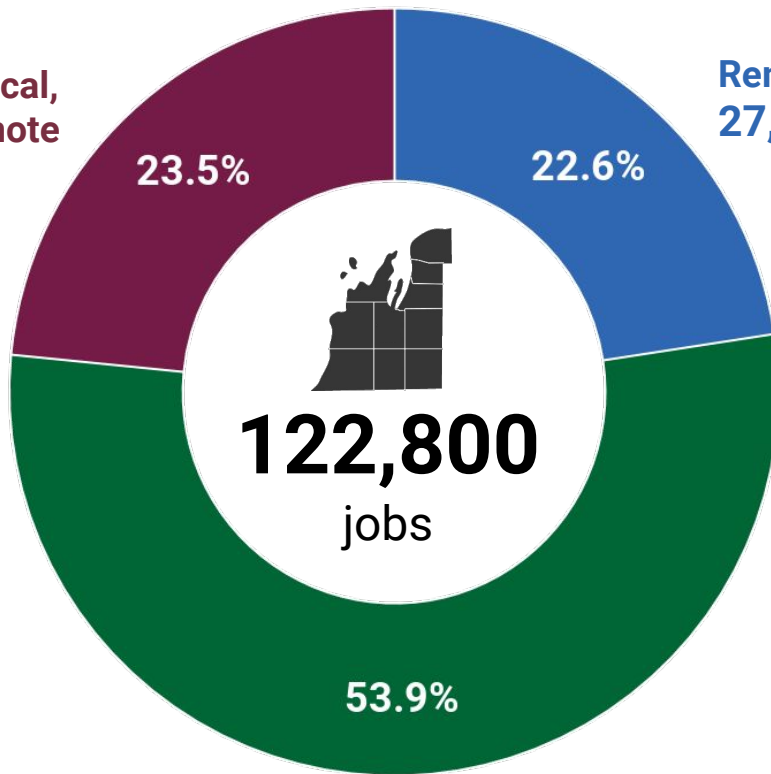
Some businesses are already starting to re-open in the state. The following analysis represents a preliminary baseline of what impacts the initial order might have had.

Critical/Remote Worker Status



**Non-Critical,
Non-Remote**
28,800

At least **28,800**
people work in jobs
that are not
“critical” or able to
be done remotely.



Remote
27,700



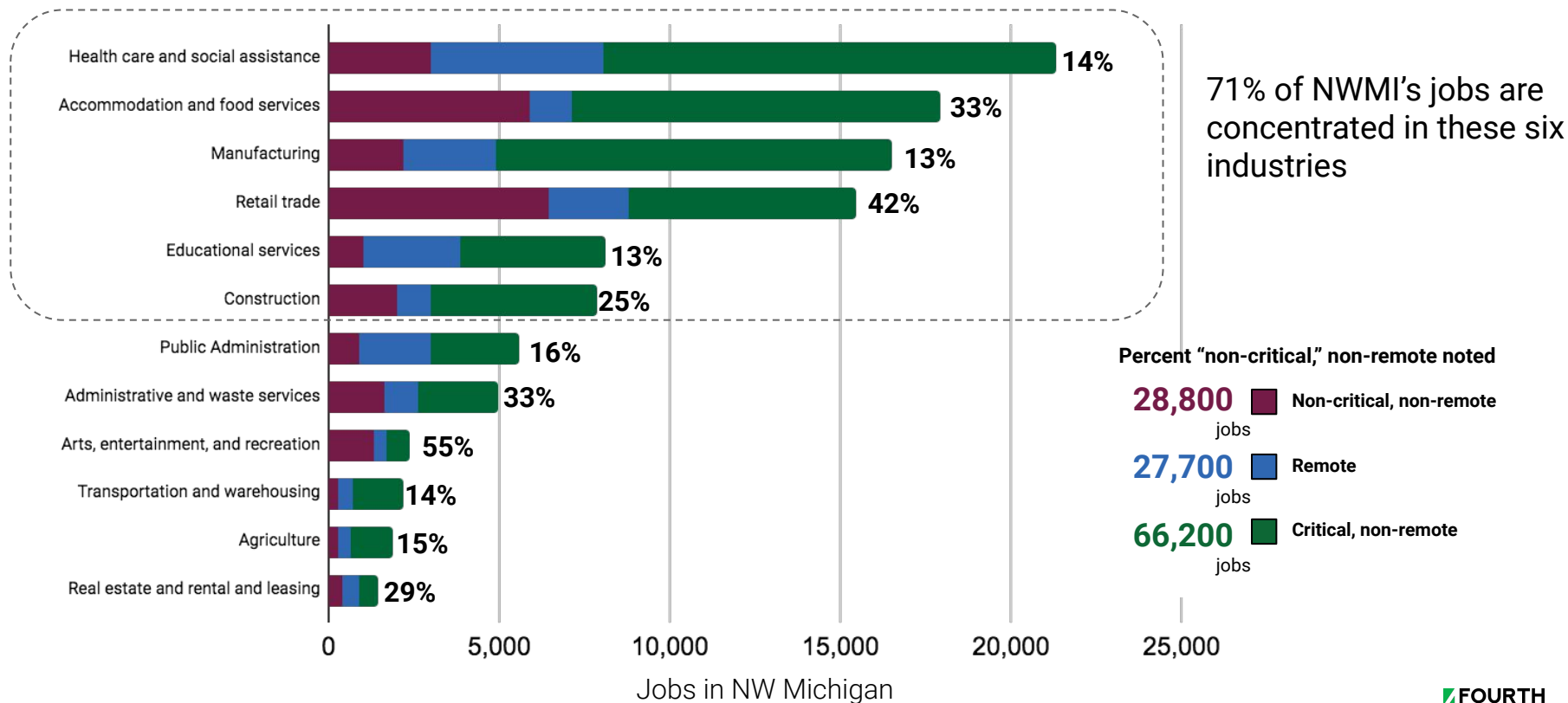
We estimate that at least **27,700** jobs can be done remotely in Northwest Michigan. The national average for remote work capability is 28.8% — 6 percentage points higher than Northwest Michigan.

**Critical,
Non-Remote**
66,200

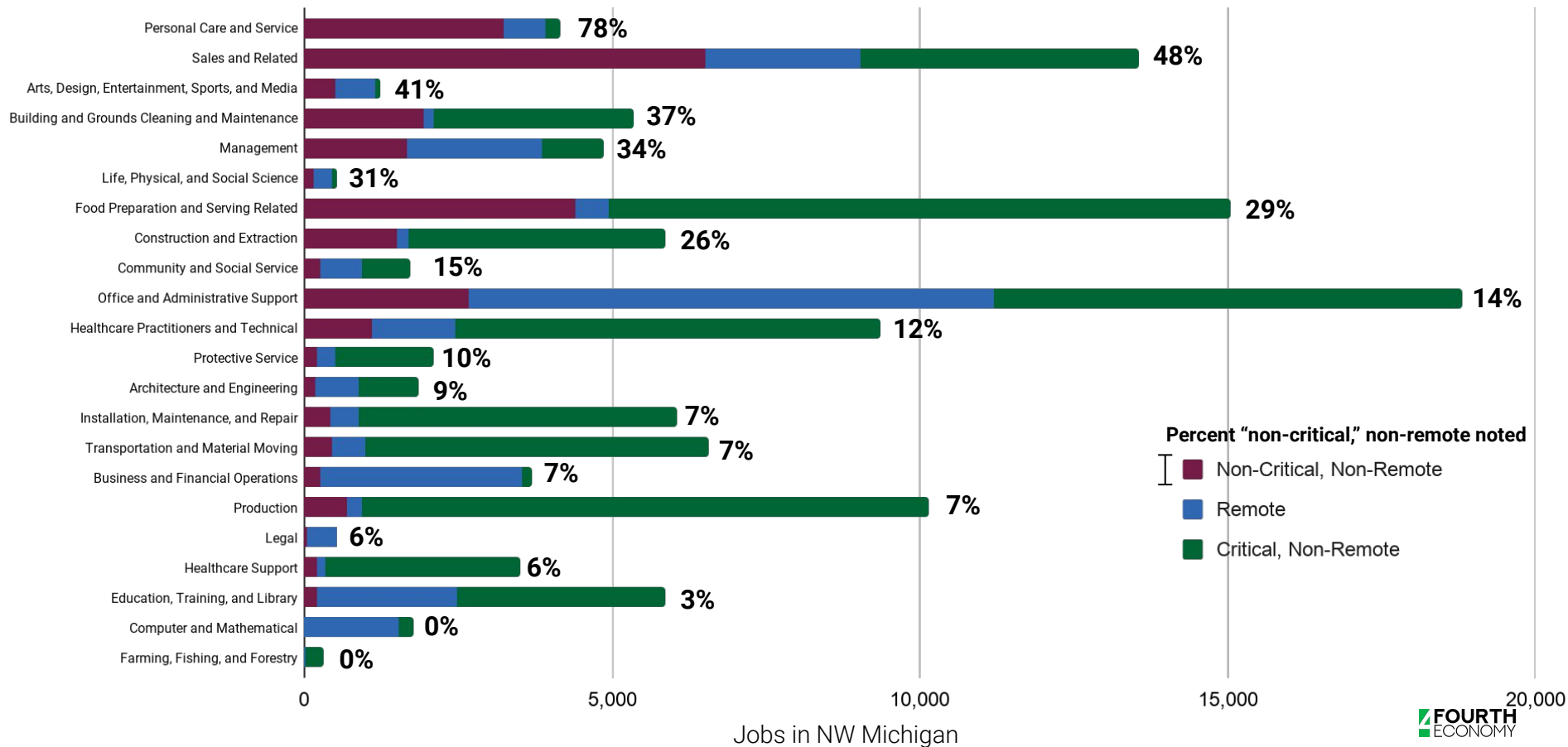


At least **66,200**
people work in
jobs that are
“critical.”

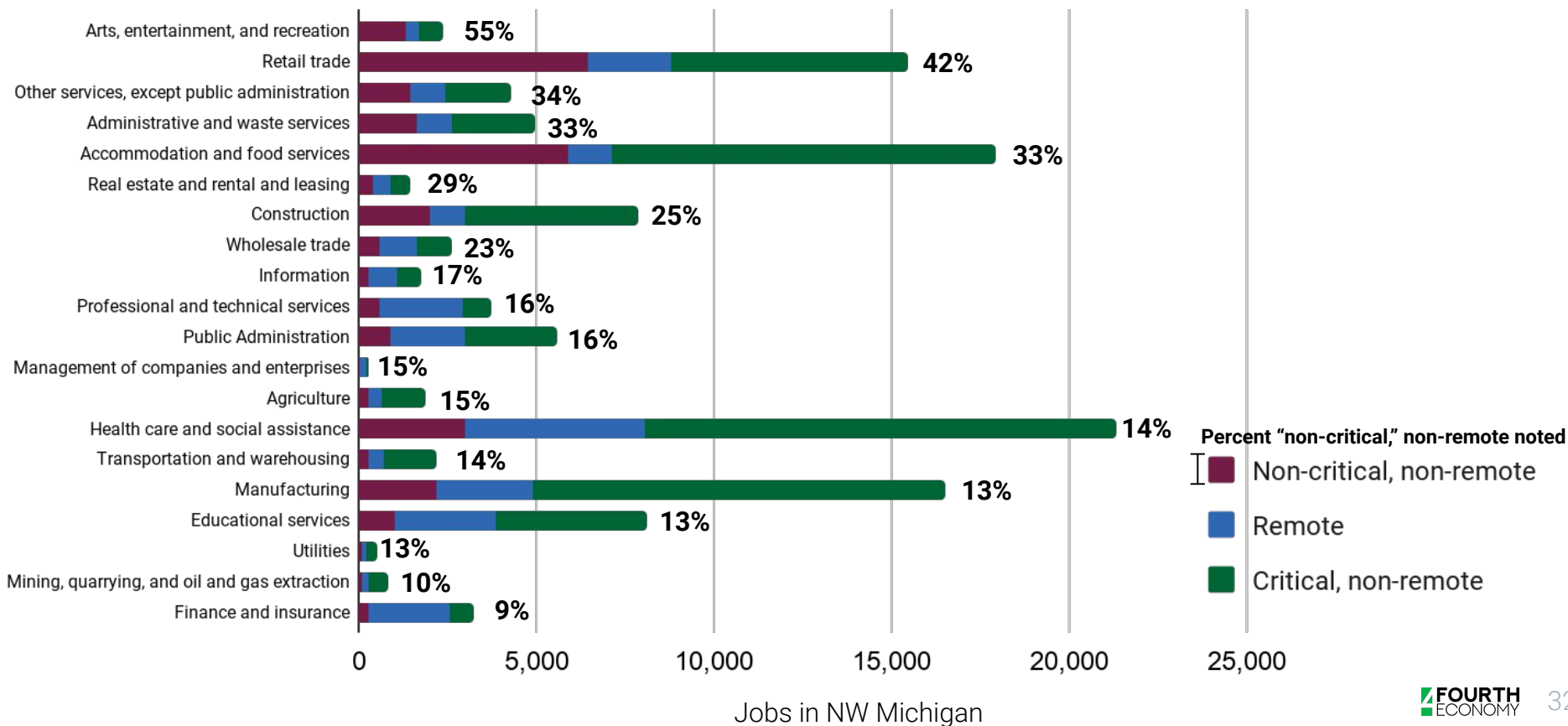
Critical/Remote Status by Industry (select industries)



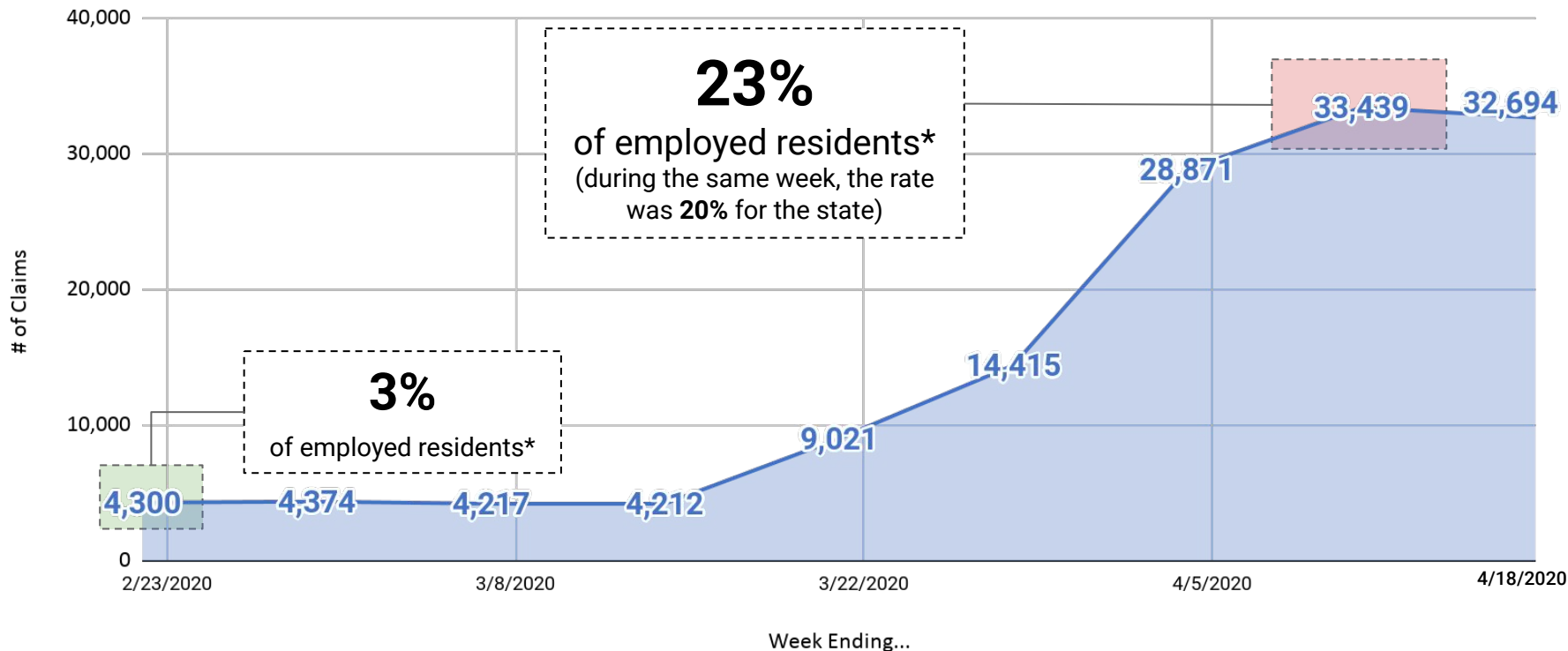
Critical/Remote Status by Occupation



Critical/Remote Status by Industry



Unemployment Claims for NWMI



Source: Networks Northwest; includes continued claims and initial claims

*Employed residents refers to ACS 2018 estimates

**How will specific sectors in the region
be impacted?**

Tourism in Northwest Michigan



Consumer confidence will have long term effects on businesses and workers in the tourism sector.

19,200

JOBs | supported by direct tourism spending in Northwest Michigan in 2018

Travel - 95% decrease in inbound passengers this April compared to last year. Departures are down 73%.

\$1.96 B

VISITOR SPENDING | in Northwest Michigan in 2018

Events - The National Cherry Festival, recently cancelled, attracts over 500,000 visitors over the course of two weeks each summer.

\$215 M

TAX REVENUE | generated from state and local taxes via visitor spending

Hospitality - NWMI has seen an 85-90% drop in local hotel occupancy compared to a year ago.

Tourism in Northwest Michigan

Events

As summer festivals and events are cancelled, the region will see an impact on visitors and spending. The National Cherry Festival, recently cancelled, attracts over 500,000 visitors over the course of two weeks each summer.

Hospitality

- Provides 10% of jobs in Michigan. An estimated 300,000 Michiganders in the hospitality workforce have been laid off.
- 85-90% drop in local hotel occupancy compared to a year ago

Restaurants

The Michigan restaurant industry lost an estimated \$491 million in sales and more than 72,000 jobs during the first 22 days of March

- 41% of operators temporarily closed
- 1% permanently closed and 9% anticipate permanently closing their restaurant within the next 30 days

Beverage

Michigan's brewing industry generates \$2.4 billion in revenue and creates over 17,000 full-time jobs

- Almost 30% of brewers have stopped production altogether, and 61% said their production schedule had slowed down
- 95% didn't expect sales to improve over the next few months

Construction in Northwest Michigan



In Michigan, commercial and residential construction was closed from March 24-May 7, while road building and critical infrastructure construction was still open.

1,300

BUSINESSES

7,900

JOB

25%

of workers are non-critical, non-remote.

58%

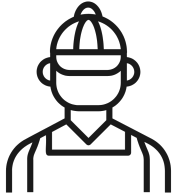
of employment is concentrated in (private) businesses with fewer than 20 employees.

Construction in Northwest Michigan

Nationally

- 24% anticipate layoffs, 22% anticipate temporarily suspending employees with pay and 16% anticipate temporarily suspending employees without pay
- 45% of planned business is still on schedule, 41% is delayed, and 15% is cancelled. This compares to a survey from a month ago, where 53% of business was still on schedule, 35% delayed, and 12% cancelled
- Fewer than 30% of survey respondents expected their sales to increase over the next six months, while less than 20% of contractors expected their profit margins to increase

Manufacturing in Northwest Michigan



In Michigan, manufacturing has started to resume operations as of May 11, though many are planning slow ramp-ups.

540

BUSINESSES

16,500

JOB

13%

of workers are non-critical,
non-remote.

13%

of employment is
concentrated in (private)
businesses with fewer than
20 employees.

Manufacturing in Northwest Michigan

Nationally

- **95% of organizations** will be or have already been impacted by coronavirus supply chain disruptions
- Domestic manufacturing is operating at **79% of normal capacity**
- **50% of manufacturers are seeking domestic sources** for supply chain

NW Michigan

- **30%-80%** of the Small and Medium-sized Manufacturer (SMM) **workforce is currently laid off**
- Many SMMs are running **longer, less-frequent, or intermittent shifts** so the staff can minimize social contact and allow time for additional cleaning and sanitizing practices to occur
- All non-essential new sales have slowed dramatically or completely stopped
- At least **80% do not have a short or long term recovery plan** established

How will vulnerable businesses be impacted?

Small Business Risk

\$12,100

Bank Account Balance

The median balance for small businesses across checking and savings accounts.

Even small changes in cash inflows or outflows — especially if unexpected — can have large impacts on small businesses.

27 days

Cash Buffer Days

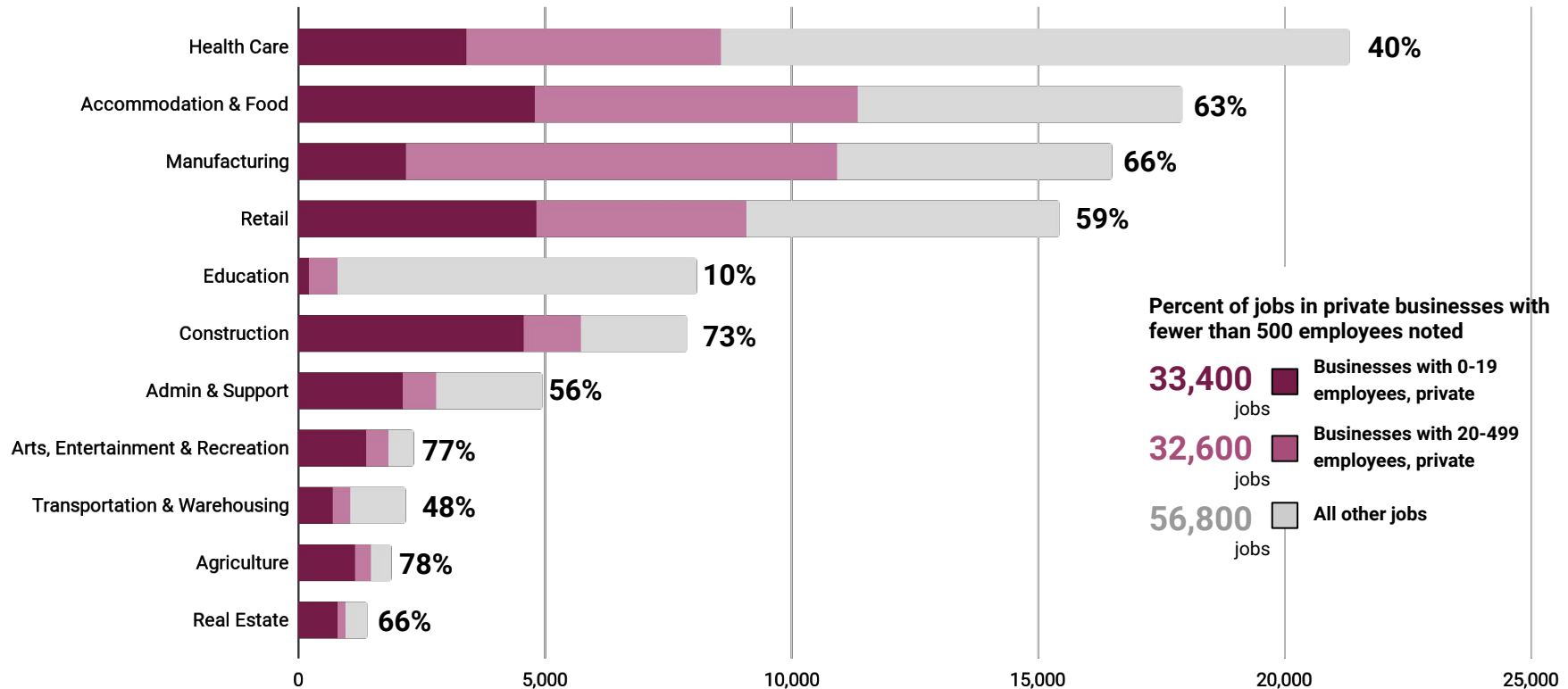
The median number of days of outflows a small business could pay were inflows to stop.

With a median of only 27 cash buffer days, the typical small business has a low margin of error in the face of economic headwinds and shocks.

Source: JP Morgan Chase Report | Analysis of bank account balances of 600,000 small businesses to provide information about average daily balances, revenues, and operating expenses to estimate cash buffer days in small business across different industries.

Small Business Definition: Less than 500 employees and bank account balances of less than \$20 million.

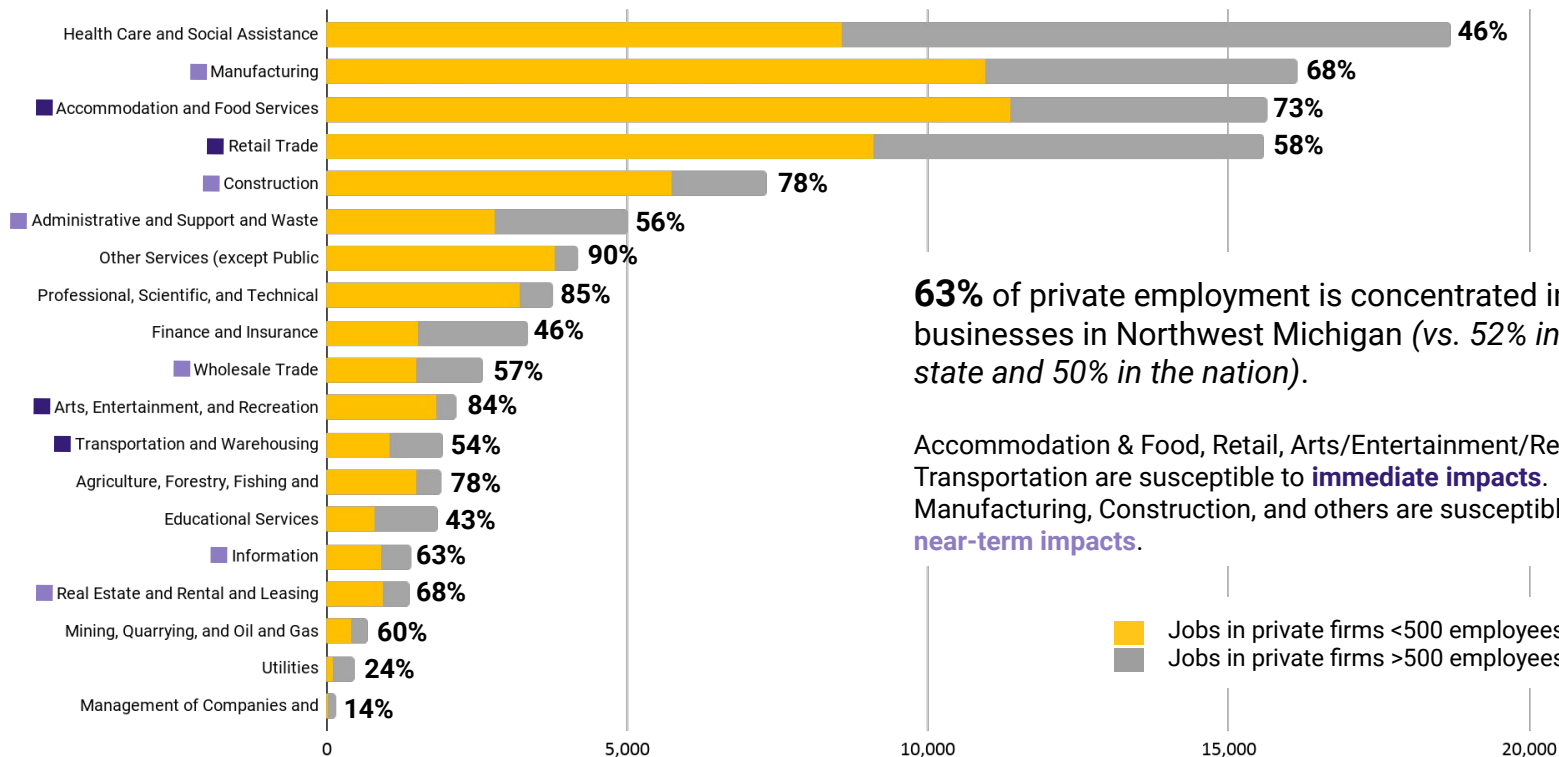
Small Business Employment (select industries)



Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators with Fourth Economy Analysis. Note that not all industries are shown here.

Jobs in Northwest Michigan

Concentration of Small Business Employment



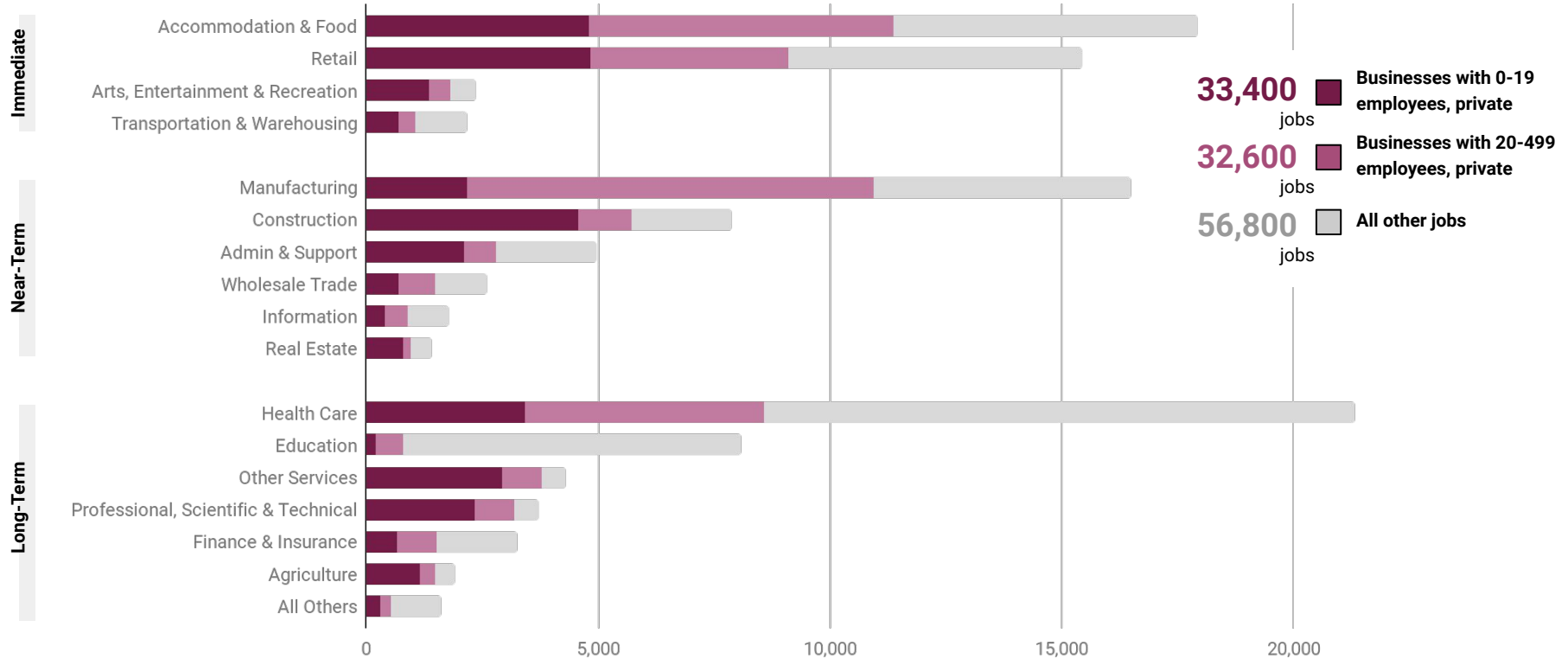
63% of private employment is concentrated in small businesses in Northwest Michigan (vs. 52% in the state and 50% in the nation).

Accommodation & Food, Retail, Arts/Entertainment/Rec, and Transportation are susceptible to **immediate impacts**.
Manufacturing, Construction, and others are susceptible to **near-term impacts**.

Jobs in private firms <500 employees
Jobs in private firms >500 employees

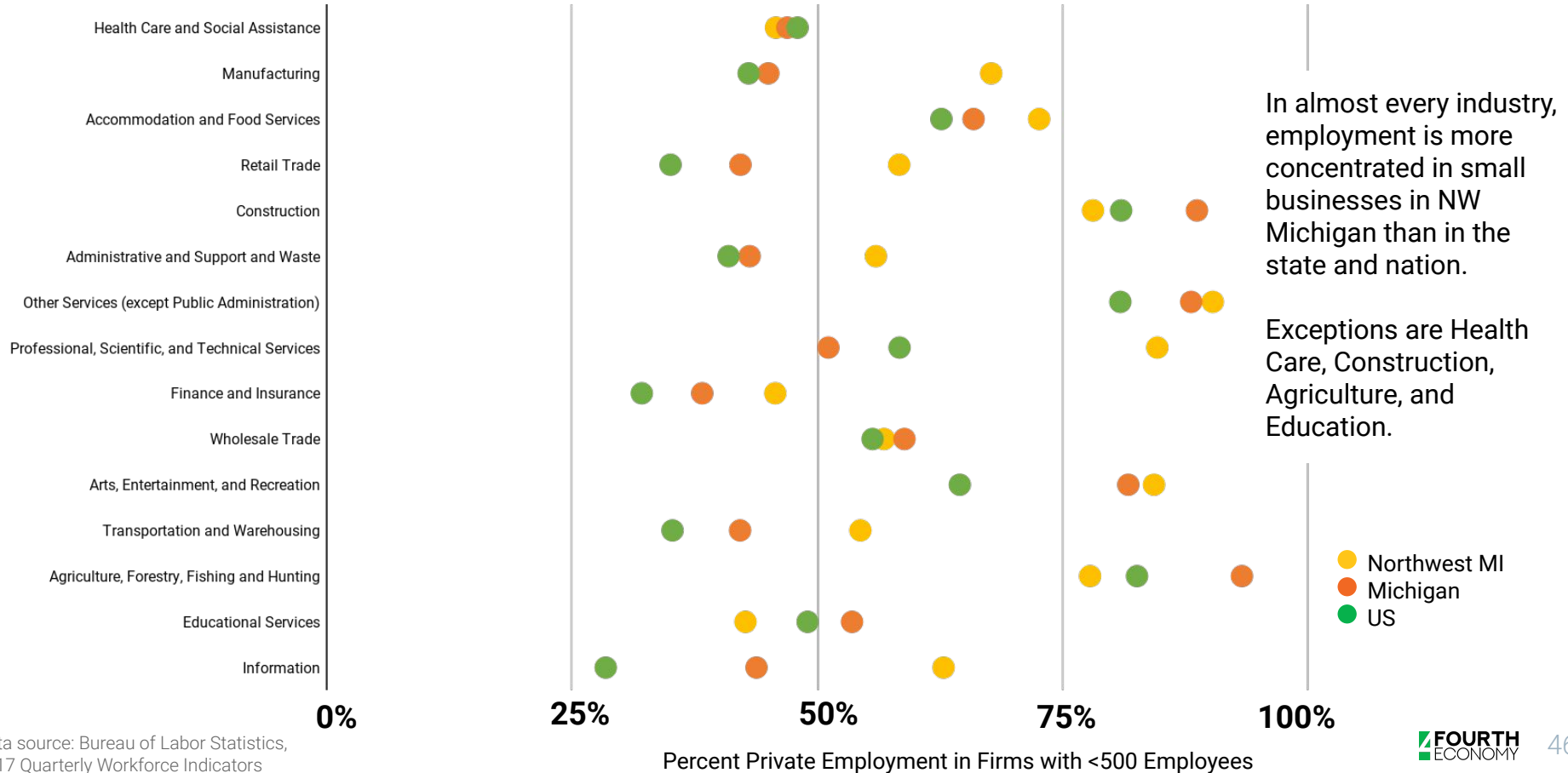
Jobs in Northwest Michigan

Workforce Impacts by Industry (small businesses)

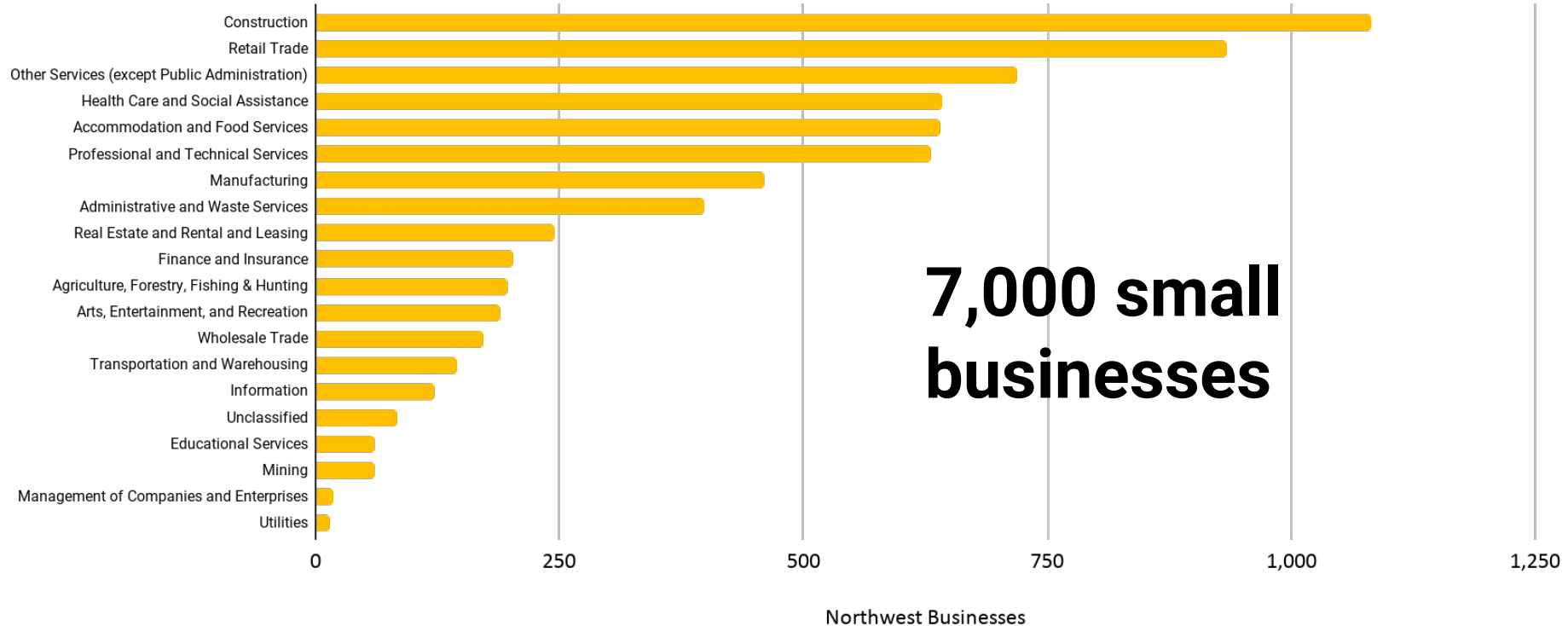


Data source: Bureau of Labor Statistics, 2017 Quarterly Workforce Indicators with Fourth Economy Analysis.

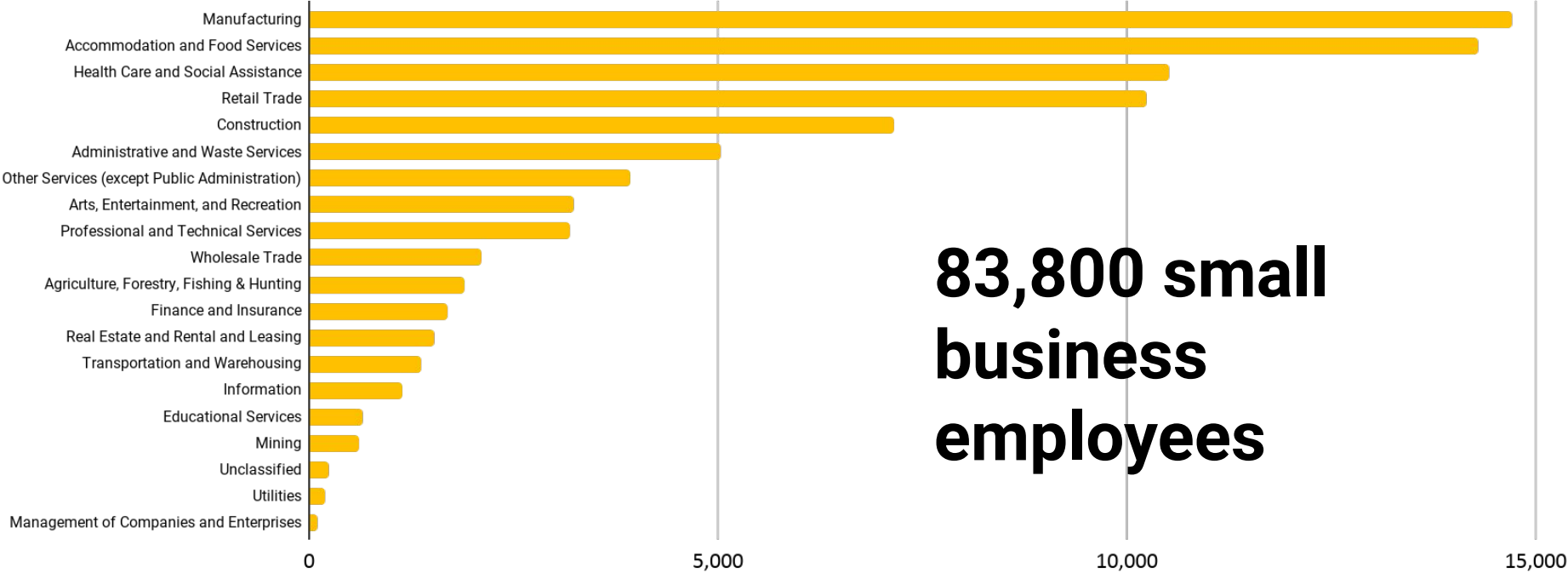
Small Business Employment by Industry



Small Businesses, 2019 Q2



Small Business Employment, 2019 Q2



**83,800 small
business
employees**

Northwest 2019 Q2 Employment

Data source: Networks Northwest, QCEW

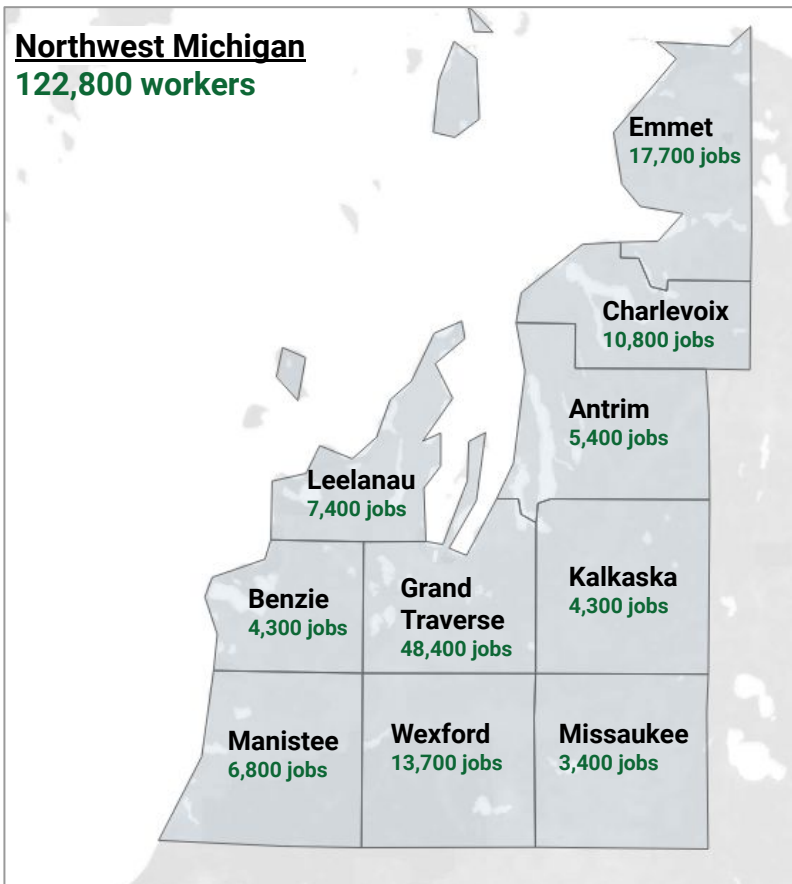
Business Impact Survey

ASE - Largest Employer Association in Michigan

- Hiring has been significantly impacted by the pandemic. Nearly four in ten companies (40%) have already implemented a hiring freeze, and another 18% were considering doing so at the time of the survey.
- An additional 30% (32.7%) of respondents expect a hiring freeze for all or most of 2020, and nearly a quarter of participants expect a decrease in hiring compared to levels previously projected for 2020.
- Nearly a third (32.7%) of companies surveyed report having implemented temporary staff reductions or layoffs, and nearly a quarter (23.8%) were considering it. Temporary staff reductions/layoffs among manufacturing organizations were more significant. Slightly more than 40% of participants in that industry have implemented temporary staff reductions/layoffs. Just 6% of those surveyed have implemented permanent staff reductions/layoffs.

**How and when will specific
sectors/industries be impacted?**

What counties are most impacted?



Workforce Impacts by Industry

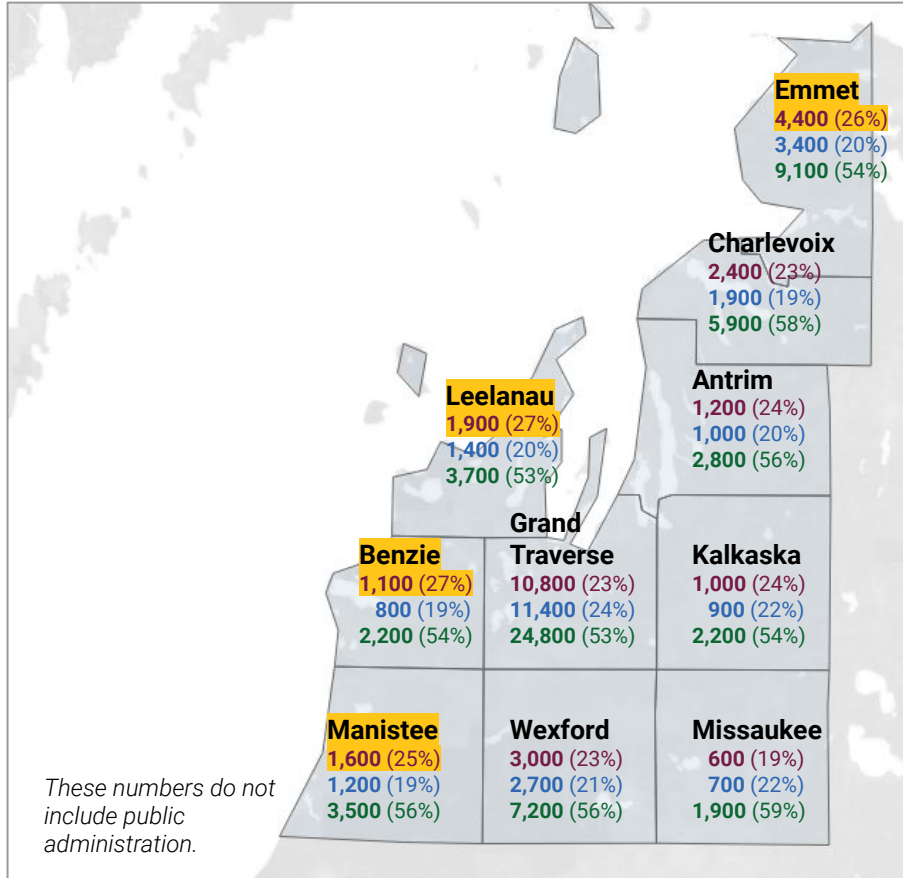
Closure orders and new operating restrictions present risks to businesses and employment that vary across industry and over time.

A recent analysis from the Brookings Institution categorized sectors into three risk levels: **immediate risk**, **near-term risk**, and **long-term risk**. These numbers do not attempt to predict the number of businesses closed or jobs lost, but rather to lend understanding to the magnitude and timeline of vulnerabilities.

The following series of slides look at impacts on industries by 1) risk level, 2) critical/remote status, and 3) small business concentration.

["How local leaders can stave off a small business collapse from COVID-19"](https://www.brookings.edu/research/how-local-leaders-can-stave-off-a-small-business-collapse-from-covid-19/)
<https://www.brookings.edu/research/how-local-leaders-can-stave-off-a-small-business-collapse-from-covid-19/>

Workforce Impacts by County (critical/remote status)



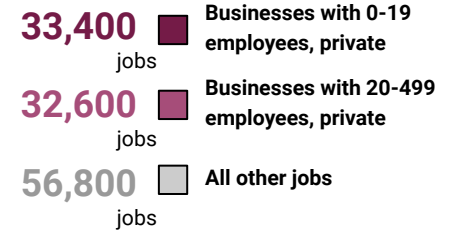
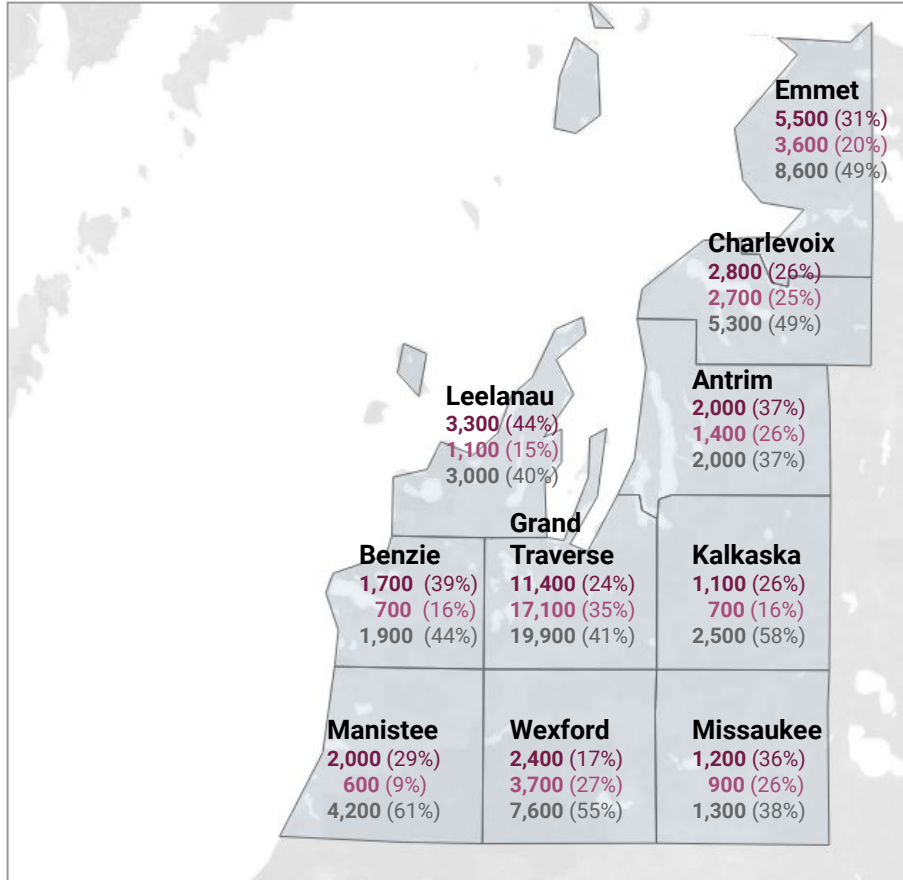
28,800 ■ Non-critical, non-remote jobs

27,700 ■ Remote jobs

66,200 ■ Critical, non-remote jobs

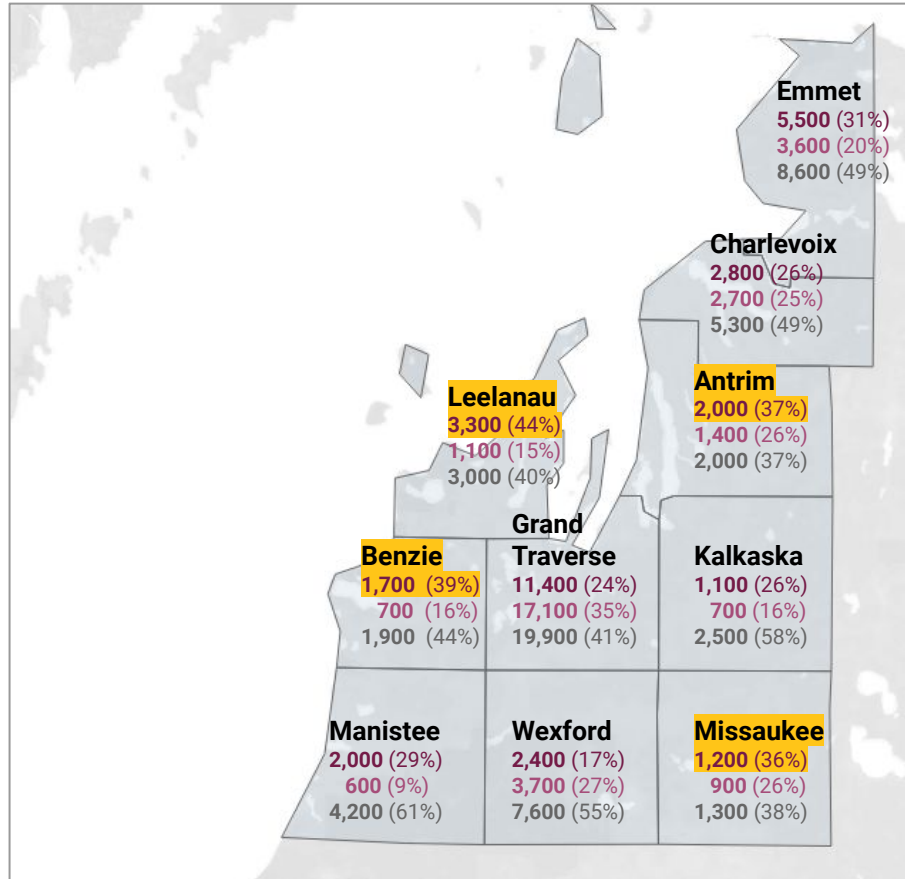
Highlighted counties are those where more than 1 in 4 jobs are non-critical, non-remote.

Workforce Impacts by County (small businesses)



An estimated **27%** of Northwest Michigan's workforce is employed in private businesses with 0-19 employees.

Workforce Impacts by County (small businesses)



33,400 jobs ■ Businesses with 0-19 employees, private

32,600 jobs ■ Businesses with 20-499 employees, private

56,800 jobs ■ All other jobs

Highlighted counties are those where more than 1 in 3 jobs are in private businesses with fewer than 20 employees.

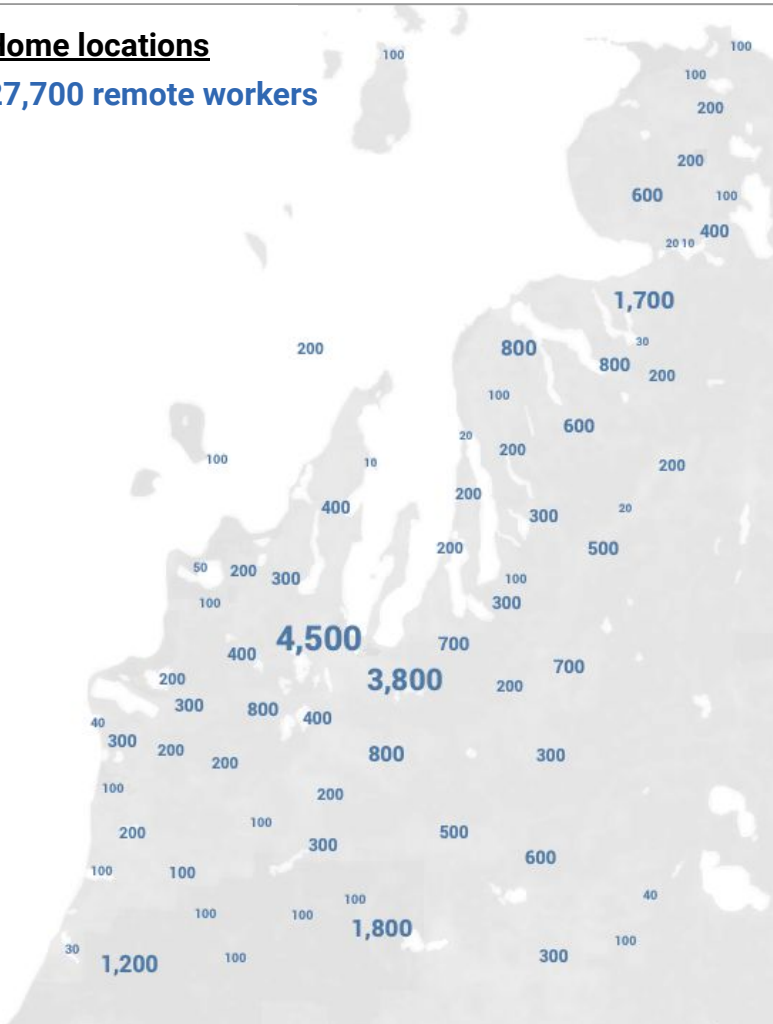
What counties are most at risk?

	Immediate Impact More than 1 in 3 jobs face immediate impact.	Closure Order More than 1 in 4 jobs are non-critical, non-remote.	Small Business More than 1 in 3 jobs is in a small business with less than 20 workers.
Antrim	32%	24%	37%
Benzie	43%	27%	39%
Charlevoix	29%	24%	26%
Emmet	34%	26%	31%
Grand Traverse	27%	23%	24%
Kalkaska	20%	24%	26%
Leelanau	44%	27%	44%
Manistee	39%	25%	29%
Missaukee	21%	19%	36%
Wexford	26%	23%	17%

How is remote work affected by access to broadband?

Home locations

27,700 remote workers



Home locations of remote workers

Remote workers live throughout the region, with employees who hold jobs that have the potential to work remotely in every county and zip code.

A University of Chicago analysis revealed that 34% of U.S. jobs can plausibly be performed at home, with significant variation across geographies.

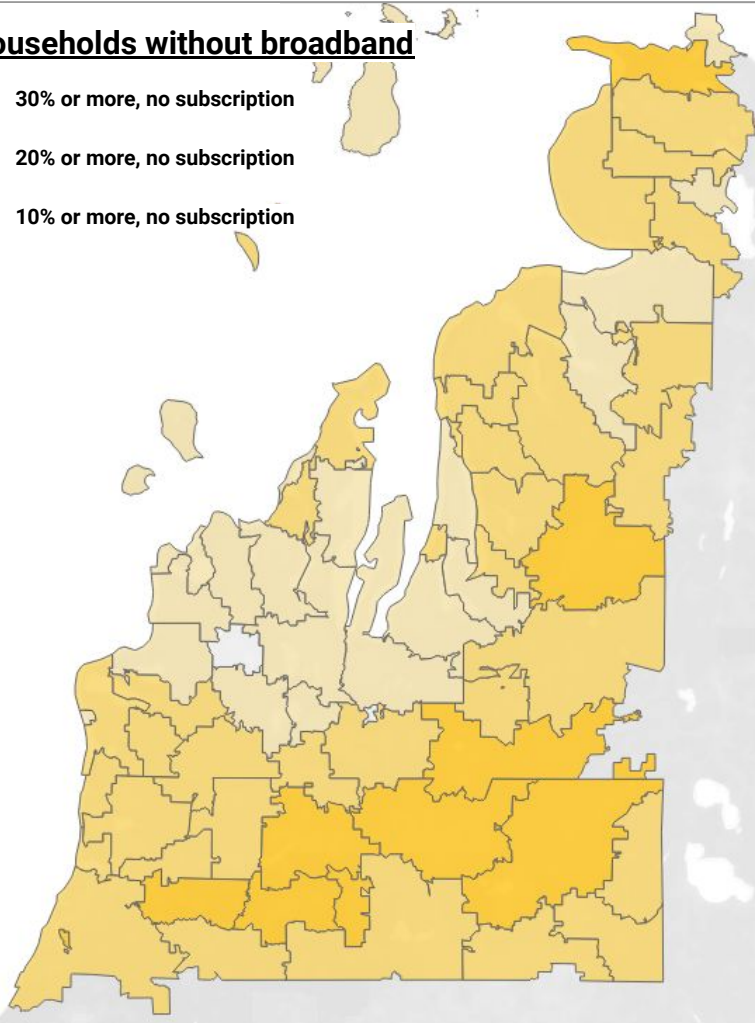
An estimated 23% of the region's workforce is employed in jobs that have the potential to work remotely.

"With much of U.S. staying at home, how many jobs can be done remotely?"
news.uchicago.edu/story/much-us-staying-home-how-many-jobs-can-be-done-remotely

Data source: Longitudinal Employment Household Dynamics with Fourth Economy Analysis. Home locations of remote workers by Zip Code.

Households without broadband

- 30% or more, no subscription
- 20% or more, no subscription
- 10% or more, no subscription



Broadband internet access varies throughout the region

The ability of workers to work remotely is impacted by access to broadband internet at home.




There are many areas throughout the region where upwards of 20% to 30% or more of households do not have subscription service to broadband internet.

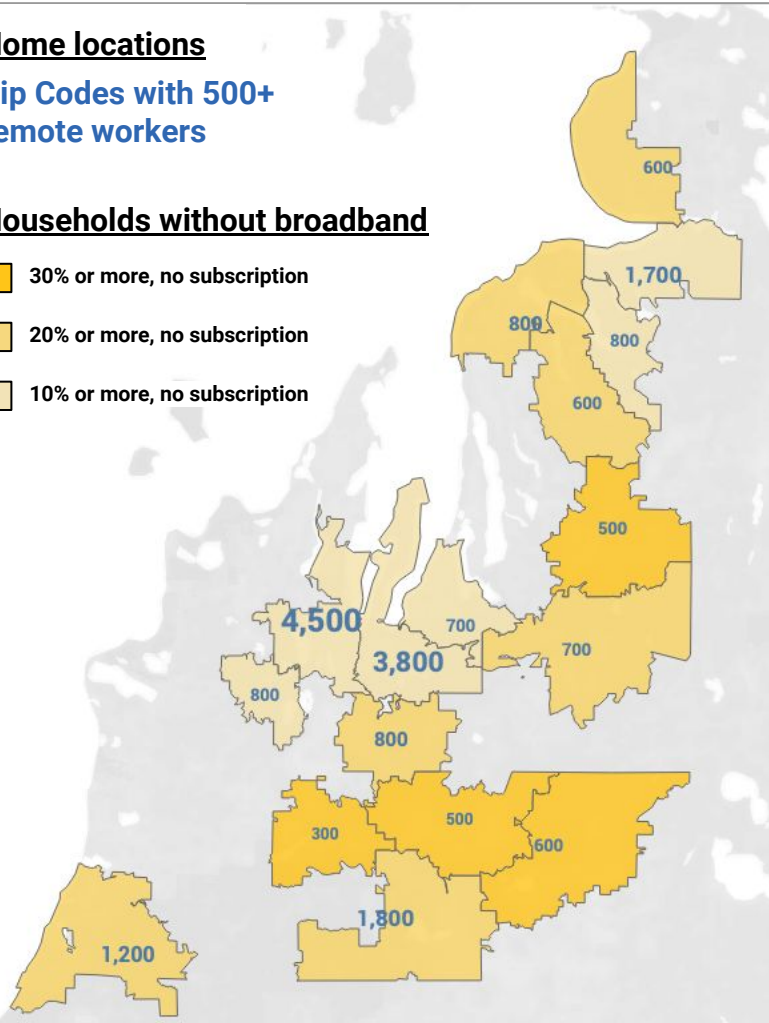
Data source: American Community Survey, 2018, Households without broadband subscription service.

Home locations

Zip Codes with 500+ remote workers

Households without broadband

-  30% or more, no subscription
-  20% or more, no subscription
-  10% or more, no subscription



Highlight: areas with at least 500 remote workers

Many areas where a large number of remote workers live are places where home access to broadband may be an issue.

Data sources: Longitudinal Employment Household Dynamics with Fourth Economy Analysis. Home locations of remote workers by Zip Code. American Community Survey, 2018, Households without broadband subscription service.

How will vulnerable workers be impacted?

Who is ALICE?

Asset Limited, Income Constrained, Employed



ALICE Households

ALICE households earn more than the Federal Poverty Level, but less than the basic cost of living for the state. The “ALICE Threshold” is based on the “Household Survival Budget,” a measure that estimates the minimal cost of the six basic household necessities — housing, child care, food, transportation, health care, and a basic smartphone plan.



ALICE Workers

ALICE workers primarily hold jobs in occupations that build and repair our infrastructure and educate and care for the workforce — sometimes referred to as “maintainers.” This range of jobs is broader than the service sector, and these occupations ensure that the economy runs smoothly. Many ALICE workers hold low-wage jobs that do not meet the “Household Survival Budget.”

ALICE in Northwest Michigan



49,800 households

in Northwest Michigan are in poverty or below the ALICE threshold.

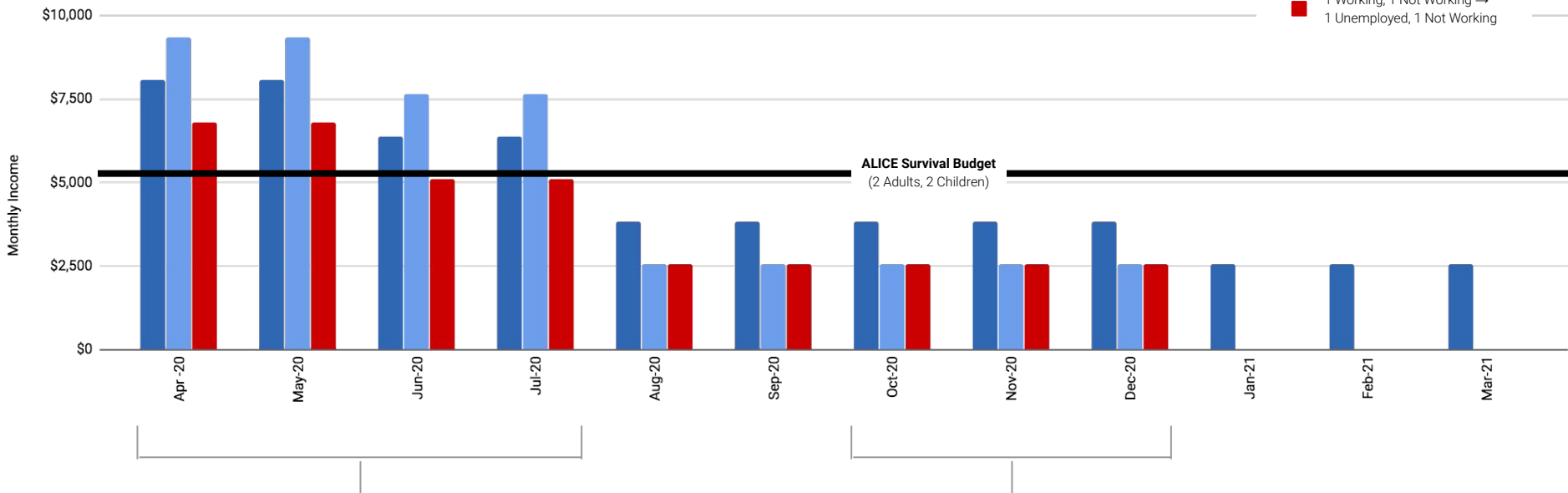
That's **40%** of all households in the region.

How are ALICE Households Impacted?

Scenarios for 2 Adult, 2 Child Households
with pre-impact income at ALICE Survival Budget

2 Adults

- 2 Working, 0 Unemployed →
1 Working, 1 Unemployed
- 2 Working, 0 Unemployed →
0 Working, 2 Unemployed
- 1 Working, 1 Not Working →
1 Unemployed, 1 Not Working



A majority of CARES Act benefits, like the one-time stimulus and additional weekly unemployment benefit, occur before July 31.

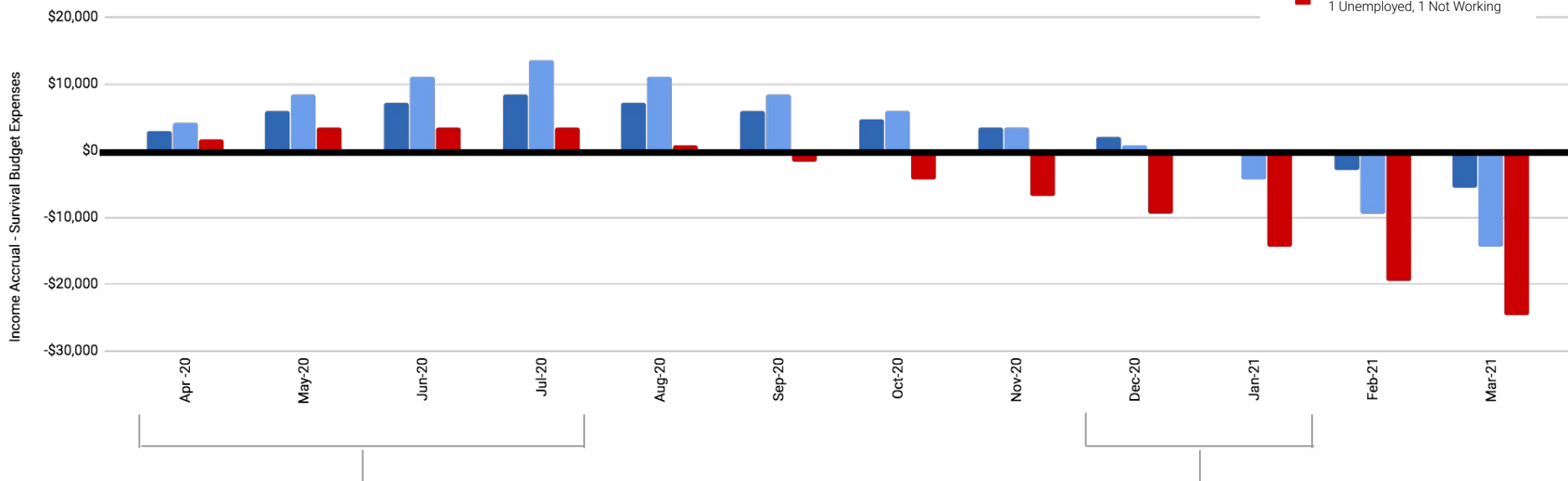
Unemployment compensation extends by an additional three months, for a total of nine months of coverage. Unemployment Benefits end December 31.

How are ALICE Households Impacted?

Scenarios for 2 Adult, 2 Child Households
with pre-impact Income at ALICE Survival Budget

2 Adults

- 2 Working, 0 Unemployed → 1 Working, 1 Unemployed
- 2 Working, 0 Unemployed → 0 Working, 2 Unemployed
- 1 Working, 1 Not Working → 1 Unemployed, 1 Not Working

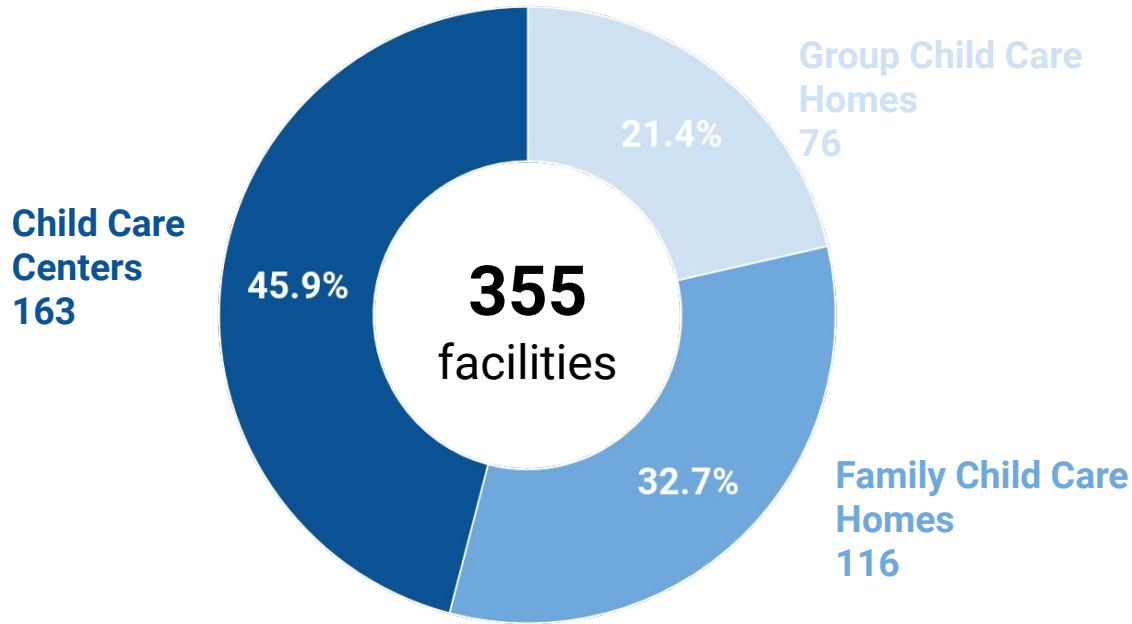


Benefits accrue in the first few months.
Household income accrual above survival wage
reaches its highest point in July.

December to January represents a benefits cliff,
when unemployment compensation ends. By
January, many households begin to see a net deficit.

**What will impacts on child care mean
for economic recovery?**

Licensed Child Care Facilities



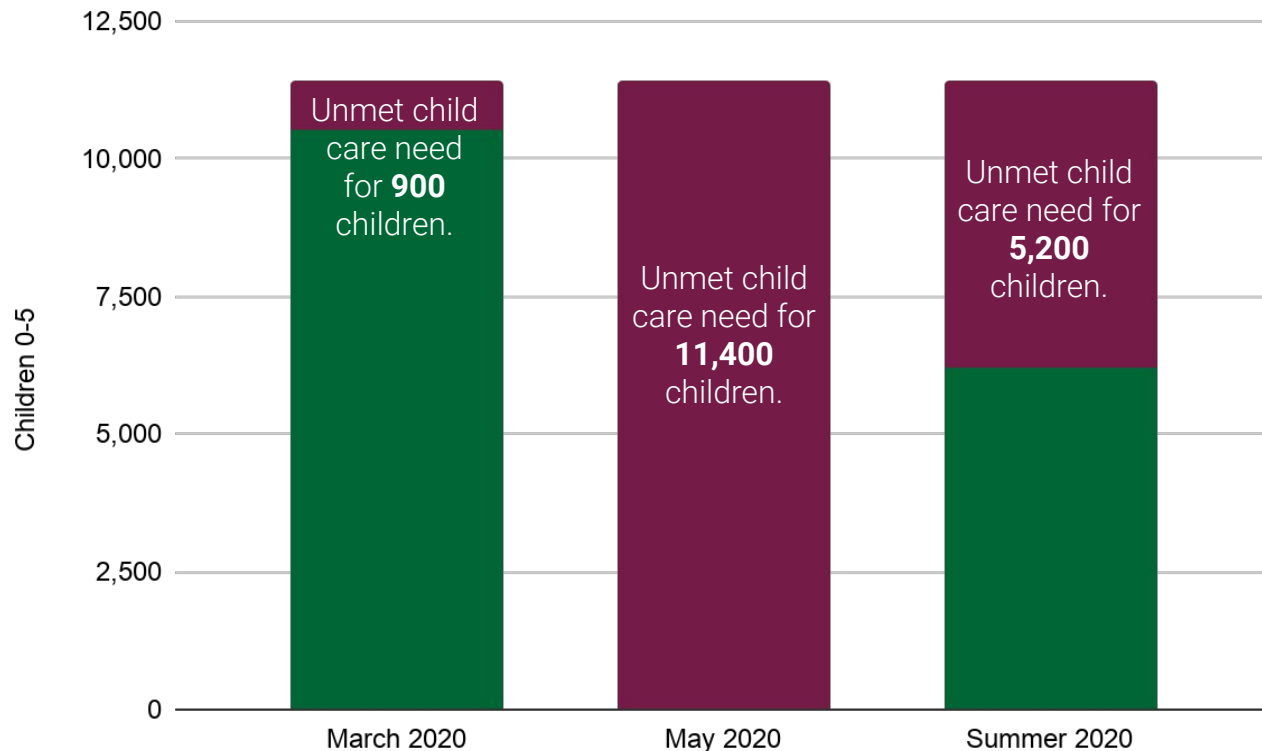
According to LARA's most updated list (April 4), there are no "disaster relief child care centers" located in Northwest Michigan.

All 355 facilities might be closed right now.

According to Michigan Labor Market Information, the average hourly wage for a childcare worker in Michigan is \$9.42, with an average annual wage of \$19,611.

Child Care Need & Capacity

11,400 children need child care in Northwest Michigan



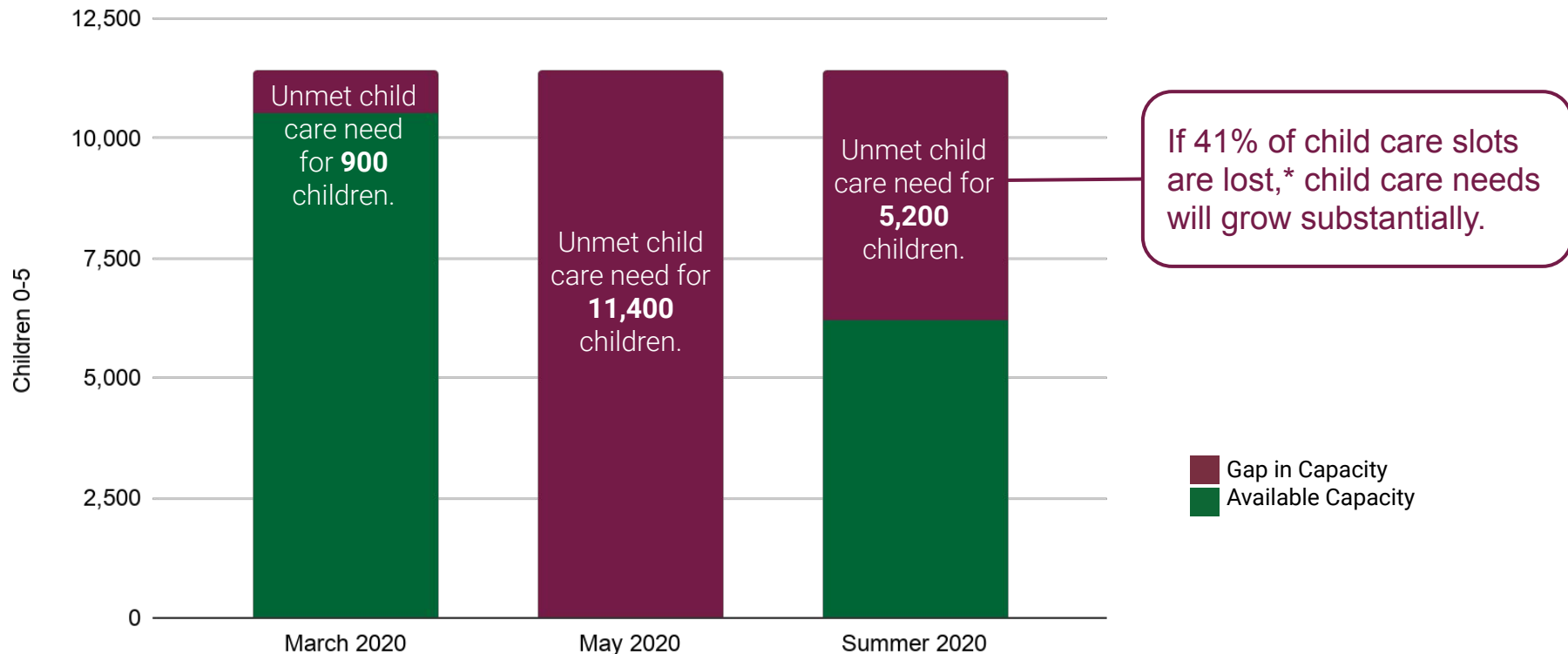
Before COVID-19, there was a gap in needed childcare of about 900 children.

Currently, there may be no child care centers open.

Without strong federal support, 41% of child care capacity could be lost, according to an [analysis by the Center for Progress using National Association for the Education of Young Children data](#). The gap would then grow to 5,200 children.

Child Care Need & Capacity

11,400 children need child care in Northwest Michigan

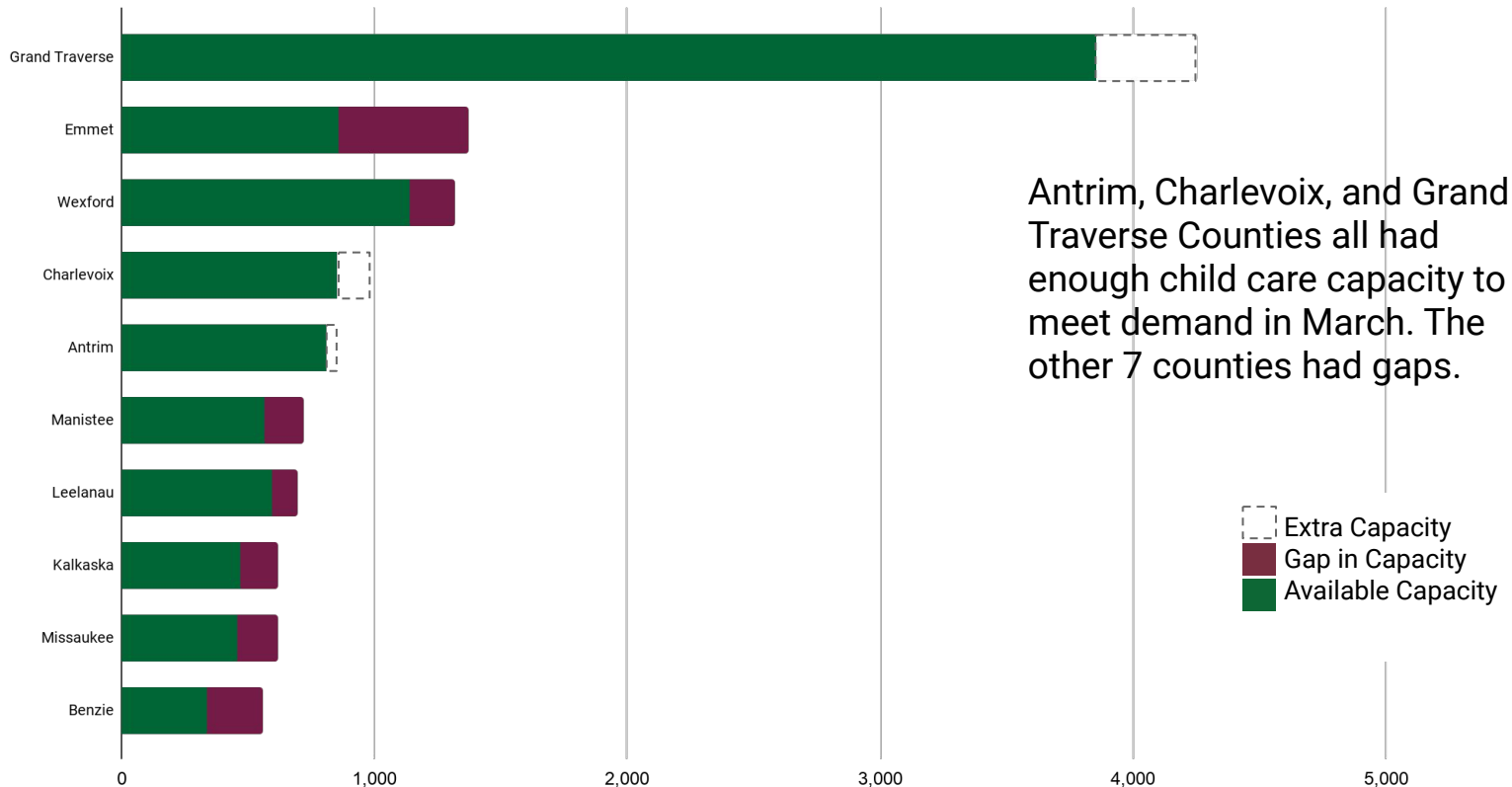


Sources: KIDS COUNT Data Center and MI Department of Licensing & Regulatory Affairs

*Based on statewide predictions from the Center for American Progress.

Child Care Need & Capacity by County

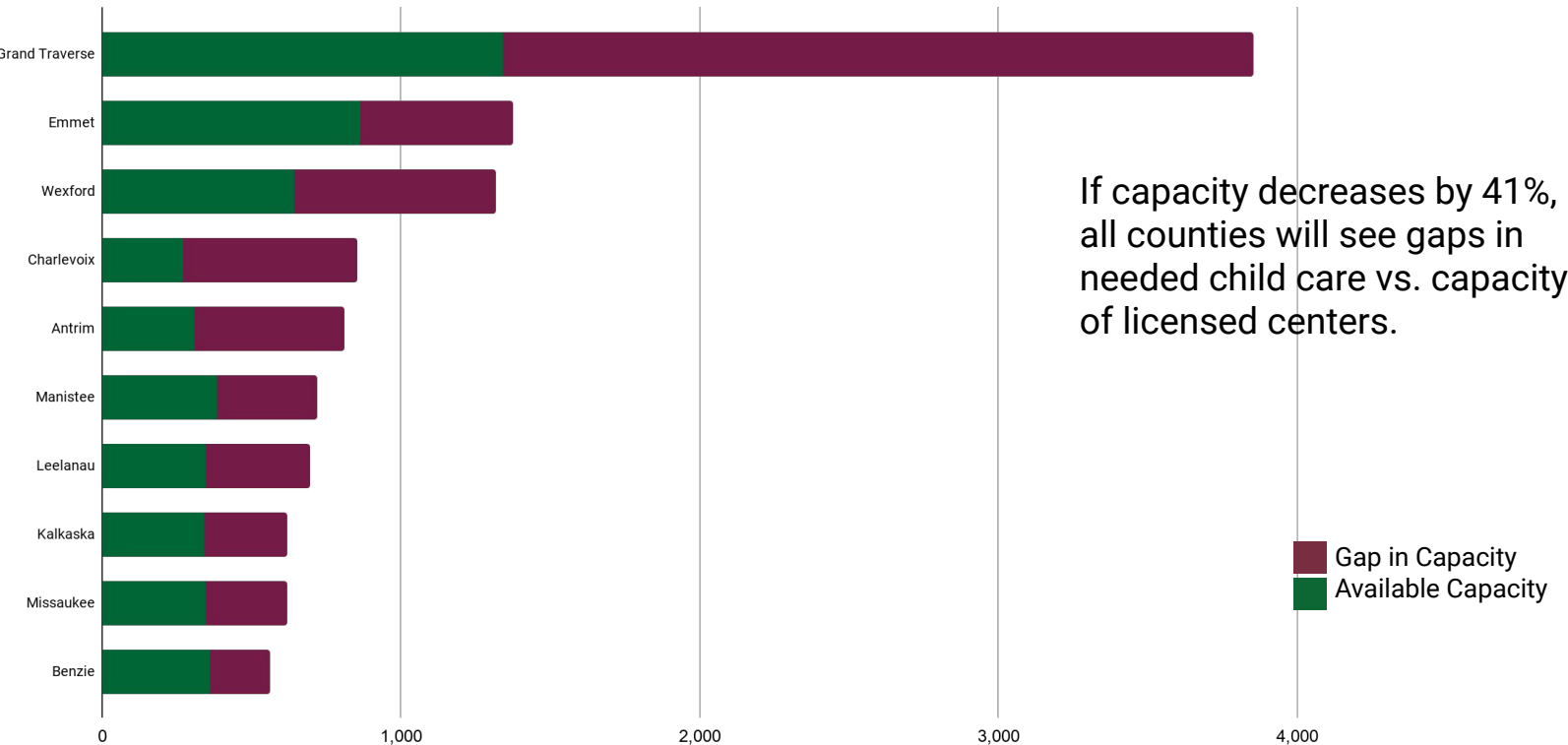
March 2020



Antrim, Charlevoix, and Grand Traverse Counties all had enough child care capacity to meet demand in March. The other 7 counties had gaps.

Child Care Need & Capacity by County

with a decreased capacity of 41%



Sources: KIDS COUNT Data Center and MI Department of Licensing & Regulatory Affairs

Children 0-5 with All Parents in the Labor Force

Recovery Roadmap

Beyond Recovery

Request for Information for Investment Documents

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Growth &
Investment Areas

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Opportunity Zones

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Community
Marketing Plans



**FRAMEWORK
FOR OUR FUTURE**
A REGIONAL PROSPERITY PLAN
FOR NORTHWEST MICHIGAN

Networks Northwest
Talent / Business / Community

Growth & Investment Areas



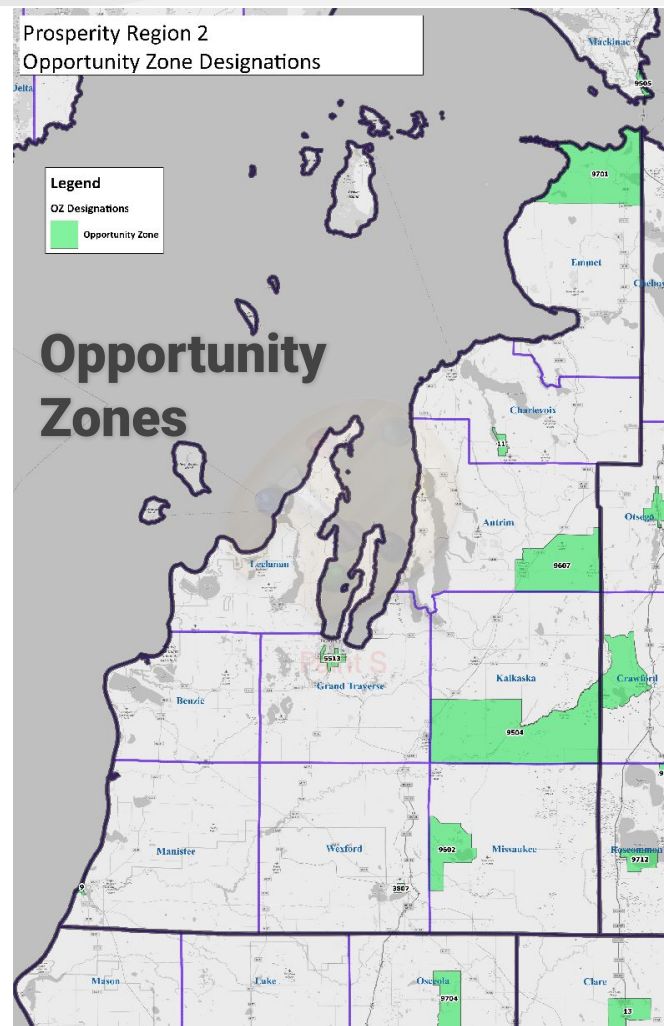
Prosperity Region 2 Opportunity Zone Designations

Legend

OZ Designations

Opportunity Zone

Opportunity Zones



2020 Commercial Corridor Inventory and Ranking

Demographic Data

General Census Data on area population, housing, jobs, and business



Priority Framework



Community Assets

Details of adjacent community and projects, capacity and resources available to support development

Land/Site Data

Information on available parcels and buildings, associated amenities and potential uses



2020 Investment Criteria



Demographic Data:

- Population (growth and density)
- Housing characteristics (total households, size, percent change, home values)
- Talent (employees, household income, unemployment, commuting data)
- Education (degree attainment)
- Business (employers, available jobs, wages; retail sales; industry clusters)
- Neighborhood (poverty levels)

2020 Investment Criteria



Land and Site Data:

- Available Site/Land Characteristics
 - Size, Type and Zoning Classification
 - Value, Ownership, Vacancy Rates
 - Land/Site/Building Condition (Topography; Soil conditions; Utilities)
- Site/Building Location Amenities
 - Utility Capacity and Costs (Electricity, Gas, Water, Sewer, Broadband)
 - Proximity to major travel corridors; rail, air, port access
 - Distance to adjacent markets
- Adjacent Developments + Properties (e.g. nearby housing and retail hubs)

2020 Investment Criteria



Community Asset Data

- Gather Site/Building Feasibility Studies and Designs
- Community Plans, Perceptions and Engagements
- Nearby Neighborhood Amenities + Culture
- Priority Projects and Recent Investments and/or Expansions
- Available/Leveraged Economic Development and Financial Incentives
- Northwest Michigan Advantage ... to aide in ranking site significance.
 - Market Area + Industry Competitiveness
 - Catalytic Adjacent Development
 - Education Advantage

Commercial Corridor Inventory



2012 Growth Area Assessment Selection Criteria Included:

- Census Data
- Zoning
- Placemaking
- Opportunity
- Infrastructure

Positioning the 2020 Inventory:

- Maintained Census Data Criteria, moved beyond “does this check a certain threshold”
- Done away with the “weeds” such as zoning and placemaking nuances
- Added additional community context/data that determines “Opportunity Criteria” of an area

Thanks!

Any questions?

Contact Rich Overmoyer

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