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Beachwood's Economy: Analytical Report

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Beachwood's Economy: Analytical Report

Prepared for: City of Beachwood Chamber of Commerce

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August 29, 2005

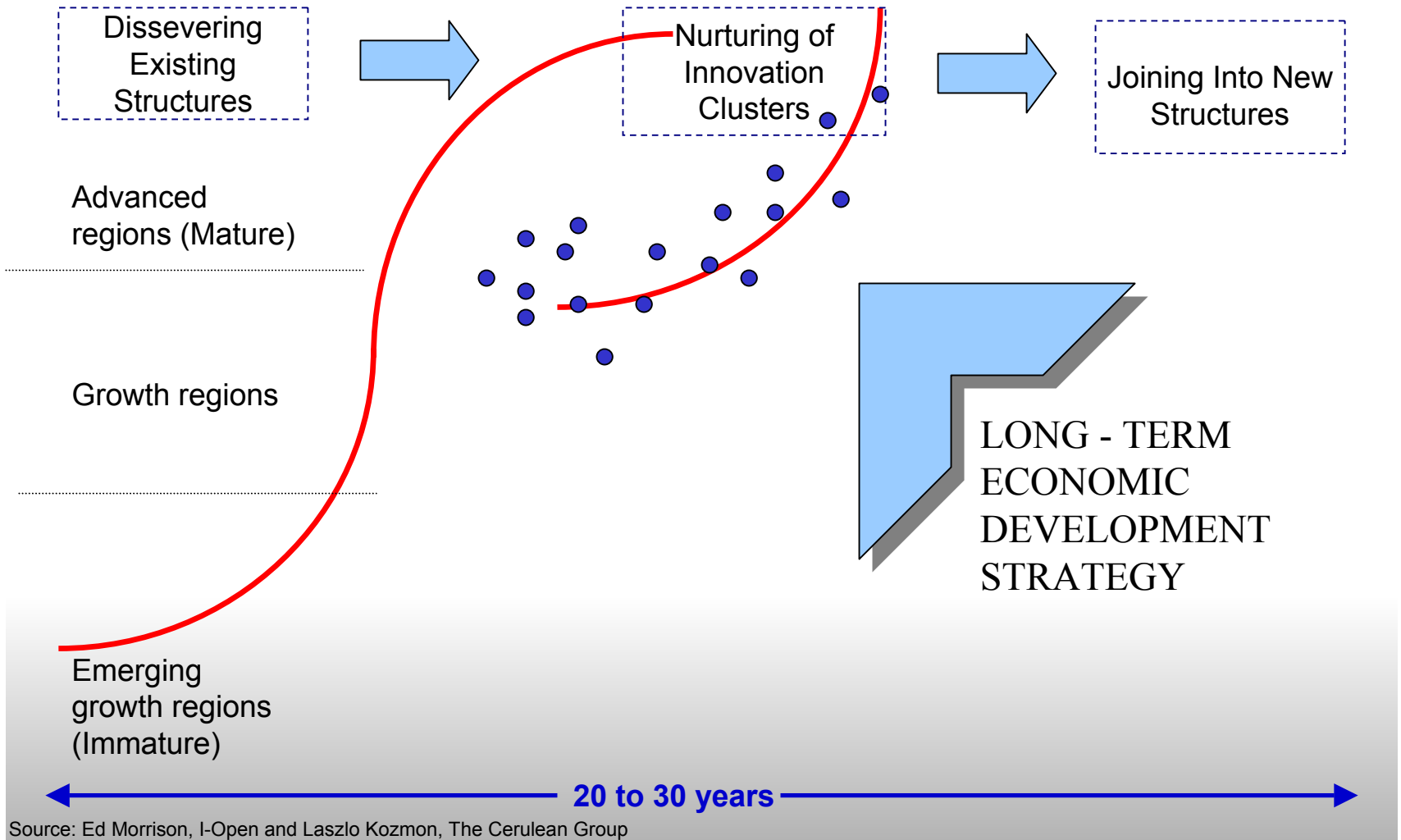
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Introduction

- The following document provides an overview of the current economic situation in the city of Beachwood and assesses changes in Beachwood's economy.
- The analyzed data reflect those employees who are working in companies located in Beachwood. It does not provide any information on those who reside in Beachwood but work in other municipalities.
- 2003 data were the latest data available when the data analysis was conducted.
- This analysis can be used as a [benchmark](#) for future tracking of economic changes. It should be updated annually. 2004 data will be available in late summer of 2005.

Conceptual Framework



Source: Ed Morrison, I-Open and Laszlo Kozmon, The Cerulean Group

Analytical Framework

This analysis includes two parts: **an economic base analysis** and **property analysis**

- **The economic base analysis** describes the sectoral distribution of those who are employed in Beachwood:
 - Employment
 - Average wages
 - Total payroll

- The city of Beachwood is analyzed in comparison to Cuyahoga County and three comparable cities: Westlake, Solon, and Independence (*detailed in slide 6*)

- **The property analysis** describes residential and non-residential property
 - Residential property – those who live in Beachwood
 - Non-residential (industrial+commercial) property – businesses in Beachwood

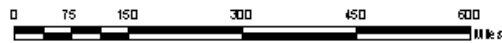
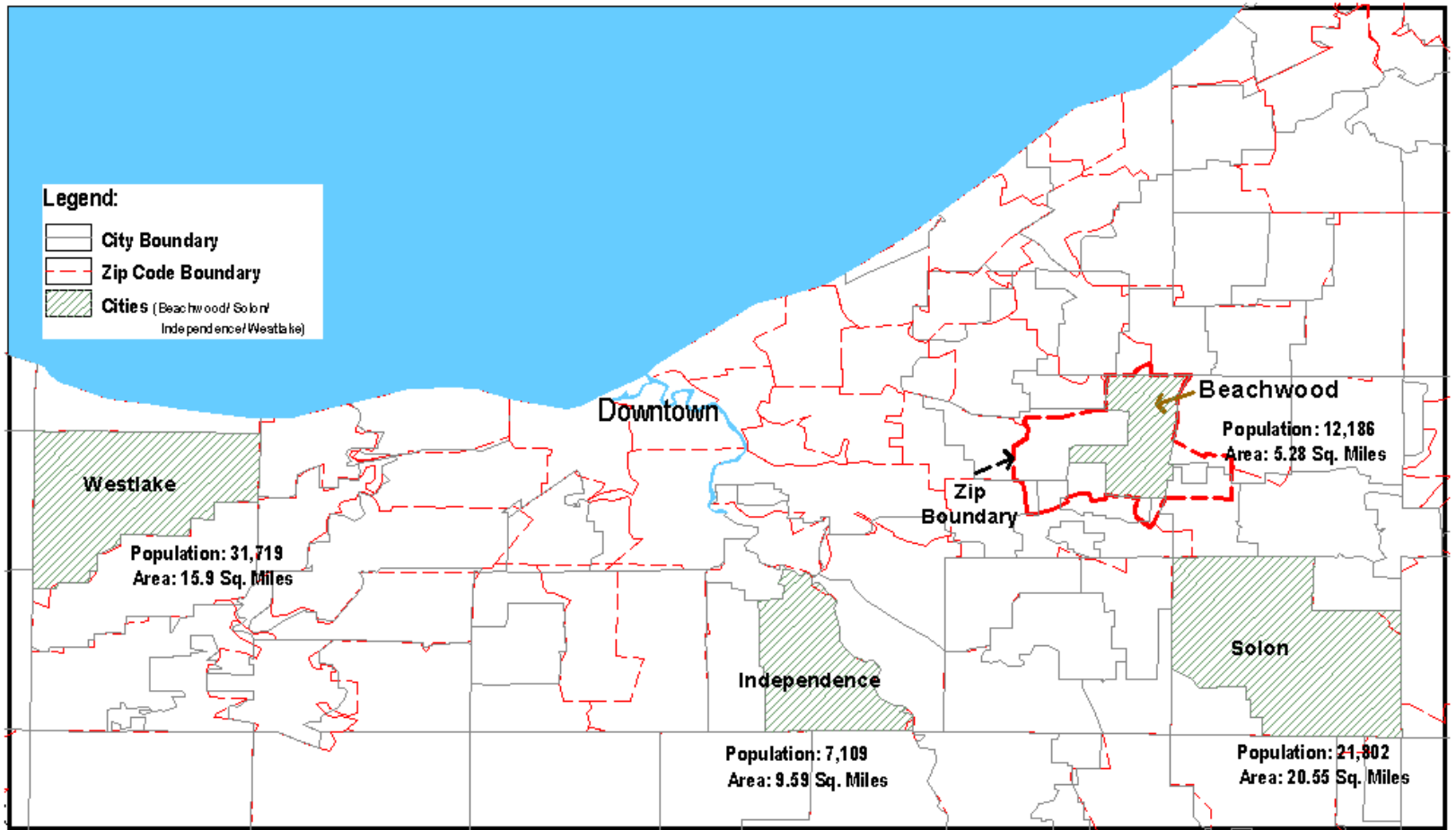
What are Beachwood's Characteristics?

- Who lives in Beachwood (**population, income**)?
- What is Beachwood's **industry mix**?
- What are Beachwood's **largest industries**?
- What are Beachwood's **highest-paying industries**?
- How did the Beachwood economy perform during the last **recession**?
- How does Beachwood measure against **benchmark municipalities** and Cuyahoga County?
- What are the changes to Beachwood's **property values**?

What are Beachwood's Characteristics? (cont.)

- Are Beachwood's industries part of **regional clusters**?
- Does Beachwood have **world-class companies**?
- Does Beachwood have a **long-term economic development strategy** for future development? Is it nurturing high-tech companies?
- Is Beachwood a good location for **new knowledge economy** businesses and their workers?
- Does Beachwood compete **globally**?

Economic development is a long-term process that can be assessed decades down the road



City of Beachwood



City of Beachwood

- Population (2000 Census): **12,186**
- Population growth 1990-2000: **14%**
- Area: **5.28 Sq.M.**
- Population density: **3.6 Persons/Acre**
- Median household income: **\$65,406**
- Employment (2003 Q1): **22,963**
- Employment/population ratio: **1.88**
- Total payroll (2003 Q1): **\$896 Mil.**
- Average wages - payroll per employee (2003 Q1): **\$39,017**

- Beachwood has high population density, small land area, and is a place to work for many residents of other municipalities.
- Beachwood's economy is dominated by the service industry with concentration in healthcare and financial services. These industries can be characterized as mature.
- Beachwood's economy specializes in Health Care, Retail Trade, Finance and Insurance, and Professional, Scientific, and Technical Services industries.

Benchmark Municipalities: Independence, Solon, Westlake

Similarities

- Size of **employment**
- Industry mix: all have strong **concentration of service industries**
- All are suburbs in Cuyahoga County
- Upscale communities with high household income
- Similar value of non-residential property
- All experienced recent population growth

Differences

- Population base/residential property value/land area
- Dynamic of employment change, 2000-2003
- Beachwood developed its commercial base in the 1970s and 1980s
- Solon has large share of advanced manufacturing
- Independence has traditional manufacturing and serves as an alternative to downtown Cleveland
- Westlake is predominantly a residential community. It is now growing its commercial sector by utilizing its vacant space

Beachwood Has the Highest Population Density and the Largest Employment Base

Indicator	Cuyahoga County	Beachwood	Independence	Solon	Westlake
Total Population, 2000	1,393,845	12,186	7,109	21,802	31,719
% Change in Total Population, 1990-2000	-1.3%	14.1%	9.4%	17.5%	17.4%
Land Area, Sq.M.	458	5.28	9.59	20.55	15.9
Population Density (Persons per Acre)	4.8	3.6	1.2	1.7	3.1
Employment, 2003	752,812	22,963	19,188	22,218	18,802
% Change in Employment, 2000-2003	-6.7%	-3.4%	-9.8%	-2.8%	7.6%
Employment/Population Ratio	0.54	1.88	2.70	1.02	0.59
Annual Average Wages, 2003	\$39,943	\$39,017	\$42,287	\$44,714	\$34,772
Median Household Income, 1999	39,168	65,406	57,733	78,903	64,963

- All four cities experienced strong population growth and an increase in the number of housing units, unlike Cuyahoga County.
- Beachwood is a small but growing city; it has the smallest land area and highest population density among the four cities.
- Beachwood has the second highest ratio of employment to population, following Independence.
- Beachwood's total employment is similar to Solon's.
- Beachwood's household income is similar to Westlake's.

Economic Base Analysis



Commerce Park



Cleveland Clinic



MBNA

City of Beachwood



Parkway Medical Center



Hampton Inn and Suites

City of Beachwood: Service Economy

94% of Beachwood's Jobs Are in Service-Related Industries

City of Beachwood Service Economy: *Primary Specialization*

- The city of Beachwood specializes in **professional and personal services**, which makes it more resilient to economic restructuring.
- The city's major economic sectors are:
 - **Health Care and Social Assistance**
 - **Retail Trade**
 - **Finance and Insurance**
 - **Professional, Scientific, and Technical Services***
- In 2003, these four service industries employed more than 2,000 workers each and captured 62% of the city's total employment.

**These four economic sectors are highlighted throughout this report.*

City of Beachwood Service Economy: *Secondary Specialization*

- Besides these four industries, the city also specializes in:
 - Administrative and Support Services
 - Accommodation and Food Services
 - Real Estate and Rental and Leasing
 - Management of Companies and Enterprises
- Each of the first three industries employed more than 1,000 workers in 2003. The fourth industry's employment was about 500 workers.
- The employment shares of each of the primary and secondary specialization industries in Beachwood are higher than the respective employment shares of these industries in Cuyahoga County (these are called "basic" or "income generating" industries). They export their products and services to people and businesses outside of Beachwood.

Employment of the Highest Paying Sectors

- The three highest-paying economic sectors in Beachwood are:
 - **Management of Companies and Enterprises** (\$81,334) – employed 502 workers in 2003
 - **Manufacturing** (\$69,883) – employed 814 in 2003
 - **Wholesale Trade** (\$63,591) – employed 544
- In comparison, the four largest industries' annual average wages are:
 - **Health Care and Social Assistance** (\$32,569) – 4,228 employees in 2003
 - **Retail Trade** (\$29,999) – 3,733 employees
 - **Finance and Insurance** (\$47,073) – 3,761 employees
 - **Professional, Scientific, and Technical Services** (\$53,047) – 2,518 employees

23,000 Employees Worked in Beachwood in 2003 with an Average Annual Wage of \$39,000

Major Economic Industries	Employment	Annual Average Wage per Employee
Health Care and Social Assistance	4,228	\$32,569
Retail Trade	3,733	\$29,999
Finance and Insurance	3,761	\$47,073
Professional, Scientific, and Technical Services	2,518	\$53,047
Accommodation and Food Services	1,666	\$16,097
Administrative and Support Services	1,906	\$26,387
Real Estate and Rental and Leasing	1,090	\$46,099
Manufacturing	814	\$69,883
Other Services (except Public Administration)	677	\$22,633
Educational Services	683	\$35,926
Wholesale Trade	544	\$63,591
Management of Companies and Enterprises	502	\$81,334
Information	282	\$39,422
Construction	146	\$45,740
Arts, Entertainment, and Recreation	92	\$14,098
Others*	322	\$53,000
Total	22,963	\$39,017

* Others includes: Agriculture, Forestry, Fishing, and Hunting; Mining; Transportation and Warehousing; Public Administration; and Non-classified Economic Sectors. Data for six industries are suppressed due to confidentiality restriction. These industries accounted for 1.4% of Beachwood's employment in 2003

Beachwood's Industry Shares in Comparison to Cuyahoga County's, 2003

Major Economic Sectors	Beachwood		Cuyahoga County	
	# of Employees	% of Total Employment	# of Employees	% of Total Employment
Health Care and Social Assistance	4,228	18.4%	116,338	15.5%
Finance and Insurance	3,761	16.4%	54,405	7.2%
Retail Trade	3,733	16.3%	75,059	10.0%
Professional, Scientific, and Technical Services	2,518	11.0%	45,034	6.0%
Administrative and Support Services	1,906	8.3%	44,687	5.9%
Accommodation and Food Services	1,666	7.3%	50,210	6.7%
Real Estate and Rental and Leasing	1,090	4.7%	13,564	1.8%
Manufacturing	814	3.5%	95,168	12.6%
Educational Services	683	3.0%	57,916	7.7%
Other Services (except Public Administration)	677	2.9%	24,356	3.2%
Wholesale Trade	544	2.4%	38,315	5.1%
Management of Companies and Enterprises	502	2.2%	14,022	1.9%
Information	282	1.2%	20,548	2.7%
Construction	146	0.6%	23,836	3.2%
Arts, Entertainment, and Recreation	92	0.4%	11,535	1.5%
Others*	322	1.4%	67,818	9.0%
TOTAL	22,963	100.0%	752,812	100.0%

* Others includes: Agriculture, Forestry, Fishing, and Hunting; Utilities; Mining; Transportation and Warehousing; Public Administration; and Non-classified Economic Sectors

Employment

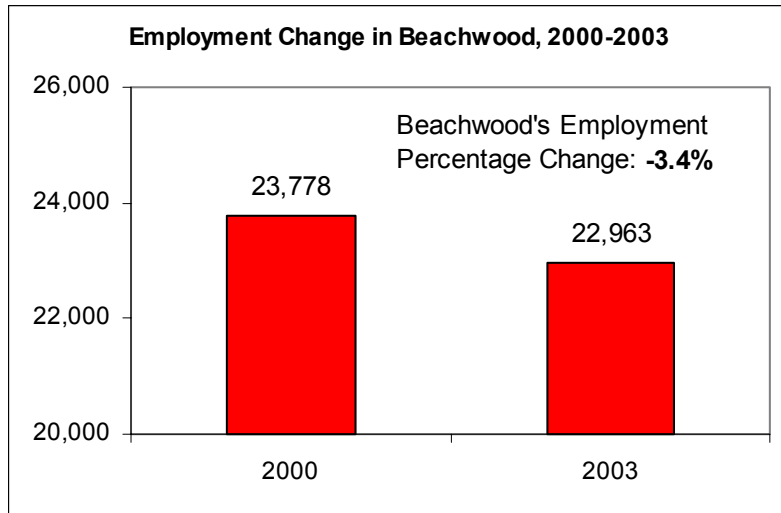
Beachwood's Employment in 2003: 22,963

2000-2003 Employment Change: Beachwood Compared to Cuyahoga County

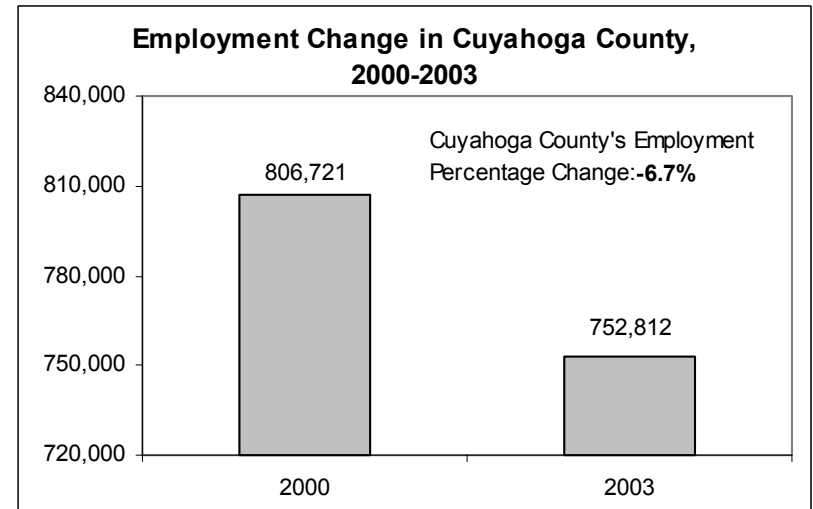
- During the recessionary period of 2000-2003, Beachwood lost **3.4%** of its employment base (815 jobs), but increased average wages per employee by **2.3%**. This mitigated the loss of total payroll to 1.6%.
- In contrast, Cuyahoga County lost **6.7%** of its employment, increased annual average wages per employee by only **1.4%**, and, as a result, lost 5.8% of its total payroll.
- This shows that, overall, Beachwood has a healthier economy than Cuyahoga County and better mitigated the influence of the national recession and the downturn of the Northeast Ohio economy.

Employment, 2000 and 2003

Beachwood

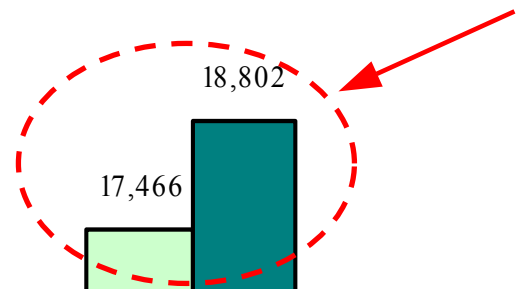
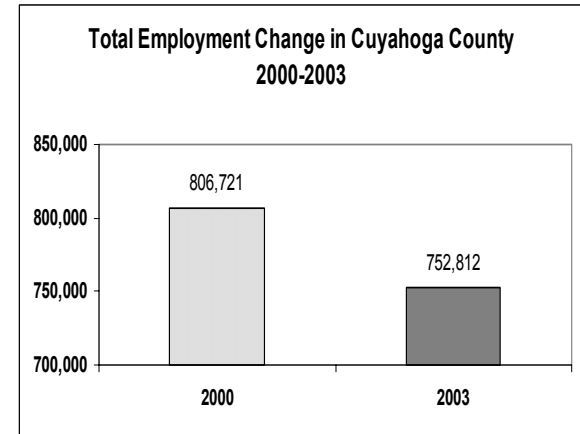
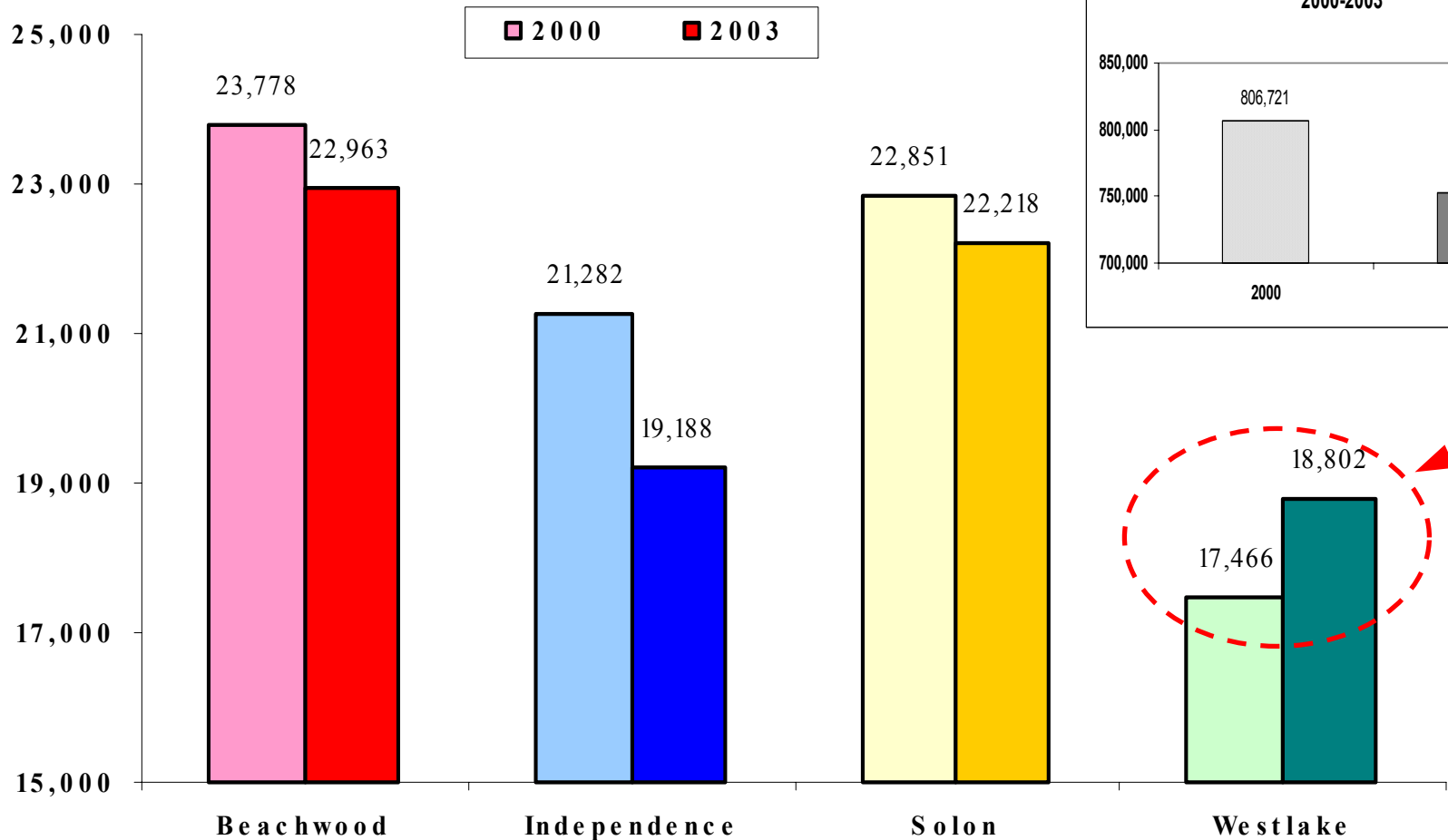


Cuyahoga County

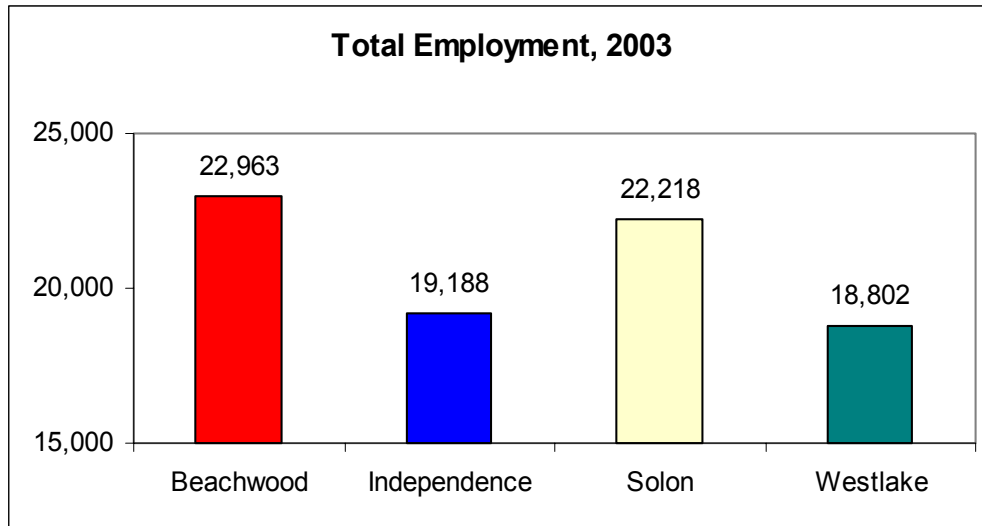


- The 2000-2003 period is characterized by the national recession and an overall economic downturn in Northeast Ohio.
- During 2000-2003, Beachwood's employment declined at half the rate of Cuyahoga County (-3.4% and -6.7%, respectively).

Total Employment Change in Four Municipalities, 2000-2003

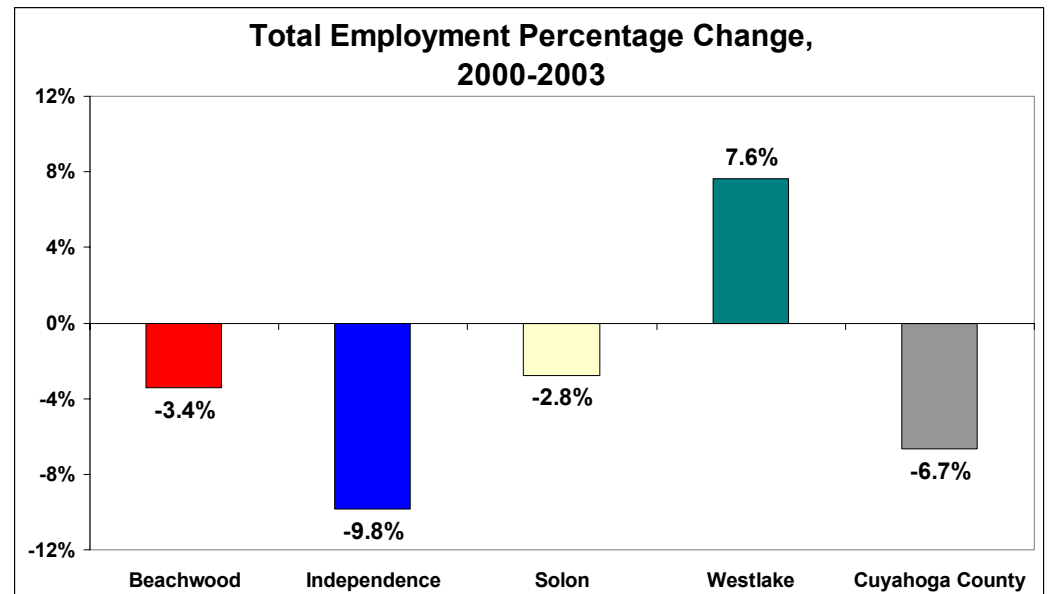


Beachwood Compared to Independence, Solon, and Westlake



- Despite differences in population, all four municipalities have similar sized employment bases.

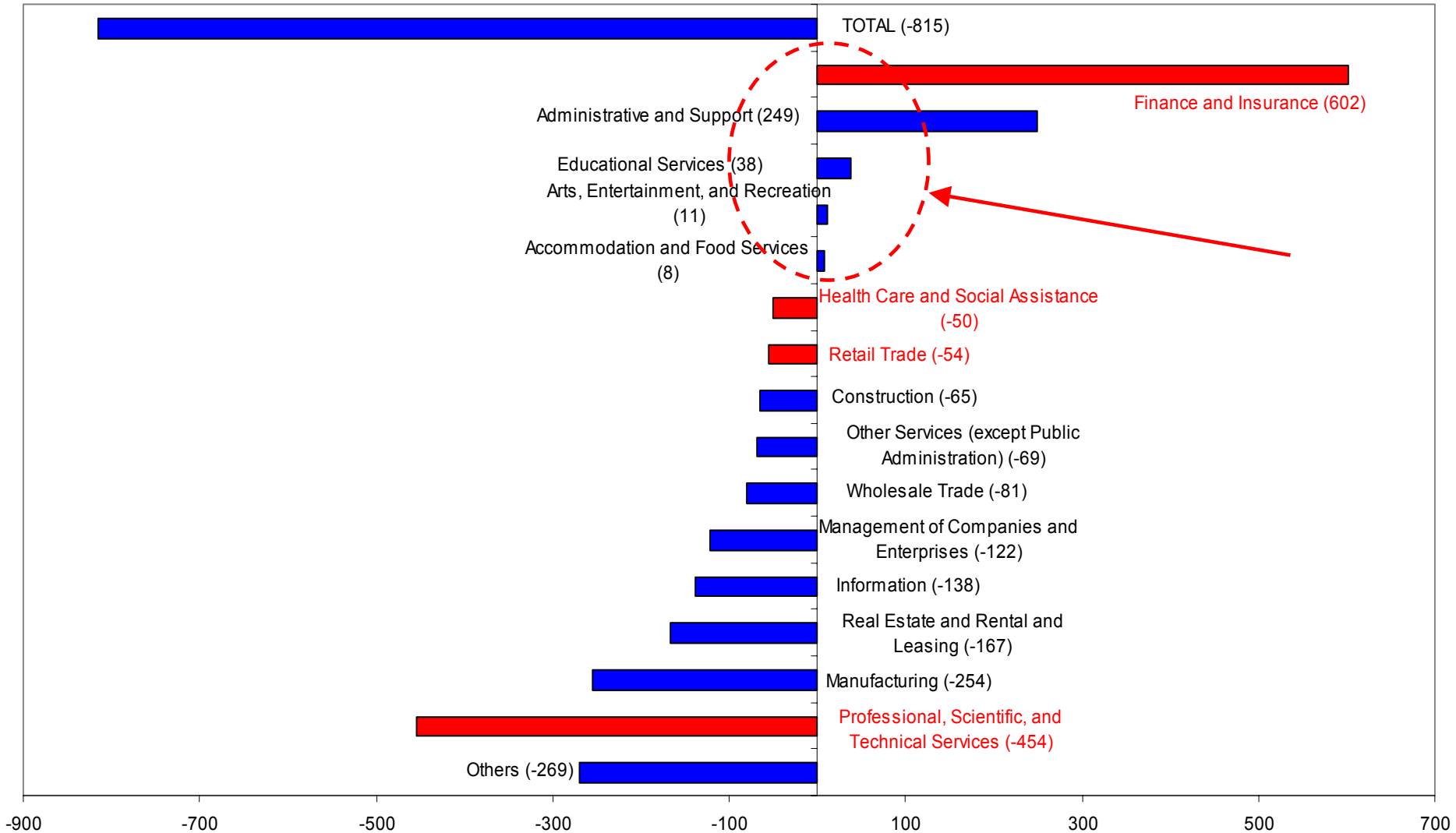
- Independence, Solon, and Beachwood lost employment, as did Cuyahoga County.
- Independence and Cuyahoga County lost employment at a higher rate than Beachwood.
- Westlake grew by 7.6% (added 1,336 jobs).



Changes of Employment by Industry

- Five out of 15 major industries in Beachwood added employment:
 - Their total employment growth was 908 employees
 - **Finance and Insurance**, one of the four largest industries in Beachwood, added 602 employees alone
- Beachwood's economy experienced the biggest losses in:
 - **Professional, Scientific, and Technical Services** (-454 employees or -15.3%)
 - **Manufacturing** (-254 employee or -23.8%)
 - **Real Estate and Rental and Leasing** (-167 employees or -13.3%)
 - **Information** (-138 employees or -32.9%)
 - **Management of Companies** (-122 employees or -19.6%)

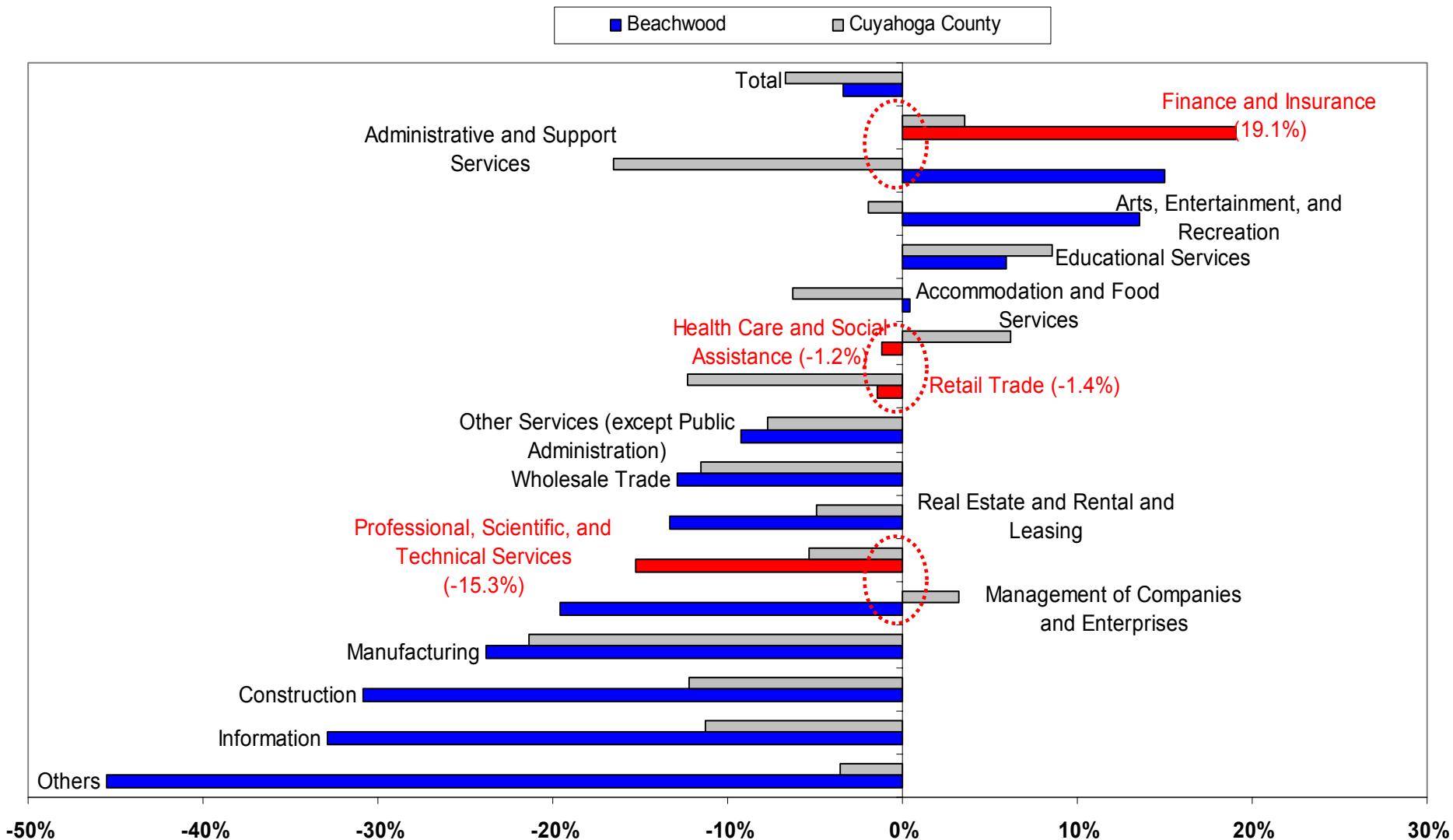
Employment Change by Major Industrial Sectors: Beachwood, 2000-2003



Change of Employment by Industry: Beachwood Versus Cuyahoga County

- **Finance and Insurance** grew by 19%, accounting for one-third of Cuyahoga County's growth in this industry during 2000-2003.
- Of the five growing industries in Beachwood, three declined in Cuyahoga County.
- **Retail Trade** declined in both Beachwood and Cuyahoga County, but it declined in Beachwood at a much lower rate (-1.4% vs. -12.3%, respectively).
- **Health Care** and **Management of Companies** decreased in Beachwood, but grew in Cuyahoga County (-1.2% and 6.2% respectively).
- Seven industries that declined both in Beachwood and Cuyahoga County declined in Beachwood at a higher rate.

Employment Percentage Change by Major Economic Sectors: Beachwood and Cuyahoga County, 2000-2003



Employment Percentage Change by Major Economic Sectors, 2000-2003

Major Economic Sectors	City of Beachwood		Cuyahoga County	
	Absolute Change	Percentage Change	Absolute Change	Percentage Change
Finance and Insurance	602	19.1%	1,860	3.5%
Administrative and Support Services	249	15.0%	-8,860	-16.5%
Arts, Entertainment, and Recreation	11	13.5%	-230	-2.0%
Educational Services	38	5.9%	4,585	8.6%
Accommodation and Food Services	8	0.5%	-3,370	-6.3%
Health Care and Social Assistance	-50	-1.2%	6,754	6.2%
Retail Trade	-54	-1.4%	-10,496	-12.3%
Other Services (except Public Administration)	-69	-9.2%	-2,038	-7.7%
Wholesale Trade	-81	-12.9%	-4,999	-11.5%
Real Estate and Rental and Leasing	-167	-13.3%	-697	-4.9%
Professional, Scientific, and Technical Services	-454	-15.3%	-2,532	-5.3%
Management of Companies and Enterprises	-122	-19.6%	441	3.2%
Manufacturing	-254	-23.8%	-25,869	-21.4%
Construction	-65	-30.8%	-3,317	-12.2%
Information	-138	-32.9%	-2,610	-11.3%
Others*	-269	-45.5%	-2,531	-3.6%
Total	-815	-3.4%	-53,909	-6.7%

* Others includes: Agriculture, Forestry, Fishing, and Hunting; Utilities; Mining; Transportation and Warehousing; Public Administration; and Non-classified Economic Sectors

Losses and Gains in the Four Comparable Cities

(See table in slide 31)

- **Beachwood** lost 815 employees, mainly in **Professional Services**, Manufacturing, Real Estate, Information, and Management of Companies. Beachwood gained 602 employees in **Finance and Insurance** (19.1%); 249 employees in Administrative and Support (15%); and smaller number of employees in Educational Services; Arts, Entertainment, and Recreation; and Accommodation and Food Services.
- **Independence** lost 2,094 employees, mainly in Administrative and Support, Manufacturing, **Retail**, Construction, and Management of Companies. It gained in Information and Wholesale Trade.
- **Solon** lost 634 employees, mainly in Wholesale Trade, Accommodation and Food, Administrative and Support, and **Retail**. It gained in **Professional Services** (478), **Finance and Insurance** (201), Information (149), and **Health Care** (119).
- **Westlake** lost close to 1,000 employees in Manufacturing, Management of Companies, Wholesale Trade, and **Finance and Insurance**. It gained 2,326 employees, mainly in **Health Care** (506), Accommodation and Food (474), **Professional Services** (338), **Retail** (175), and Real Estate (142). On total, it gained 1,336 jobs.

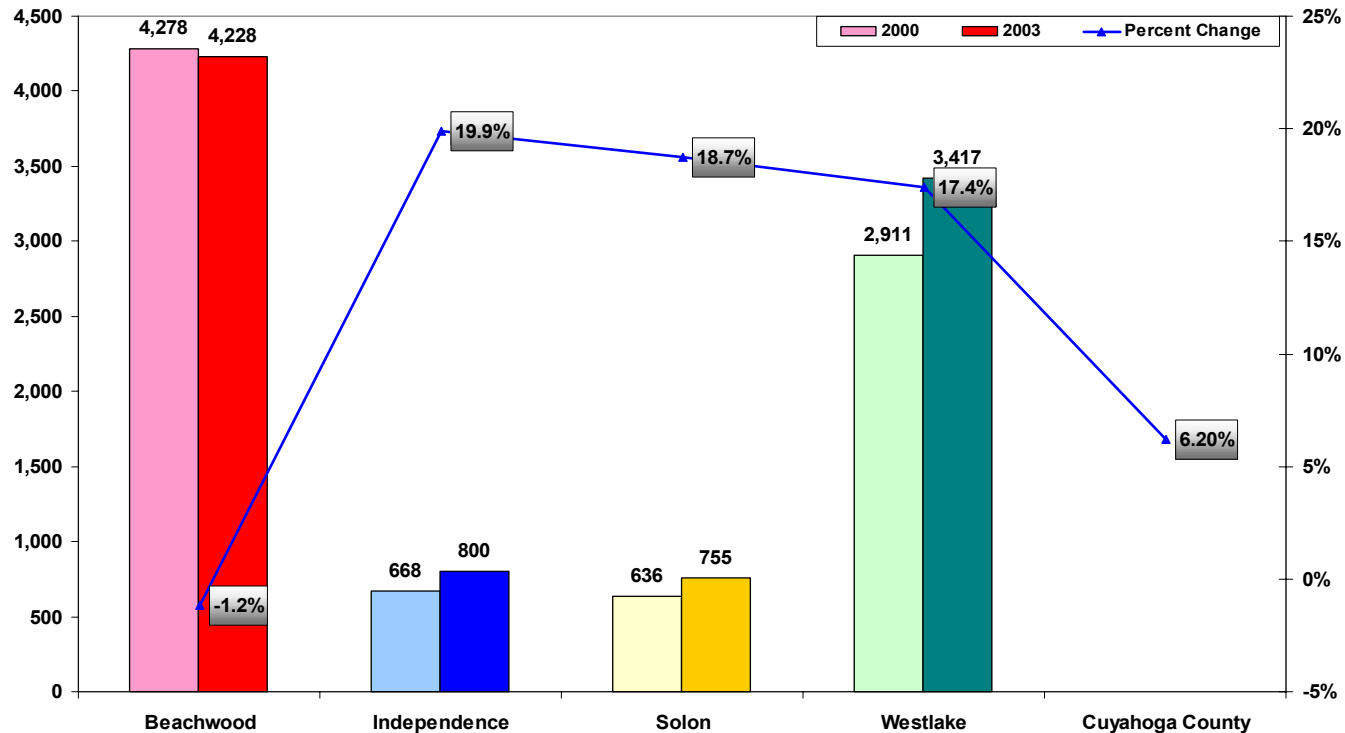
Employment Change, 2000-2003

Major Economic Industries	Beachwood			Independence			Solon			Westlake			Cuyahoga County		
	Emp 2003	Change	% Change	Emp 2003	Change	% Change	Emp 2003	Change	% Change	Emp 2003	Change	% Change	Emp 2003	Change	% Change
Health Care and Social Assistance	4,228	-50	-1.2%	800	133	19.9%	755	119	18.7%	3,417	506	17.4%	116,338	6,754	6.2%
Retail Trade	3,733	-54	-1.4%	579	-217	-27.2%	2,015	-124	-5.8%	2,556	175	7.3%	75,059	-10,496	-12.3%
Finance and Insurance	3,761	602	19.1%	2,111	248	13.3%	578	201	53.3%	859	-83	-8.8%	54,405	1,860	3.5%
Professional, Scientific, and Technical	2,518	-454	-15.3%	2,280	-186	-7.6%	1,713	479	38.8%	1,811	338	23.0%	45,034	-2,532	-5.3%
Accommodation and Food Services	1,666	8	0.5%	1,867	167	9.8%	1,173	-685	-36.9%	2,107	474	29.0%	50,210	-3,370	-6.3%
Administrative and Support Services	1,906	249	15.0%	4,885	-1,817	-27.1%	802	-340	-29.8%	1,374	493	56.0%	44,687	-8,860	-16.5%
Real Estate and Rental and Leasing	1,090	-167	-13.3%	383	-46	-10.7%	446	102	29.7%	498	142	40.1%	13,564	-697	-4.9%
Manufacturing	814	-254	-23.8%	1,120	-387	-25.7%	8,462	164	2.0%	1,246	-496	-28.5%	95,168	-25,869	-21.4%
Other Services (except Public Administration)	677	-69	-9.2%	395	48	13.7%	777	111	16.6%	623	-15	-2.4%	24,356	-2,038	-7.7%
Educational Services	683	38	5.9%	335	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	57,916	4,585	8.6%
Wholesale Trade	544	-81	-12.9%	1,496	204	15.8%	2,445	-813	-25.0%	903	-190	-17.4%	38,315	-4,999	-11.5%
Management of Companies and Enterprises	502	-122	-19.6%	620	-118	-16.0%	66	-45	-40.7%	274	-152	-35.7%	14,022	441	3.2%
Others	322	-269	-45.5%	516	-150	-22.5%	592	-56	-8.6%	772	107	16.0%	67,818	-2,531	-3.6%
Information	282	-138	-32.9%	1,095	330	43.2%	477	145	43.5%	533	20	3.8%	20,548	-2,610	-11.3%
Construction	146	-65	-30.8%	692	-255	-26.9%	743	86	13.1%	768	-55	-6.7%	23,836	-3,317	-12.2%
Arts, Entertainment, and Recreation	92	11	13.5%	N/A	N/A	N/A	219	N/A	N/A	378	N/A	N/A	11,535	-230	-2.0%
Total	22,963	-815	-3.4%	19,188	-2,094	-9.8%	22,218	-634	-2.8%	18,802	1,336	7.6%	752,812	-53,909	-6.7%

Beachwood, Solon, and Westlake Compete for the Same Industries

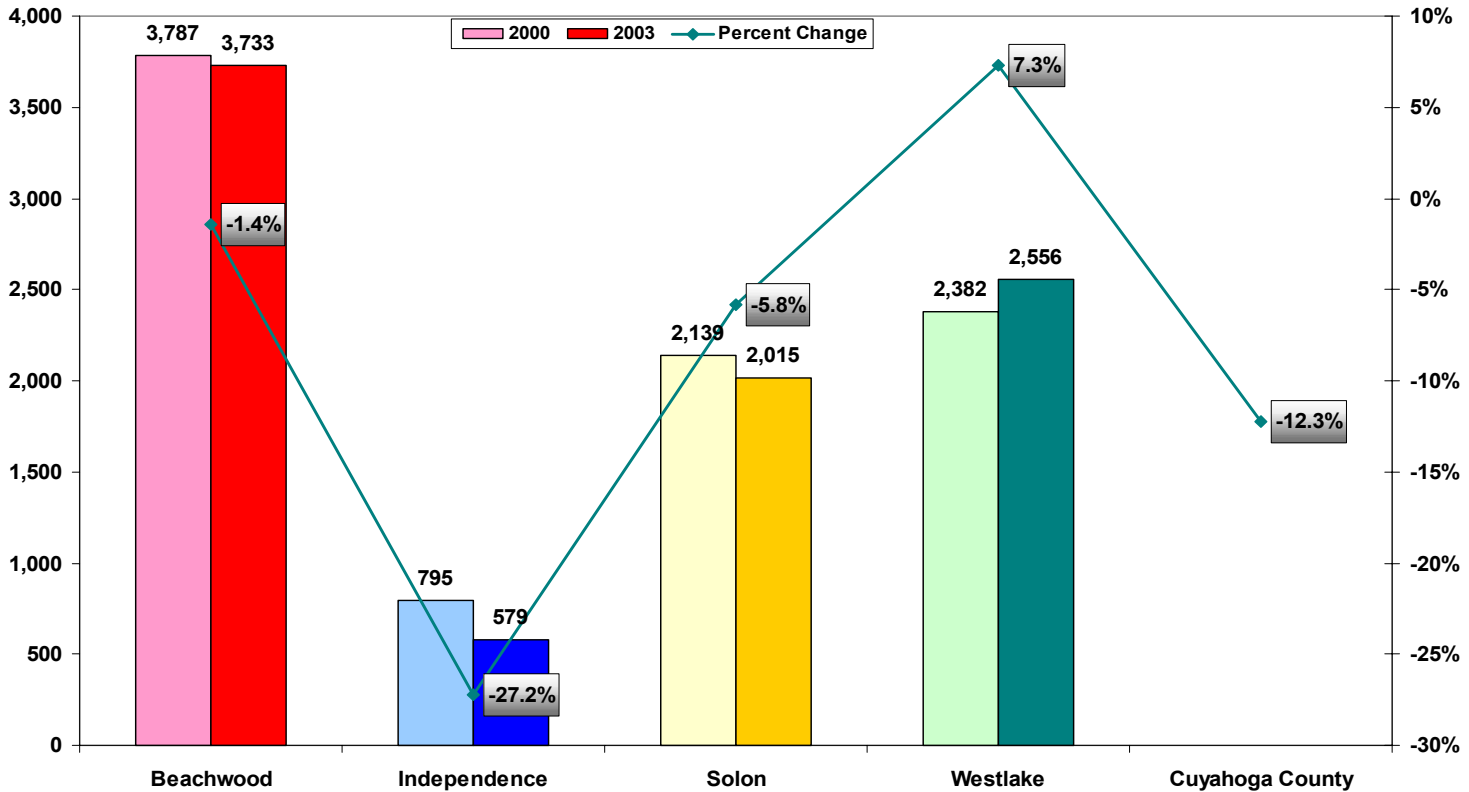
- Beachwood has a strong specialization in four service industries; it gained and lost jobs in these industries. At least two other cities in The Greater Cleveland area – Solon and Westlake – have strong representation of the same industries in their economy.
- All three cities compete for the same industries. Competition also comes from other municipalities that seek to attract relocating companies from outside of the region.
- Within each industry there are high-skill well-paying and low-skill low-paying jobs. It is important to monitor and induce growth of high-skill, well paying jobs within an industry.
- It is necessary to pay attention to well-paying industries that are present in Beachwood and can become a part of Beachwood's specialization.
- Slides 33-40 provide details on these industries:
 - Slides 33-36 show Beachwood's specialization industries: Health Care, Retail Trade, Finance and Insurance, and Professional Services
 - Slides 37-39 shows the three highest-paying industries in Beachwood: Management of Companies, Manufacturing, and Wholesale Trade
 - Slide 40 shows Information industry, which generally has the high level of knowledge intense occupations and identifies the presence of high-tech companies

Beachwood's Income-Generating Industries – Employment Change, 2000-2003: Health Care and Social Assistance



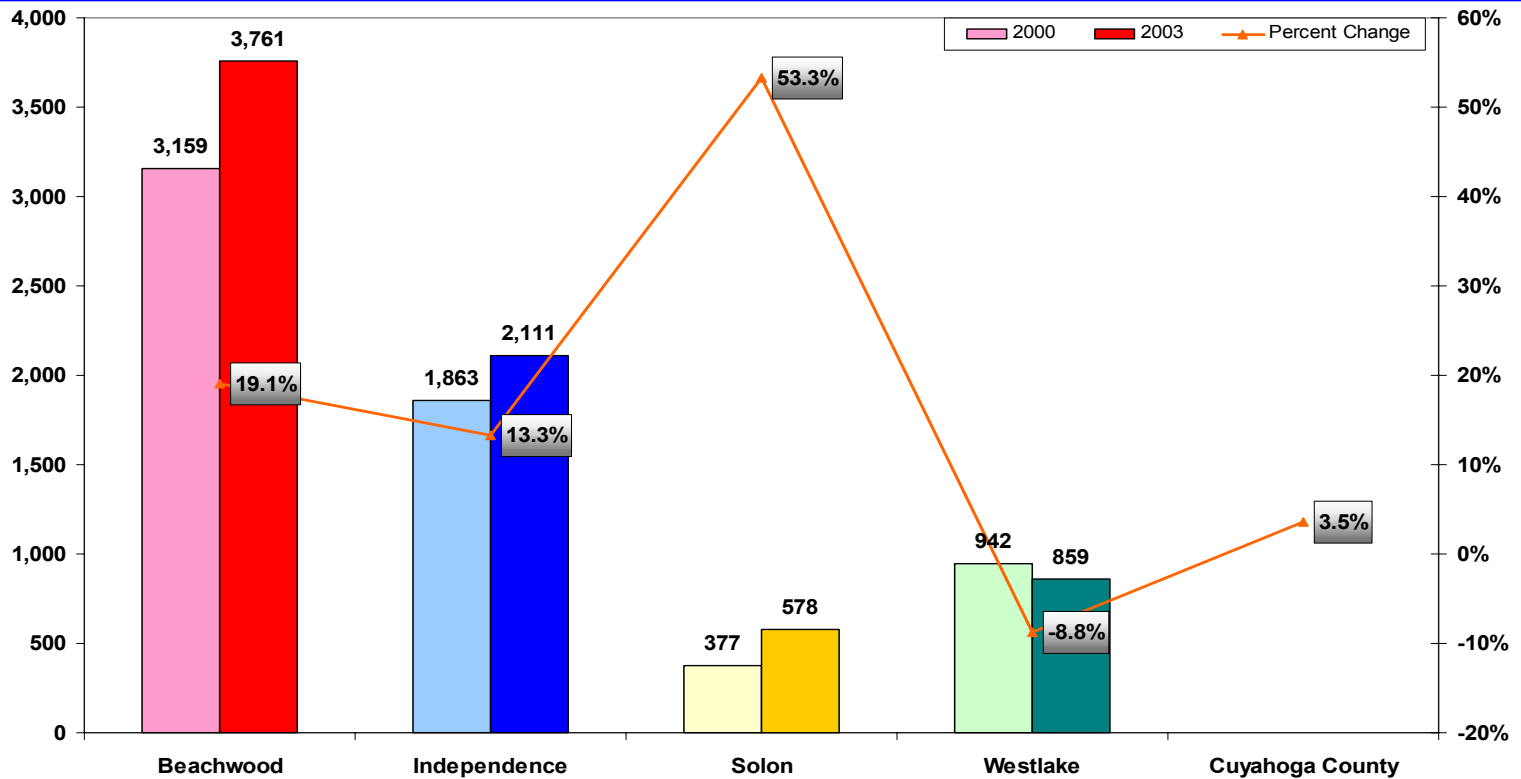
- The Health Care sector is the largest employer in Beachwood (18.4% of total employment). During 2000-2003, this industry declined slightly in Beachwood (-1.2%), while it grew 6.2% in Cuyahoga County.
- Westlake employed less people in this sector than Beachwood; it grew 17.4% during 2000-2003.
- Solon and Independence outpaced Cuyahoga's average increase in Health Care, growing by 18.7%, and 19.9%, respectively, primarily due to their very small employment base in this industry.

Beachwood's Income-Generating Industries – Employment Change, 2000-2003: Retail Trade



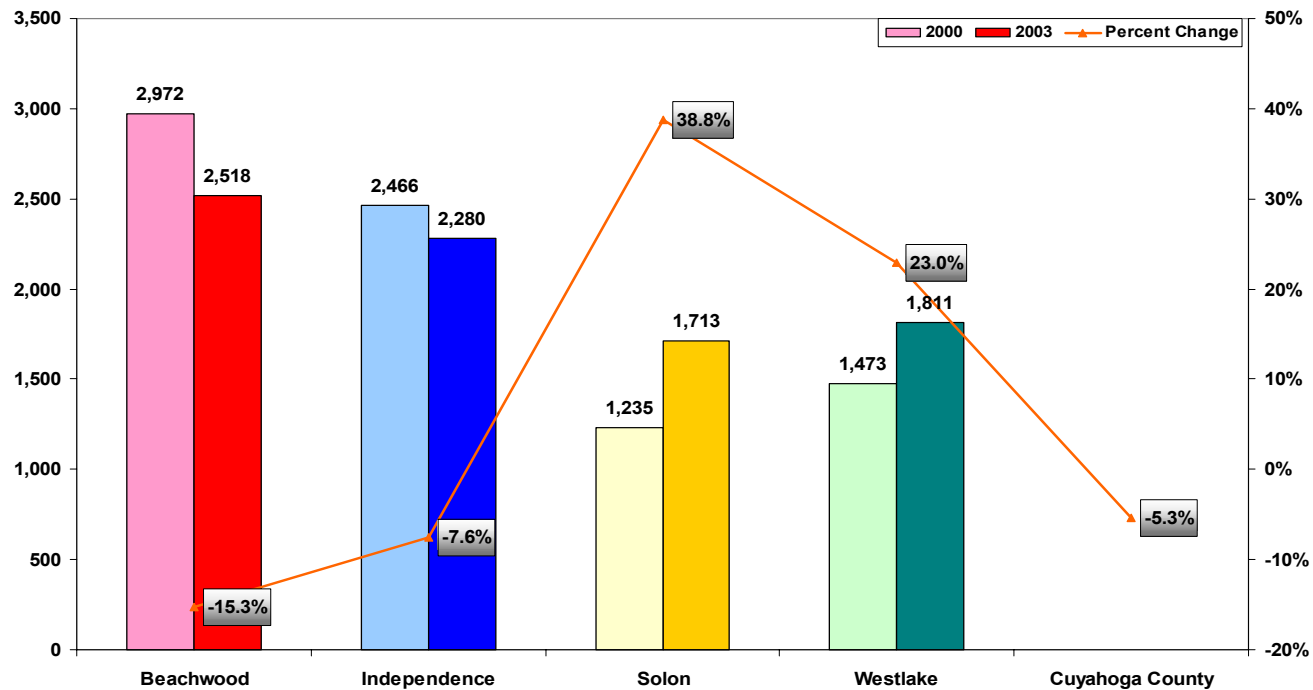
- The Retail Trade sector declined in Cuyahoga County by a significant -12.3%, while in Beachwood it decreased by only -1.4%.
- Retail jobs in Independence declined four times faster than in Beachwood (-217 jobs), while Solon was down by -5.8% (-124 jobs). Only Westlake experienced growth in Retail Trade, adding 175 employees during 2000-2003 (7.3%).

Beachwood's Income-Generating Industries – Employment Change, 2000-2003: Finance and Insurance



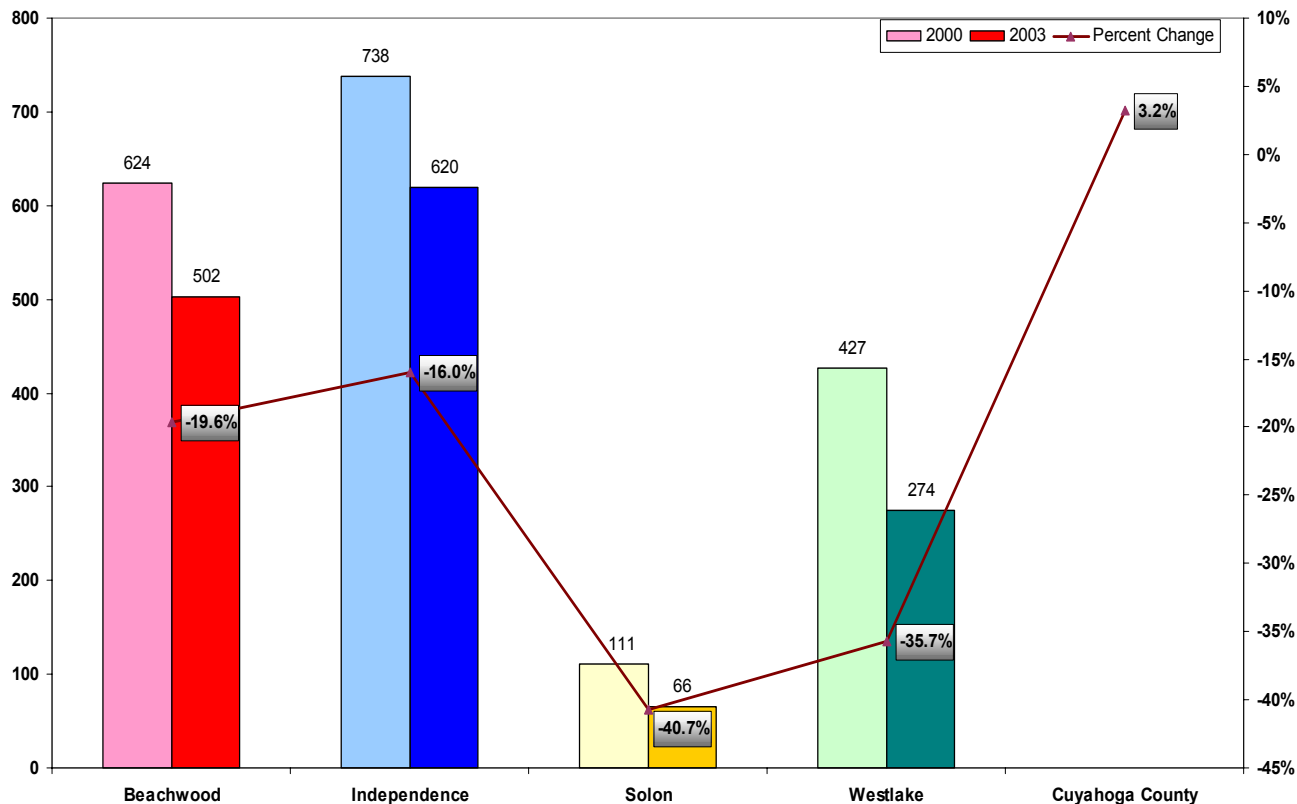
- The Finance and Insurance Industry in Beachwood added 602 employees; its growth rate was five times that of Cuyahoga County.
- Solon grew at a higher rate than Beachwood (53.3%), but it started from a smaller employment base.
 - Solon added only 201 employees (53.3%),
 - Independence added 248 employees (13.3%),
 - Westlake lost 83 employees (-8.8%).

Beachwood's Income-Generating Industries – Employment Change, 2000-2003: Professional, Scientific, and Technical Services



- Professional Services declined significantly in Beachwood, losing 15.3% of its employment (454 employee). Independence lost 186 employees (-7.6%), and Cuyahoga County lost a total of 2,532 employee (-5.3%).
- Solon and Westlake strengthened this industry in their municipalities.
 - Solon gained 479 employees and increased this industry's employment base by 38.8%.
 - Westlake gained 338 employees, adding 23% to employment in this industry during 2000-2003.
- Within Professional, Scientific, and Technical Services (NAICS 54), the largest Beachwood's employment loses were in Custom Computer Programming Service Industry (NAICS 541511).

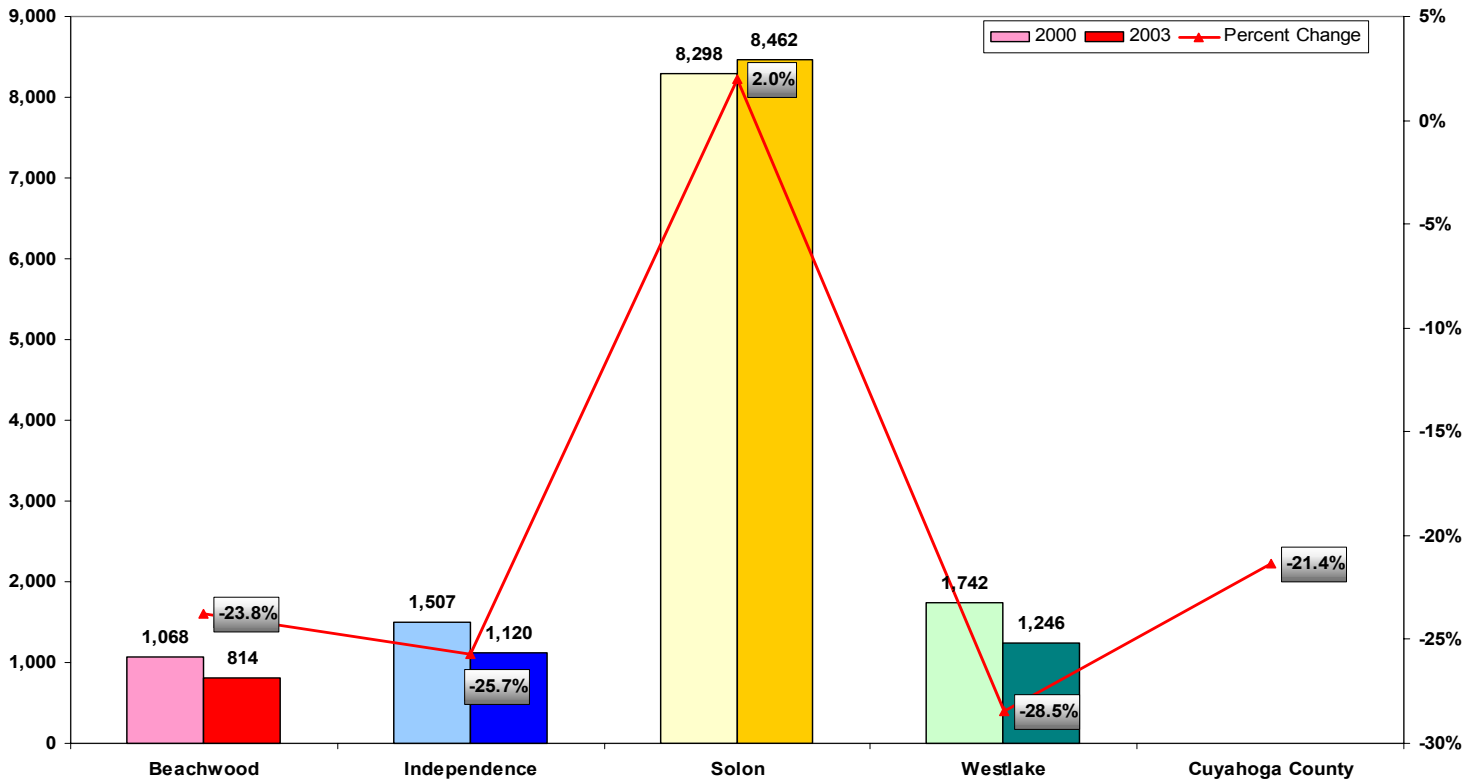
Beachwood's Highest Paying Industries – Employment Change, 2000-2003: Management of Companies and Enterprises



- This is the highest-paying industry in Beachwood (\$81,334 in 2003). All four municipalities lost employment in this industry while Cuyahoga County as a whole gained 441 employees.
- Beachwood lost 19.6% of its employment base in Management of Companies, for a total of 502 employees in 2003.

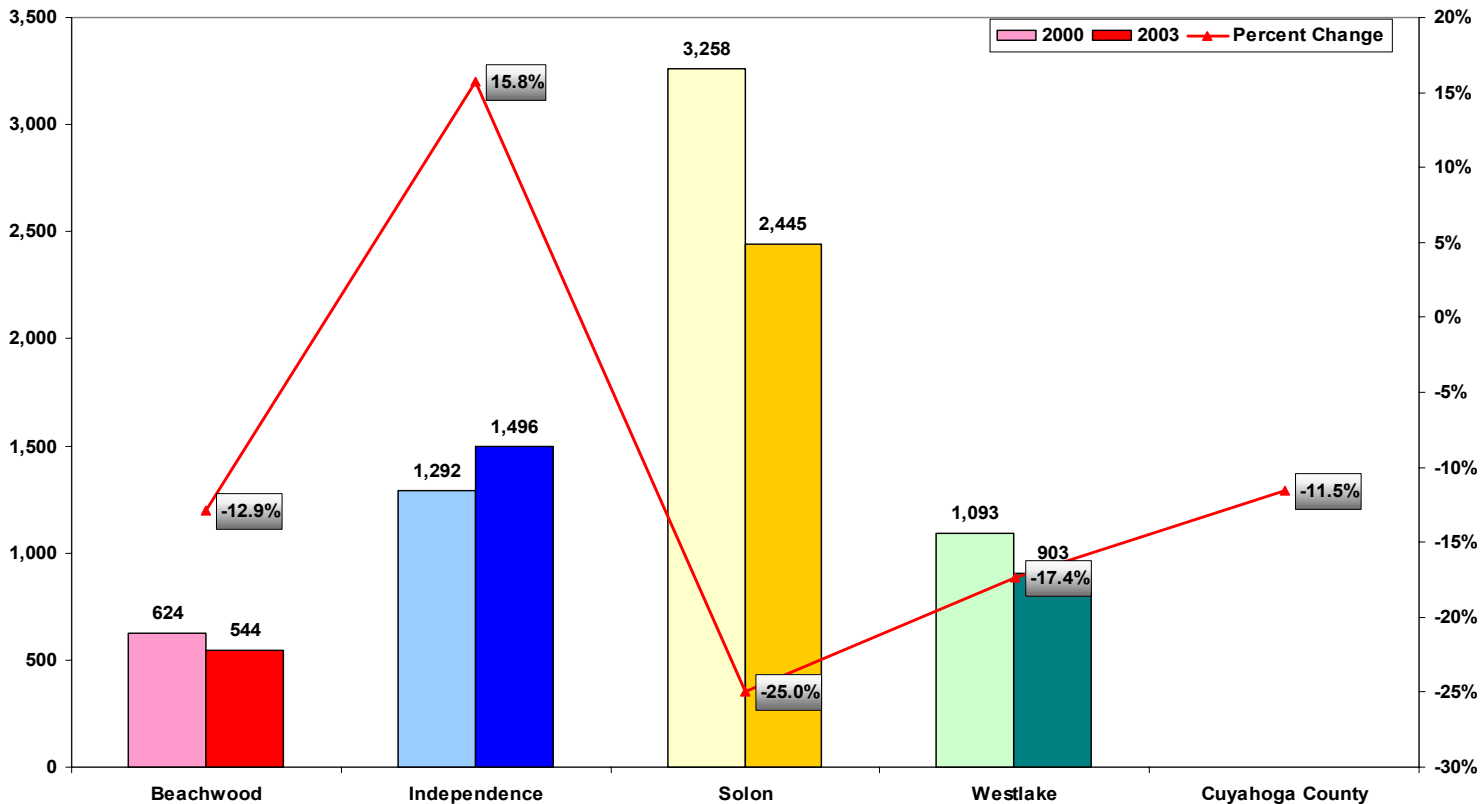
- Westlake and Solon lost 152 and 45 employees, respectively, or about 40% of their employment base.
- Independence (Beachwood's main competitor in this industry) lost 118 employees (-16%) and totaled in 620 jobs in 2003. The average annual wage of this industry in Independence is 24% lower than in Beachwood (\$65,382).

Beachwood's Highest Paying Industries – Employment Change, 2000-2003: Manufacturing



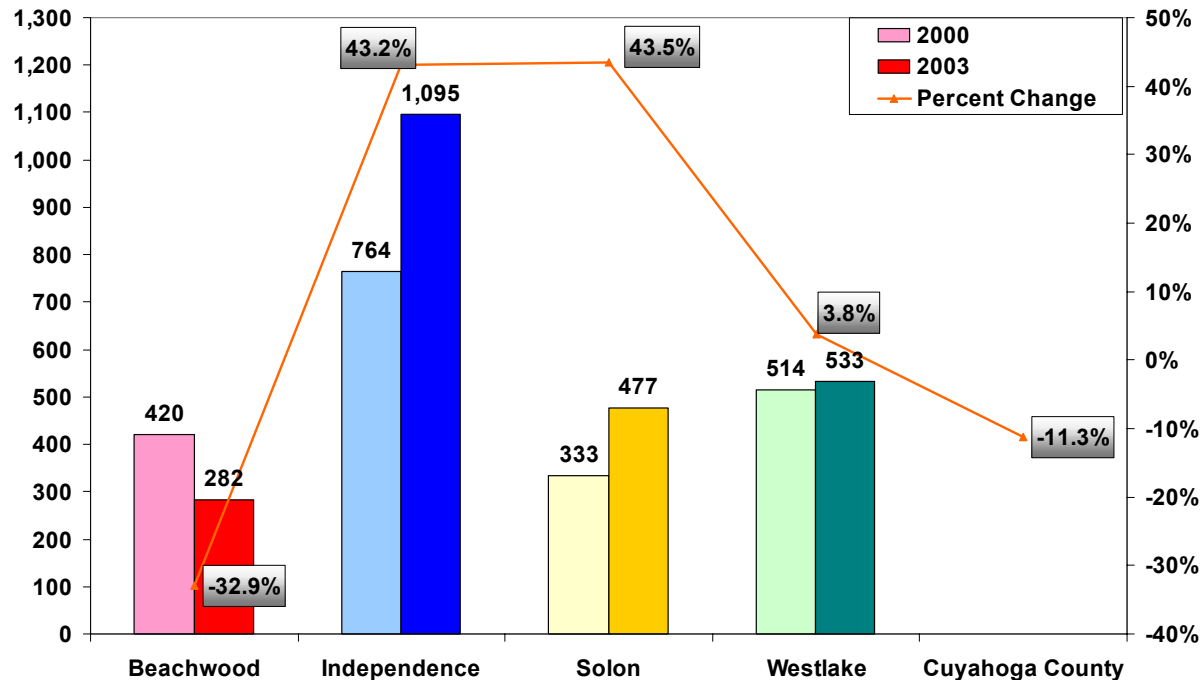
- Manufacturing significantly declined in the majority of the municipalities and in Cuyahoga County as a whole. Beachwood lost 254 employees (-23.8%) and had 814 manufacturing employees in 2003.
- Independence and Westlake lost about the same percentage of their manufacturing base (-25.7% and -28.5%, respectively). Solon gained 164 employees and increased its large employment base by 2%, totaling 8,462 employees in 2003.

Beachwood's Highest Paying Industries – Employment Change, 2000-2003: Wholesale Trade



- Wholesale Trade is the third highest paid industry in Beachwood. Between 2000-2003, Beachwood lost 81 of 625 employees in Wholesale Trade.
- Solon and Westlake lost far more of their Wholesale Trade jobs (– 813 and –190, respectively). Independence gained 204 employees in this industry and increased its employment base by 15.8%.

Selected Industry – Employment Change, 2000-2003: Information



- Out of the four comparable municipalities, the Information sector declined only in Beachwood. Moreover, it declined at a higher rate (-32.9%) than in Cuyahoga County (-11.3%).
- Independence has the highest employment (1,096 in 2003) in this industry. Solon and Independence each gained more than 43% of employment between 2000-2003.
- The Information sector is composed of extremely different industries, such as newspaper publishing, sound recording, data processing, and software industries (for example, MDT Software and Sun Newspapers companies in Beachwood belong to this sector). In 2003, average wages in this industry in Beachwood was \$39,422 compared to \$47,834 in Cuyahoga County.

Annual Average Wages

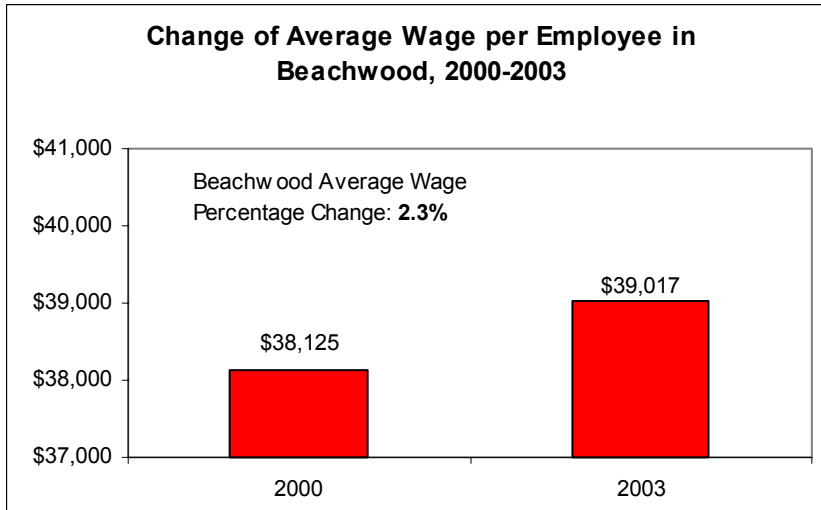
*In 2003, the Annual Average Wage in
Beachwood Was \$39,017*

Wages in Beachwood

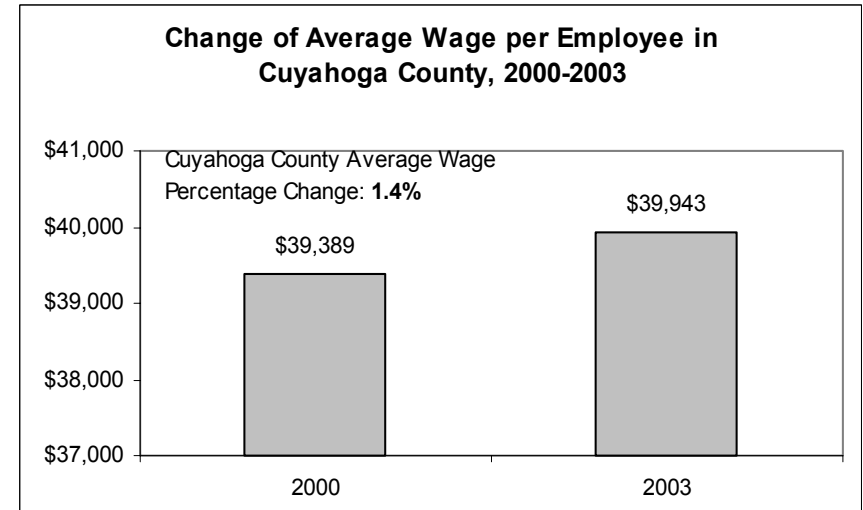
- The three highest-paying economic sectors in Beachwood are:
 - Management of Companies and Enterprises
 - Manufacturing
 - Wholesale Trade
- Their average wages increased during 2000-2003. Companies in the city of Beachwood pay significantly more to employees in these industries and in Real Estate than those in Cuyahoga County.
- Companies in Beachwood pay significantly less to employees in Arts and Entertainment, Finance and Insurance, Information, and Health Care. Beachwood has lower-paid occupations within these industries.

Beachwood Versus Cuyahoga County, 2000-2003

Beachwood



Cuyahoga County

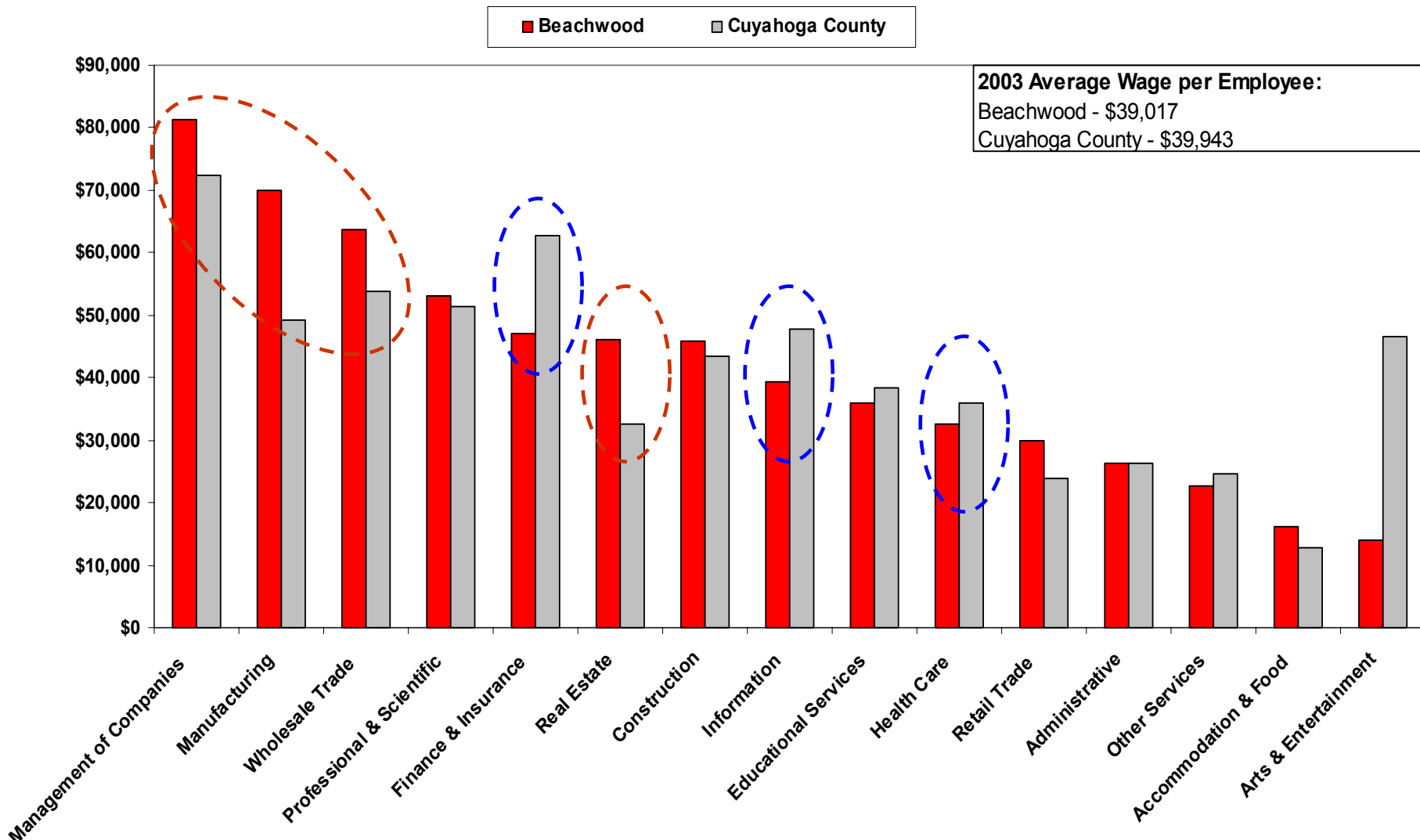


- During 2000-2003, Beachwood's average wage growth rate was twice that of Cuyahoga County.
- The gap between Beachwood and Cuyahoga County's average wages is decreasing.

Does Beachwood Have Lower-Paying Jobs in Its Four Largest Industries?

- Companies in the city of Beachwood pay significantly more than those in Cuyahoga County to employees in **Management of Companies**, **Manufacturing**, **Wholesale Trade**, and **Real Estate**.
- Beachwood companies also pay slightly more in **Retail Trade**, **Accommodation and Food Services**, **Professional and Scientific Services**, and **Construction**.
- Beachwood companies pay significantly less to employees in **Arts and Entertainment**, **Finance and Insurance**, **Information**, and **Health Care**. Beachwood has lower-paid occupations within these industries.

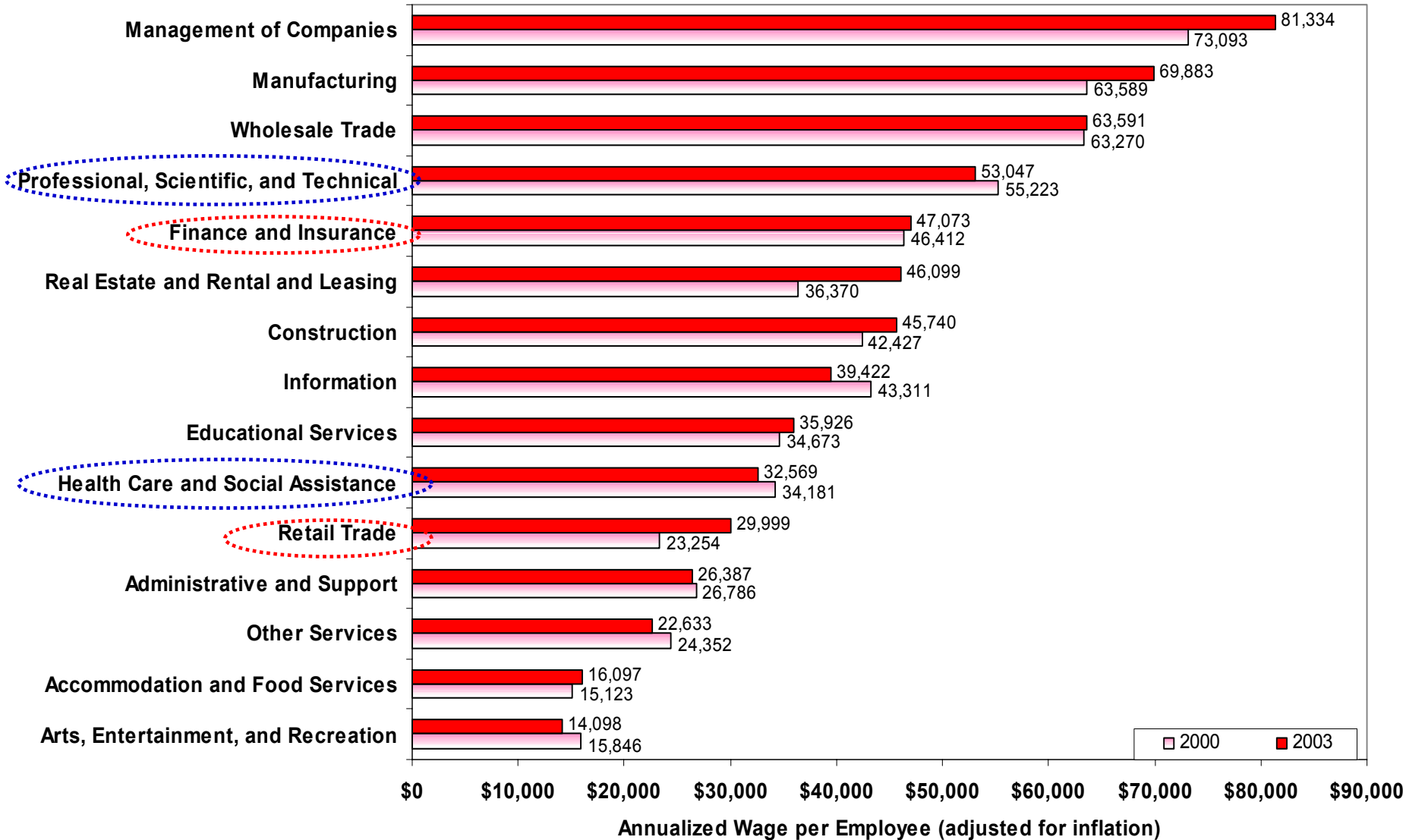
Average Wages in Beachwood and Cuyahoga County by Major Industrial Sectors, 2003



Wage Changes in Beachwood's Four Largest Industries Were Consistent with Their Employment Trends

- Four industries that paid significantly more to their employees in Beachwood also significantly increased their wages during 2000-2003 (Management of Companies, Manufacturing, Wholesale Trade, and Real Estate).
- Changes in wages in the four largest industries of Beachwood were consistent with their employment changes:
 - **Finance and Insurance** significantly grew in employment and also increased wages
 - **Retail Trade** outperformed Cuyahoga County, despite a slight decline, and significantly increased its wages
 - **Professional Services** and **Health Care** both declined in employment and wages

Beachwood Annual Average Wage Change, 2000-2003

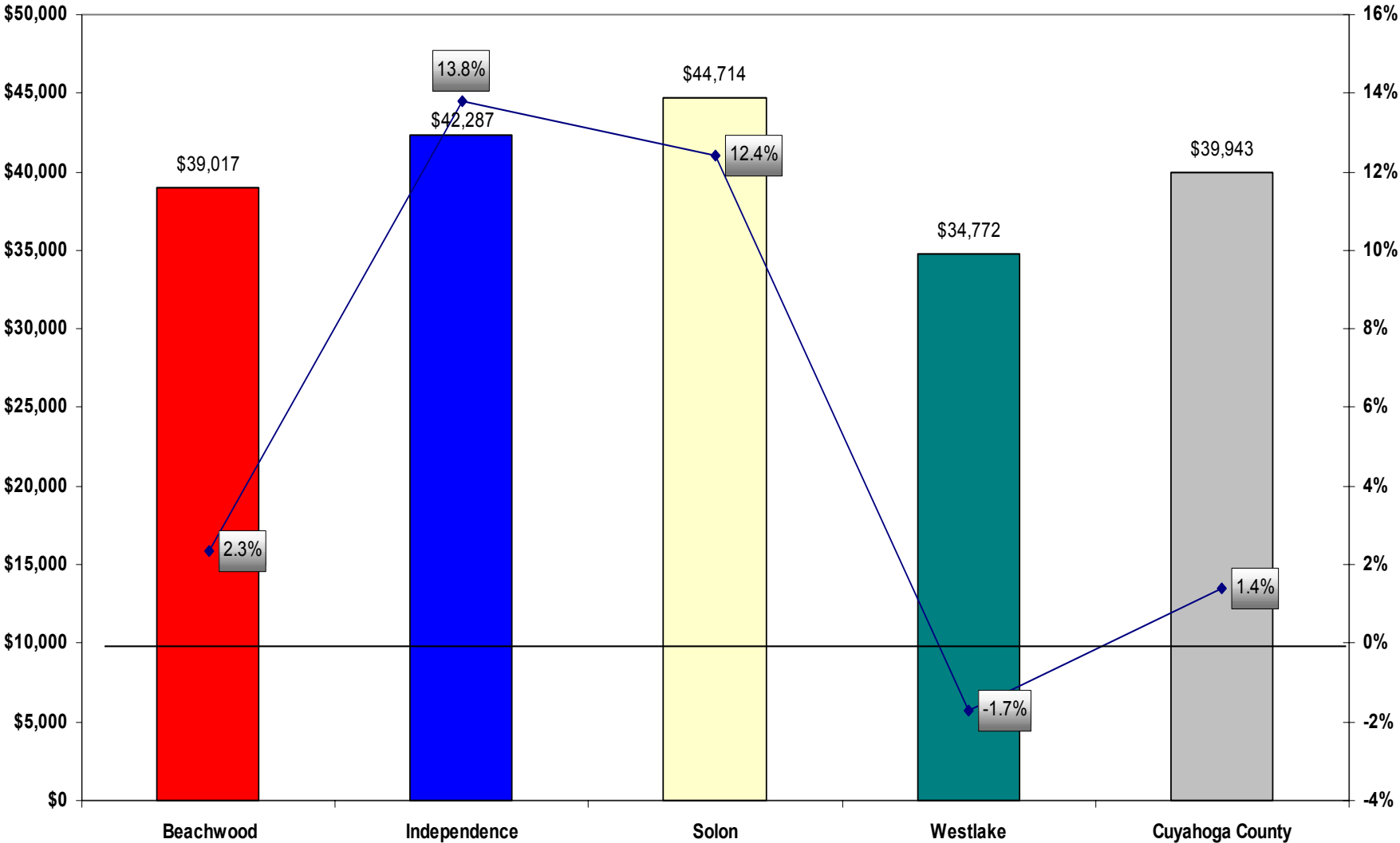


Comparable Municipalities: Average Wages

- Solon had the highest overall average wages (\$44,714). This is partly due to Solon's larger share of manufacturing employment, which pays its employees higher salaries than service industries.
- Westlake's workers receive lower wages compared to those in Beachwood in Health Care, Finance and Insurance, Retail Trade, Professional Services, Real Estate, and Wholesale Trade.
- Lower wages can suggest two things:
 - (1) companies perform operations that require lower-skilled employees
 - (2) companies have average occupational mix, but pay lower wages and therefore are competitive in keeping those businesses and growing that sector
- Annual average wages grew quickly in Independence (13.8%) and Solon (12.4%), significantly outpacing Beachwood (2.3%).

Annual Average Wages

Annual Average Wage in 2003 Annual Average Wage % Change, 2000-2003

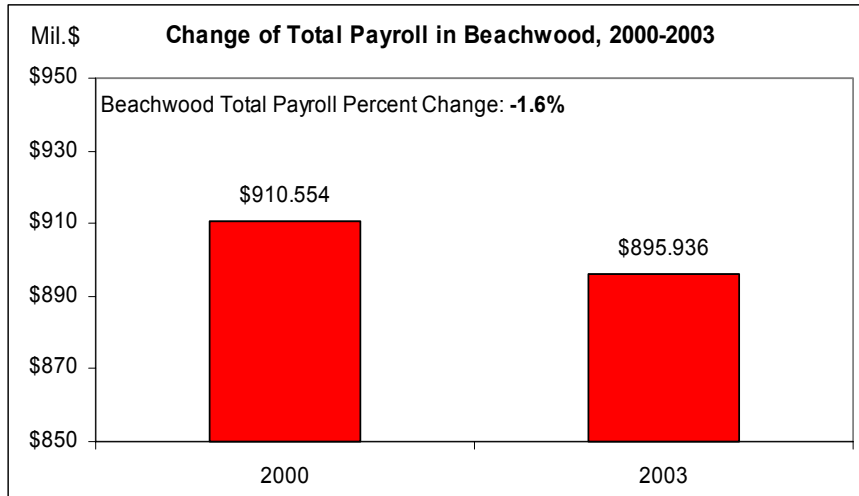


Total Payroll

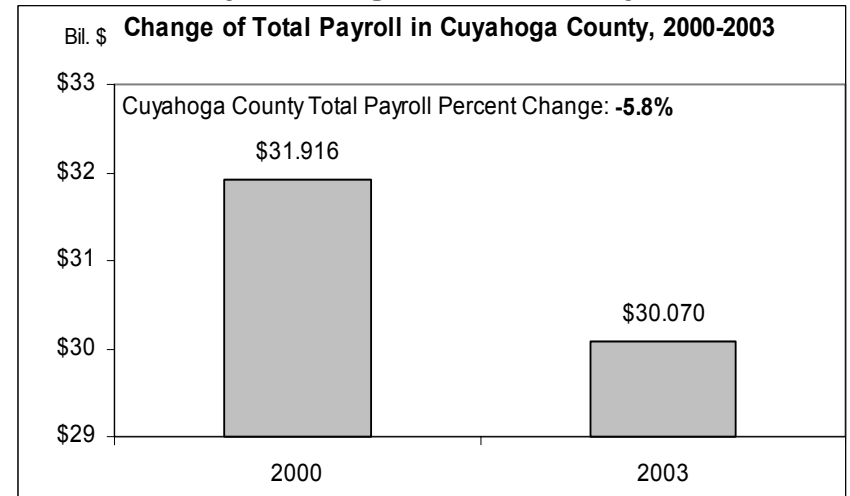
Beachwood's Total Payroll in 2003: \$896 Mil.

Total Payroll: Beachwood Versus Cuyahoga County, 2000 and 2003

Beachwood

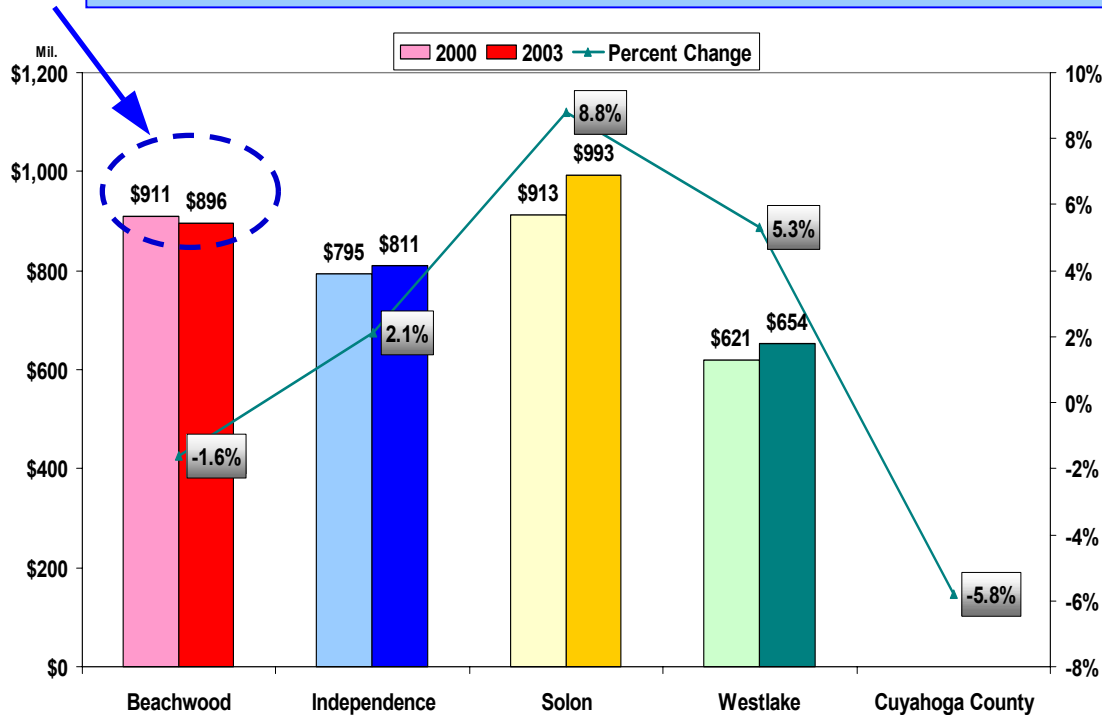


Cuyahoga County



- During 2000-2003, Beachwood's total payroll declined at about a quarter of the rate of Cuyahoga County (-1.6% vs. -5.8%).
- Overall, Beachwood has a healthier economy than Cuyahoga County.

In 2000-2003, Among the Four Comparable Cities, Only Beachwood Lost Total Payroll

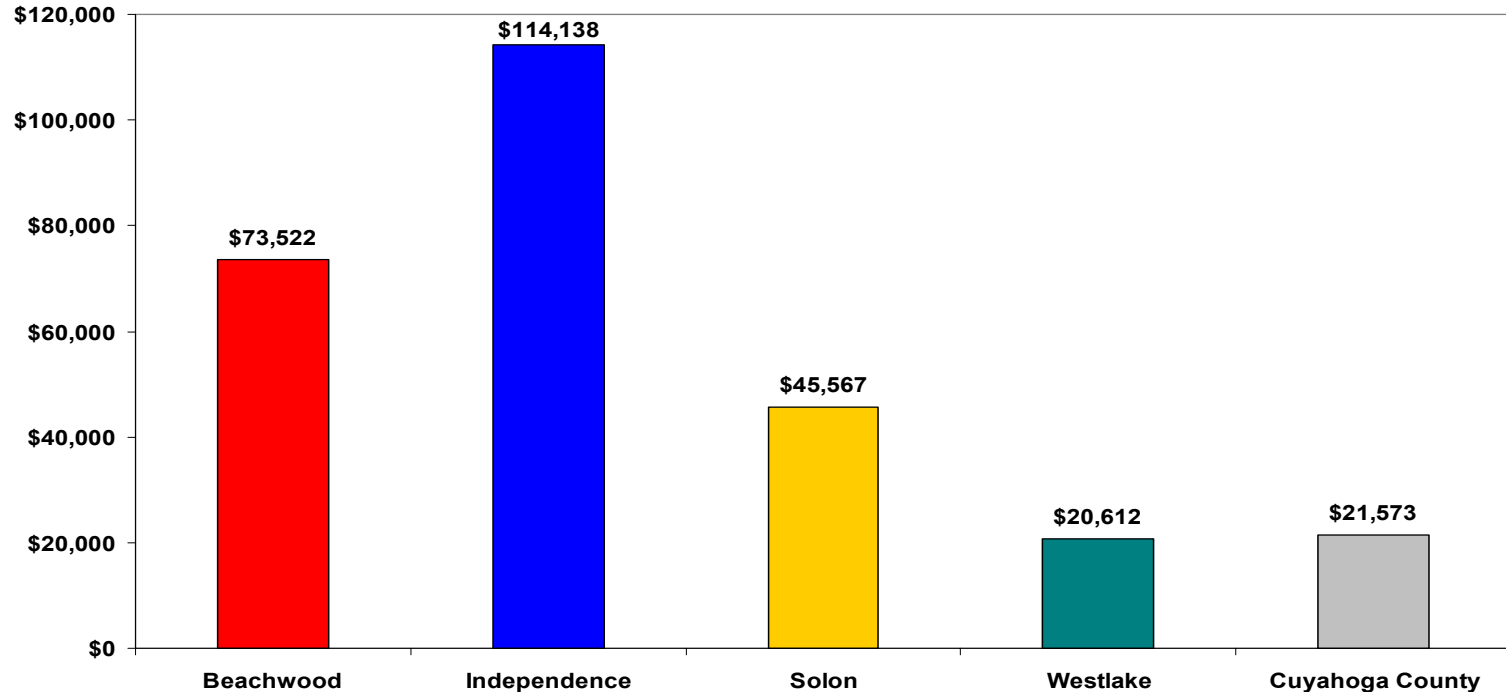


- Solon experienced the highest increase in payroll (8.8%), followed by Westlake (5.3%), and Independence (2.1%).
- Beachwood lost almost \$15 Mil. in total payroll (-1.6%) between 2000 and 2003; Cuyahoga County's total payroll declined by 5.8%.

- The biggest decline of payroll was experienced by:
 - Professional, Scientific, and Technical Services: -30.5 Mil. (-18.6%)
 - Manufacturing: -11 Mil. (-16.2%)
 - Health Care and Social Assistance: -8.5 Mil. (-5.8%)
 - Information: -7.1 Mil. (-38.9%)
- Payroll grew the most in:
 - Finance and Insurance: +30.4 Mil. (+20.8%)
 - Retail Trade: +23.9 Mil. (+27.2%)

Beachwood is Second Highest in Payroll per Resident Among Comparable Cities

Total Payroll per City/County Resident, 2003



- Independence has the highest payroll per resident (\$114,138) due to a small population and concentration of businesses.
- Beachwood is the second highest (\$73,522), 60% higher than Solon (\$45,567) and more than three times larger than Westlake (\$20,612).
- Among the four comparable cities only Westlake falls below Cuyahoga County (\$21,573). Until recently, Westlake was primarily a residential community.

City of Beachwood: Property Analysis

Beachwood's assessed property value in 2003:

Total Residential Value
\$329 Mil.

Total Non-Residential Value
\$353 Mil.

Beachwood's Property Value Is Evenly Distributed Between Residential and Non-Residential: 48.2% and 51.8%, Respectively

	1990		2000		2003	
	Residential	Non-Residential	Residential	Non-Residential	Residential	Non-Residential
Beachwood	48.9%	51.1%	46.7%	53.3%	48.2%	51.8%
Independence	42.0%	58.0%	45.1%	54.9%	45.6%	54.4%
Solon	62.5%	37.5%	65.8%	34.2%	69.2%	30.8%
Westlake	70.4%	29.6%	71.3%	28.7%	73.8%	26.2%
Cuyahoga County	67.0%	33.0%	69.7%	30.3%	71.5%	28.5%

- 98.6% of non-residential property is commercial property; industrial property share was only 1.5% of all property value in 2003.
- Beachwood's Share of Non-Residential Property Value Remains Stable

Value of Beachwood's Non-Residential Property Tops That of Solon and Westlake

	2003	
	Residential, Mil.	Non-Residential, Mil.
Beachwood	\$329	\$353
Independence	\$213	\$254
Solon	\$672	\$299
Westlake	\$872	\$310
Cuyahoga County	\$19,178	\$7,644

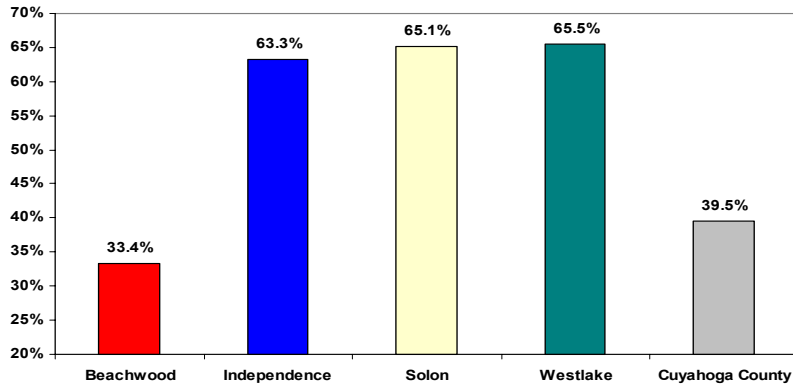
- In 2003, Beachwood's total non-residential property value exceeded
 - Independence by nearly 40%
 - Solon by 18%
 - Westlake by 14%.

- Beachwood lagged considerably behind Solon and Westlake in residential property value. This is a function of population size: Solon and Westlake exceed Beachwood in population by 1.8 and 2.6 times, respectively.
- Beachwood also exceeded Independence in residential property value by 55% (and by 71% in population).

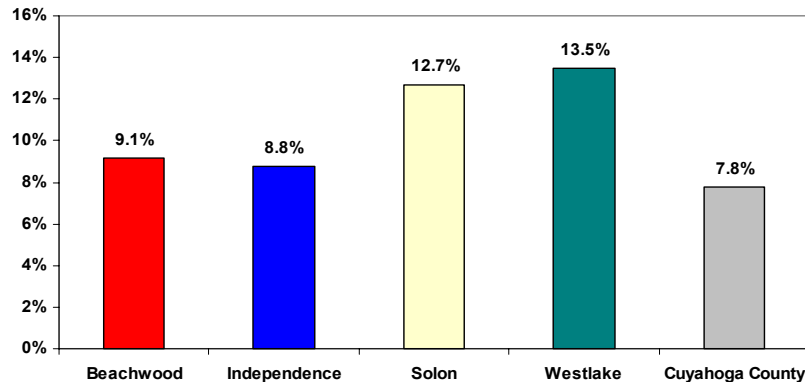
Beachwood's Residential Property Value Grew Less Than Cuyahoga County's in 1990-2000, but Exceeded the County in 2000-2003

Percentage Change in Residential Property

1990-2000



2000-2003



In 1990-2000:

- Beachwood's residential property value grew by 33.4% compared to Cuyahoga's 39.5%.
- At the same time, Independence, Solon, and Westlake grew at a rate 1.7 times that of Cuyahoga's growth and twice that of Beachwood's growth.

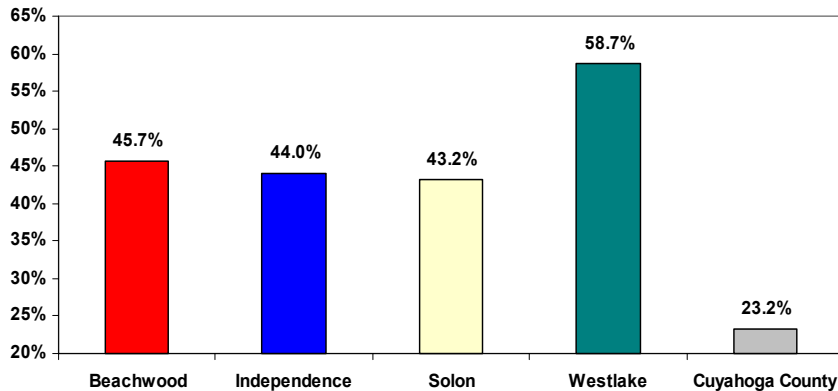
In 2000-2003:

- Beachwood's growth rate in residential property value (9.1%) surpassed Cuyahoga County (7.8%) and Independence (8.8%), but was still outpaced by Solon (12.7%) and Westlake (13.5%).

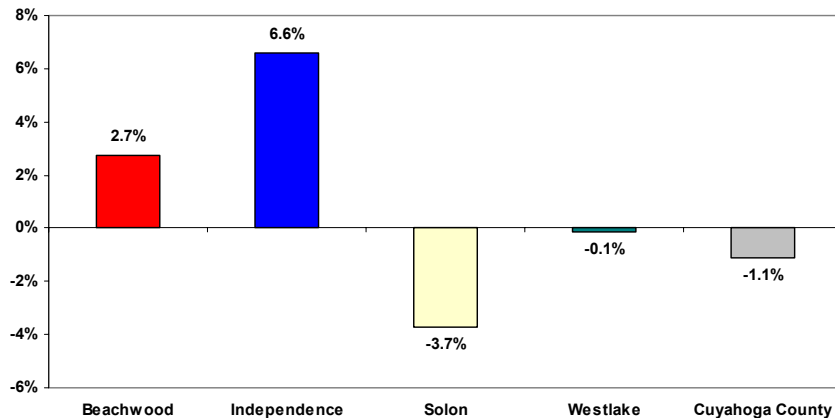
Beachwood's Non-Residential Property Value Grew Twice as Fast as Cuyahoga County's in 1990-2000 and Was Still Growing in 2000-2003 While the County Declined

Percentage Change in Non-Residential Property

1990-2000



2000-2003



In 1990-2000:

- Beachwood's non-residential property value grew by 45.7% compared to Cuyahoga's 23.2%.
- Beachwood also grew at a slightly higher rate than Independence (44%) and Solon (43.2%), but was surpassed by Westlake (58.7%).

During 2000-2003:

- Beachwood's non-residential property value grew by 2.7%, while Solon (-3.7%), Westlake (-0.1%), and Cuyahoga County (-1.1%) lost.
- Only Independence grew more, increasing by 6.6%.

Beachwood's Share in Cuyahoga County's Residential Property Remained Unchanged

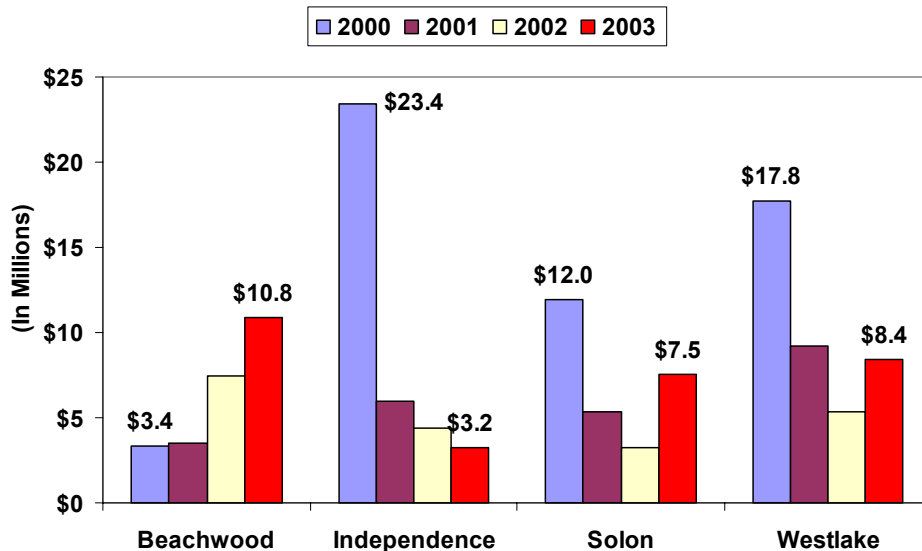
Four Municipalities' Property Shares in Cuyahoga County Over Time

	1990		2000		2003	
	Residential	Non-Res.	Residential	Non-Res.	Residential	Non-Res.
Beachwood	1.8%	3.8%	1.7%	4.5%	1.7%	4.6%
Independence	0.9%	2.6%	1.1%	3.1%	1.1%	3.3%
Solon	2.8%	3.5%	3.4%	4.0%	3.5%	3.9%
Westlake	3.6%	3.1%	4.3%	4.0%	4.5%	4.1%

- All four municipalities increased their non-residential property shares in Cuyahoga County during both periods, 1990-2000 and 2000-2003.
- Independence, Solon, and Westlake increased their residential shares within Cuyahoga County during both periods of time.
- Beachwood's assessed residential property value share remained almost unchanged over the same periods.

In All Municipalities, New Construction Accounted for a Small Share of Total Non-Residential Property Value

Non-Residential New Construction by City



- The value of new non-residential construction in Beachwood in 2003 surpassed that of Independence, Solon and Westlake.
- Between 2000 and 2003, the value of total new non-residential construction was:
 - Westlake: \$40.7 Mil.
 - Independence: \$37.0 Mil.
 - Solon: \$28.0 Mil.
 - Beachwood: \$25.2 Mil.
- During 2000-2003, new non-residential value in Beachwood steadily increased, while the other cities and Cuyahoga County saw a general decline. However, other cities made higher investments in 2000 compared to Beachwood.

Economic Impact

What Is Economic Impact Analysis?

- Analytic approach used to estimate economic benefits generated by an operating entity on an affected region.
- Measured in terms of output, employment, and household earnings.
- A summation of direct, indirect, and induced impacts.
- Quantifying the buy-sell relationships among industries using input-output models

Economic Impact of 10 New Jobs Created by Beachwood's Economic Base Industries

Industry	Output	Employment	Household Earnings
Health Care <i>Offices of physicians</i>	\$1,359,742	14 jobs	\$963,415
Finance and Insurance <i>Nondepository credit intermediation</i>	\$1,457,100	13 jobs	\$1,089,220
Retail Trade <i>General merchandise store</i>	\$604,038	11 jobs	\$398,748
Professional Services <i>Custom computer programming services</i>	\$1,239,361	14 jobs	\$980,304

- The impact is measured in Cuyahoga County.
- To obtain these estimates, we used IMPLAN model; impact is measured in 2003 dollars.

Conclusions

High-Tech is a Necessity

Favorable Base

- People who live in Beachwood have high household incomes.
- The city experienced residential and business growth during the last decade.
- The city's economy grew during the last two decades and has an industry mix comprised mainly of mature industries.
- Beachwood has a noticeable physical infrastructure, an established reputation as a place to do business, and high quality of life that attracts knowledge workers.
- Beachwood's economy is dominated by service industries with a concentration in health and financial assistance.
- As an advantage, Beachwood's economy better mitigated the last economic recession and has established the infrastructure necessary for a service economy.

Disadvantages

- Beachwood has a high concentration of traditional lower-wage service jobs that generate low total payroll, resulting in low total city payroll tax.
- An aging population will continue to create demand for personal services that most likely will expand using the existing infrastructure.
- Beachwood has a low share of the manufacturing industries that generate high-paid jobs and attract high-tech.
- Beachwood has very high population density and except for Chagrin Highland has limited vacant land for future growth.
- Beachwood competes for the same industries with at least three other comparable cities within Greater Cleveland with a similar industry mix, an established business base, and quality of life amenities.

Possibilities for Growth: High-Tech is a Necessity in Technology-Based Economy

- Globalization, regionalism, and the new knowledge economy invoke new ways of thinking about local economies and require new approaches for local economic development strategies; cities and regions compete for business globally.
- With a noticeable physical infrastructure, cultural diversity, an established reputation as a place to do business, and a high quality of life, Beachwood is capable of attracting new knowledge economy workers who strongly prefer residential amenities in bringing their business to the city.
- The dynamic of Information and Professional, Scientific, and Technical Services industries suggests that economic development efforts towards fostering entrepreneurs might pay off in a large number of small companies, which increases chances of getting “gazelles” and growing new “Microsofts” and “Dells”.
- With a very high population density and limited space for growth, Beachwood needs to concentrate on nurturing the high-tech economy (i.e., well-paying jobs).
- High-tech does not necessarily require building new companies or new clusters. It can be developed within existing industries (for example, Cleveland Clinic is already in Beachwood).

Possibilities for Growth: Build Upon Existing Strength – High-Tech Again

- Beachwood has an opportunity to develop a high-tech medical cluster, as **Health Care** and **Professional, Scientific, and Technical Services** are among its four largest industries.
- The city should concentrate on the **Management of Companies and Enterprises** industry. The research function of companies often spatially gravitate towards a headquarter function and not to the other three functions of production, sales, and marketing and procurement.
- Two other industries that are important for Beachwood are **Finance and Insurance** and **Wholesale Trade**. Both are well-paying, but neither requires a special infrastructure and can be easily relocated.

Economic development is a long-term process that can be assessed decades down the road, as Beachwood's development during the 1970s paid off in the 1980s and 1990s

Appendix

- Economic Base Analysis Data Sources and Methodology
- Property Analysis Data Sources and Methodology
- Definition of NAICS Industries Relevant to the Beachwood economy
- Economic impact of 10 new jobs created by Beachwood's economic base industries

Economic Base Analysis

Data Sources and Methodology

- This analysis uses the Quarterly Census of Employment and Wages data (ES202) based on the 2002 version of the North American Industry Classification System (NAICS).
- Data used in the analysis reflect employment and wages for the first quarters of 2000 and 2003.
- Total wages and wages per employee are annualized based on data for the first quarters of 2000 and 2003.
- Data on Beachwood companies were verified. Data on Solon, Independence, and Westlake were selected from the ES202 database and used without further verification.
- As other databases, ES202 includes both part-time and full-time workers. It does not estimate full-time equivalent employment. This overestimates employment in such industries as Retail Trade and Accommodation and Food Service, which employ many part-time workers.

Property Analysis Data Sources and Methodology

- This analysis uses data of:
 - Ohio Department of Taxation <http://tax.ohio.gov/>
 - Ohio Municipal Advisory Council (for 1990 data) <http://www.ohiomac.com/>
- All data used in the analysis are in 2003 dollars. Adjustments for inflation were calculated using the CPI-U for the Cleveland-Akron Region.

Definition of Industries Relevant to the Beachwood Economy (NAICS 62, 44-45)

- **Health Care and Social Assistance (NAICS 62)** – This sector includes establishments providing medical care exclusively, providing health care and social assistance, and providing only social assistance. The services provided by establishments in this sector are delivered by trained health practitioners or social workers who have the requisite expertise. Sub-sectors include ambulatory health care services (physicians, outpatient care, med labs, home health care), hospitals, nursing and residential care facilities, and social assistance (individual and community care services, rehabilitation and child day care services).
- **Retail Trade (NAICS 44-45)** – This sector comprises two main types of retailers: store and non-store retailers. Store retailers operate fixed point-of-sale locations, located and designed to attract a high volume of walk-in customers. In addition, some retailers are also engaged in after-sales services, such as repair and installation. Non-store retailers, like store retailers, are organized to serve the general public, but their retailing methods differ. The establishments of this subsector reach customers and market merchandise with such methods as the broadcasting of "infomercials," the broadcasting and publishing of direct-response advertising, the publishing of paper and electronic catalogs, door-to-door solicitation, in-home demonstration, selling from portable stalls (street vendors, except food), and distribution through vending machines.

Definition of Industries Relevant to the Beachwood Economy (NAICS 52, 54)

- **Finance and Insurance (NAICS 52)** – This sector comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions. Three principal types of activities are identified:
 - Raising funds by taking deposits and/or issuing securities and, in the process, incurring liabilities (financial intermediation)
 - Pooling of risk by underwriting insurance and annuities
 - Providing specialized services facilitating or supporting financial intermediation insurance, and employee benefit programs
- **Professional, Scientific, and Technical Services (NAICS 54)** – This sector comprises establishments that specialize in performing activities requiring a high degree of expertise and training. Activities performed include: legal advice and representation; accounting, bookkeeping, and payroll services; architectural, engineering, and specialized design services; computer services; consulting services; research services; advertising services; photographic services; translation and interpretation services; veterinary services; and other professional, scientific, and technical services.
 - This sector excludes establishments primarily engaged in providing a range of day-to-day office administrative services, such as financial planning, billing and recordkeeping, personnel, and physical distribution and logistics. These establishments are classified in Sector 56, **Administrative and Support and Waste Management and Remediation Services**

Definition of Industries Relevant to the Beachwood Economy (NAICS 42, 55)

- **Wholesale Trade (NAICS 42)** – This sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Wholesalers are organized to sell or arrange the purchase or sale of (a) goods for resale (i.e., goods sold to other wholesalers or retailers), (b) capital or durable nonconsumer goods, and (c) raw and intermediate materials and supplies used in production. This sector comprises two main types of wholesalers: those that sell goods on their own account and those that arrange sales and purchases for others for a commission or fee.
- **Management of Companies and Enterprises (NAICS 55)** – This sector comprises (1) establishments that hold the securities of (or other equity interests in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions or (2) establishments (except government establishments) that administer, oversee, and manage establishments of the company or enterprise and that normally undertake the strategic or organizational planning and decision-making role of the company or enterprise. Establishments that administer, oversee, and manage may hold the securities of the company or enterprise.

Definition of Industries Relevant to the Beachwood Economy (NAICS 51)

- **Information (NAICS 51)** - The Information sector comprises establishments engaged in the following processes: (a) producing and distributing information and cultural products, (b) providing the means to transmit or distribute these products as well as data or communications, and (c) processing data.

The main components of this sector are the publishing industries, including software publishing, the motion picture and sound recording industries, the broadcasting and telecommunications industries, and the information services and data processing industries. The Information sector groups three types of establishments: (1) those engaged in producing and distributing information and cultural products; (2) those that provide the means to transmit or distribute these products as well as data or communications; and (3) those that process data.