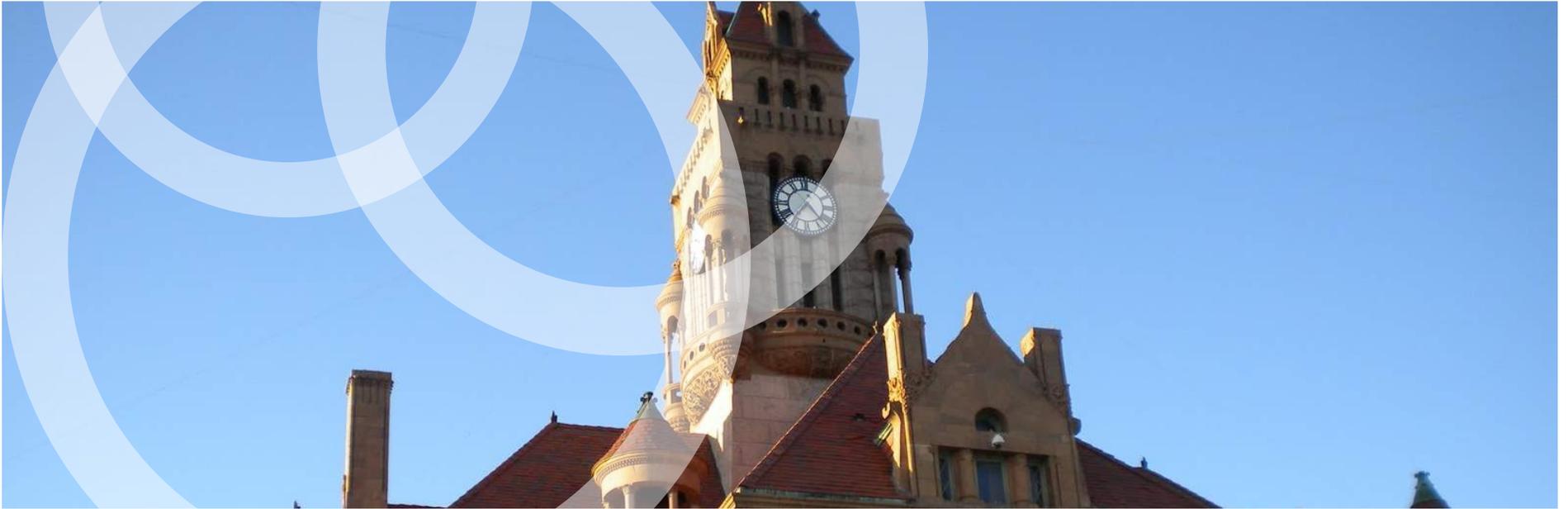


Decatur Target Industry Profiles



Prepared for the Decatur EDC

By Avalanche Consulting, Inc.

August 29, 2014

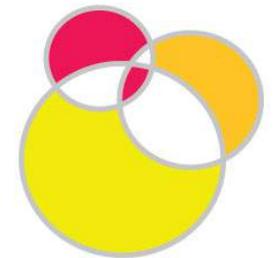


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Introduction

Introduction

Decatur enjoys many benefits associated with a large metropolitan economy while maintaining the charms of small town life. Located just outside of the Dallas-Fort Worth metropolitan region, Decatur companies and workers enjoy direct access to one of the most dynamic economies in the US. The Dallas metropolitan region's strong job growth dynamics, favorable business climate, and infrastructure assets such as DFW airport all positively impact Decatur. At the same time, Decatur has largely escaped the less desirable consequences of urban environments, including increased traffic congestion and higher living costs. The absence of such factors not only contributes to Decatur's quality of life, but also makes the city more attractive to prospective businesses.

Decatur's geographic advantages extend to its role as the commercial hub of Wise County as well as its proximity to the Barnett Shale. Decatur is the primary retail and health care destination for Wise County residents. The ability to serve populations beyond Decatur has fueled strong job growth and helped the city support comparatively large employment concentrations in both industries. Additionally, continued activity associated with the Barnett Shale has produced significant increases in natural resources employment. Decatur's oil and gas industry is characterized by relatively high wages, creating a disproportionately large economic impact and creating additional opportunities for aligned sectors such as Manufacturing and Transportation & Distribution.

Continued infrastructure investments during the past decade have further improved Decatur's capacity to leverage its strategic location. The expansion of the Wise Regional Health System allowed the city's health care services industry to better serve an expanding patient population. The Decatur Municipal Airport supports several existing air transportation companies and has room to accommodate additional growth. The ongoing widening of US 380 will provide more efficient connections to the broader Dallas-Fort Worth region.

Despite Decatur's many competitive strengths, several promising economic development opportunities remain unrealized. Manufacturing is less concentrated in Decatur than the US average, suggesting the existence of significant market prospects to serve the booming oil and gas sector. Although Transportation and Distribution employment is projected to experience strong growth in the years ahead, investment in Decatur's rail infrastructure could further accelerate industry growth. Additional medical facilities will help Decatur's Health Care Services industry serve an anticipated increase in Wise County's elderly population. Finally, a stand-alone grocer would improve Decatur already vibrant retail industry.

About the Project

The Decatur Economic Development Strategy involves three phases:

Phase 1: Competitive Assessment

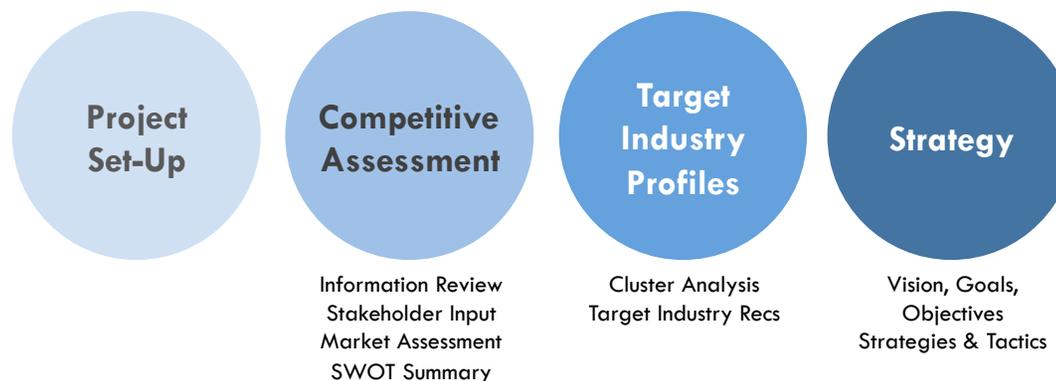
In the first phase of the project, the consulting team conducted a thorough evaluation of Decatur and the surrounding region, facilitated stakeholder input sessions, surveyed the community, and examined past reports. The report includes a detailed economic analysis of the city and region and a strengths, weaknesses, opportunities, and threats (SWOT) assessment.

Phase 2: Target Industry Profiles

During Phase 2, the consulting team identifies target industries for future economic development activities in Decatur. This phase includes an analysis of state, national, and global industry trends and highlights how they relate to Decatur and regional economic assets. A series of analytical tools, including cluster and shift-share analyses, will be utilized to understand opportunities within Decatur's industry base and identify emerging sectors that could potentially expand in the future. The consulting team engages area businesses through candid discussions about opportunities in their respective clusters. This report also includes a list of industry audiences targeted for growth and identifies local assets that can support their growth.

Phase 3: Strategy

The final phase involves the creation of a Strategy report detailing recommendations for Decatur. Recommendations will address Decatur's Business Climate, Education & Workforce Development, Entrepreneurship & Innovation, Infrastructure, Quality of Life, and Marketing.



About this Report

The *Target Industry Profiles* report identifies target industries that will serve as the foundation for economic development efforts within Decatur. Each profile includes a description of the targeted industry, relevant local strengths, and a list of selling points. The profiles will inform local leaders and area residents on Decatur's competitive position in meeting industry needs as well as suggested outreach efforts to effectively market the city to prospective firms. The *Target Industry Profiles* directly informs the final phase of the project, the *Strategy*.

- **Section One: Target Recommendations.** The first section of the report establishes Decatur's recommended target industries. The target list includes broad industry descriptions as well as recommended niche sectors.
- **Section Two: Target Profiles.** The second section of the report provides concise profiles of each of the recommended target industries. Profiles include a description of each target industry, relevant local strengths, and selling points.
- **Section Three: Target Confirmation.** The final section of this report describes the process of filtering potential target audiences and confirms the suitability of recommended target industries for Decatur. This includes analysis of local and national growth trends for industry clusters within the region, a summary of local competitive assets, and a review of local stakeholder input.

This report is based on a comprehensive research process, including personal interviews, focus groups, input from the Steering Committee and Decatur EDC, a community survey, the consulting team's review of recent studies, and extensive data analysis.

Why Target?

Targeting helps focus a community's economic development resources on industries with the greatest potential return on investment. These industries are often characterized by relatively high wages, good career opportunities, strong growth forecasts, and clustering effects that encourage concentration. Economic development organizations have limited organizational and financial resources and must prioritize their activities accordingly. Targeting helps an economic development organization concentrate on expanding industries with the greatest local competitive advantage, thus maximizing every dollar of investment.

A target industry cluster initiative yields even greater results when it aligns with educational curricula, workforce development programs, public policy decisions, and infrastructure investments. Coordination reassures businesses that area leaders are committed to their long-term success, further increasing the attractiveness of a community as place to live and conduct business.

Targeting a particular industry does not preclude growth in other sectors. Expanding target industries bring additional revenue into the community, boosting residents' spending power. Every sector benefits from heightened business activity, new income, new residents, and new spending that results from investments in a target industry cluster.

Target Selection

Target selection is not a perfect science. No single mathematical formula can identify eligible target candidates. Instead, target selection is an iterative process that integrates quantitative and qualitative information. The process is further complicated by an antiquated employment classification system that does not always neatly align with modern industries. This is especially true for marketing purposes. As a result of these limitations, target industry clusters and aligned niche sectors must be tailored to a specific community.

Target Selection Process

Target selection is driven by four primary questions that serve as filters in the selection process:

What industries are forecast to grow nationally?

Although Decatur's strengths and assets are the most important component of the target selection process, the examination of national industry trends helps place local information into a broader context.

What industries have an existing presence in the region?

The second step involves examining several local economic dynamics, including cluster concentrations within Decatur and shift-share industry trends.

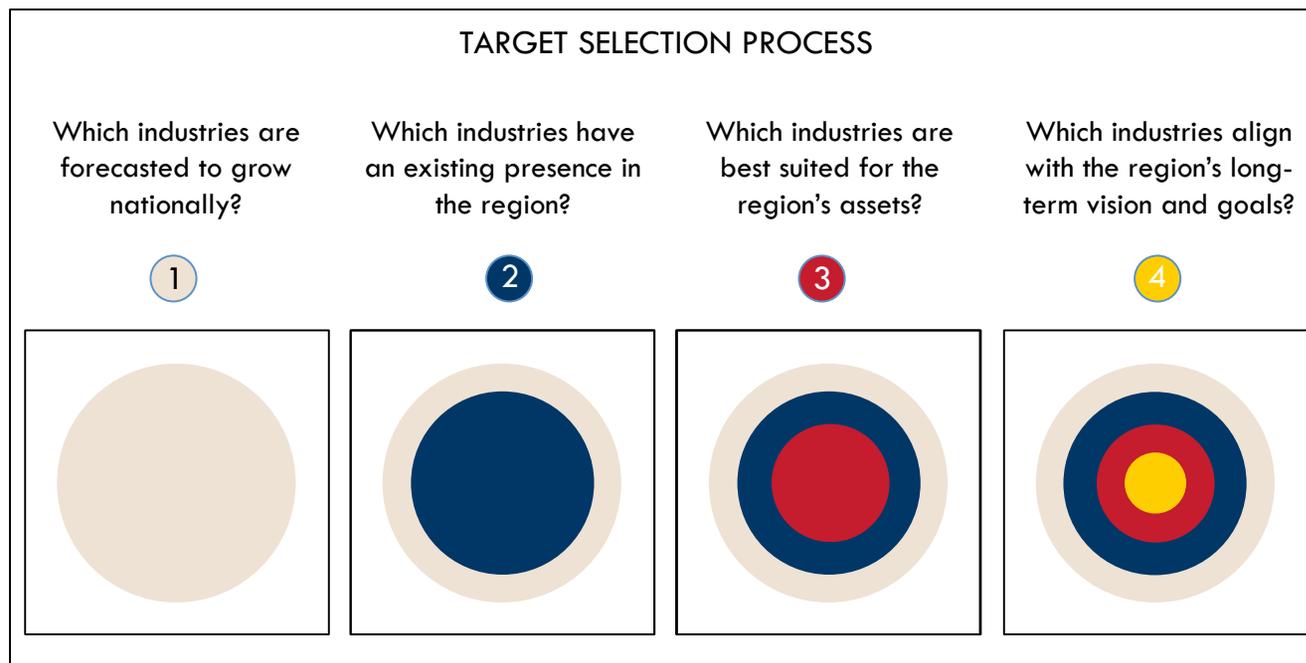
Which industries are best suited to the region's assets?

The *Competitive Assessment* examined local competitive strengths through the use of economic and demographic data, interviews, and surveys. The process helps identify assets in Decatur that can leverage growth.

Which industries align with the region's long-term visions and goals?

Selected target industries must also reflect the values of the community. Interviews, focus groups, and resident surveys help the consulting team articulate Decatur's vision for itself and supporting goals that the economic development strategy should help realize.

The target selection process will ultimately result in the selection of target industries that align with local competitiveness.



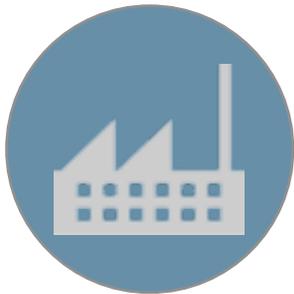
Section One: Target Recommendations

The first section of the report establishes Decatur's recommended target industries. The target list includes broad industry descriptions as well as recommended niche sectors.

Target Recommendations

The following target industries have been selected after a careful review of local and national trends, competitive assets, and community vision.

RECOMMENDED TARGET INDUSTRIES & NICHE SECTORS



Manufacturing

Oil & Gas Support

Transportation
Equipment
Manufacturing

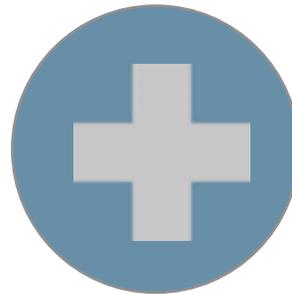


Warehousing & Distribution

Trucking

Aviation
Maintenance,
Repair & Overhaul

Warehousing &
Distribution
Facilities



Healthcare Services

Hospital Services

Physician & Other
Medical
Professional
Offices



Retail

Grocery Store

Western Wear &
Artisan Goods

E-Commerce

Target Industry Summaries

Manufacturing

During the past decade, Manufacturing has thrived in Decatur. Between 2008 and 2013, Manufacturing employment increased nearly 20%. US Manufacturing declined during this period. On a per capita basis, Decatur has several relatively concentrated Manufacturing sectors: Nonmetallic Mineral Product Manufacturing, Fabricated Metal Manufacturing, Electrical Equipment, Appliance & Component Manufacturing, and Transportation Equipment Manufacturing. The city's proximity to both the Dallas-Fort Worth metropolitan area as well as the Barnett Shale provides Decatur opportunities in **Oil & Gas Equipment, Transportation Equipment, and Materials (Metal & Nonmetal)**.

Transportation & Distribution

Transportation & Distribution employment is already relatively concentrated within Decatur. The strength of the local Transportation & Distribution industry reflects Decatur's many supporting assets, including proximity to the Dallas-Fort-Worth region, strong road and rail connections, and the Decatur Municipal Airport. Between 2013 and 2018, nearly all of Decatur's Transportation & Distribution sectors are projected to experience employment growth. Prospects are particularly strong for **Trucking and Aviation Maintenance, Repair & Overhaul** operations.

Health Care Services

Decatur is the Health Care Services hub of Wise County. **Hospitals and Physician & Other Medical Professional Offices** are a leading Health Care Services employer in Decatur. With nearly 2,200 workers, the Health Care industry is 60% more concentrated in Decatur than the US average. The industry has enjoyed strong growth in recent years as new facilities such as the Wise Regional Health System have opened to serve the region's growing population. Continued population gains, combined with an anticipated increase in elderly residents within Wise County, will provide a growing patient population for Decatur's Health Care Services Industry.

Retail

Decatur is the epicenter for retail activity within Wise County. Retail employment is already more concentrated than the US average, with a significant number of individuals employed in Motor Vehicle & Parts Dealers, Building Material & Garden Equipment and Supplies Dealers, and General Merchandise Stores. Despite these strengths, the community lacks a stand-alone **Grocery Store**. A grocer in Decatur would compliment the city's existing retail base and improve the quality of life of area residents. Decatur's specialty retailers, including sellers of **Western Wear and Artisan Goods**, also provide the community with opportunities to expand its role as a regional provider of specialty goods.

Section Two: Target Profiles

The second section of the report provides concise profiles of each the of the recommended target industries. Profiles include a description of each target industry, relevant local strengths, and selling points.

Manufacturing

About the Industry

Manufacturing is a broad industry that encompasses a diverse array of activities, including the production of finished products to material inputs such as metal and plastic. Manufacturing is a particularly attractive target industry due to its outsized economic impacts. Increased automation often results in significant capital investment, thus raising a community's tax base. Additionally, manufacturing jobs increasing require greater levels of technical expertise. As a result, such jobs often feature relatively high wages.

During the past 30 years, manufacturing employment in the US has experienced significant declines. Increased automation and the offshoring of operations to lower cost locations abroad contributed to prolonged employment losses in the US. In recent years, however, the fortunes of US manufacturing have greatly improved. Lower domestic energy costs and rising overseas labor costs have made US manufacturing much more cost competitive. US manufacturing has also benefited from an increased demand for quality products and intellectual property protection.

Despite job losses, manufacturing remains one of the country's largest industries. Manufacturing employs 11.9 million individuals in the US, including 860,000 in Texas. Manufacturing has long played an important role in the Texas economy. The state is home to significant aerospace, automotive, and semiconductor production operations. Additionally, Texas is the country's leading supplier of oil and gas field equipment. Texas accounts for more than half of all oil and gas field equipment manufacturing employment and 70% of US revenue in the sector.

Nationally, manufacturing employment is forecast to experience slight declines during the next five years. Most manufacturing sectors within Decatur, however, are expected to buck this trend. The city benefits from proximity to the Dallas-Fort Worth metropolitan area, which is one of the most important manufacturing hubs within Texas. The region has strong concentrations in advanced sectors such as aerospace, computer and electronic manufacturing, and communications equipment. Existing manufacturing strengths within the region are further complimented by a supportive business environment (as demonstrated by the recent announcement that Toyota would be relocating its headquarters from California to Dallas) as well as oil and gas activity related to the Barnett Shale.

Target niche sectors identified for Decatur are:

- Oil & Gas Equipment
- Transportation Equipment
- Materials (Metal & Nonmetal)



Why Decatur?

Nearly all of Decatur's manufacturing sectors experienced employment growth during the past five years. Between 2008 and 2013, manufacturing employment in Decatur increased 3.5% annually. Nationally manufacturing employment declined 2.3% annually during this period.

Despite recent gains, manufacturing remains less concentrated in Decatur than the US average. With an LQ of 0.6, Decatur has approximately 40% less manufacturing employment on a per capita basis. Within specific sectors, however, Decatur has high concentrations of manufacturing employment. **Materials** manufacturing is especially concentrated in Decatur, including sectors such as Nonmetallic Mineral Product Manufacturing (LQ = 4.0) and Fabricated Metal Product Manufacturing (LQ = 4.7). **Transportation Equipment Manufacturing** (LQ = 3.6) is also relatively concentrated. Decatur's largest manufacturing sector, Electrical Equipment, Appliance & Component Manufacturing, is also extraordinarily concentrated. With more than 300 employees, the sector has an LQ exceeding 450.

Decatur's existing manufacturing concentrations, combined with its strategic location, skilled workforce, and expanding infrastructure assets, provide the city with the capacity to support increased activity related to **Oil & Gas Equipment** and Transportation Equipment Manufacturing. Oil & Gas operations associated with the Barnett Shale are expected to buoy employment in related manufacturing sectors. Between 2013 and 2018, employment in Fabricated Manufacturing and Electrical Equipment, Appliance & Component Manufacturing are projected to grow 2.2% and 1.3%. Nonmetallic Mineral Product Manufacturing, which includes concrete production, is expected to grow 1.6% annually. Local growth in all three sectors is expected to outpace the US.

Decatur is enjoying strong growth in Transportation Equipment Manufacturing, which includes parts for both motor vehicles and aircraft. Since 2008, Transportation Equipment Manufacturing employment in Decatur has nearly doubled. Additional growth in Aviation Maintenance, Repair, and Overhaul activity at the Decatur Municipal Airport could support future aviation equipment employment increases. The recent comeback of auto sales to their pre-recession level also provides new opportunities for an expansion of motor vehicle equipment manufacturing employment.

Manufacturing Industry Trends
Decatur, TX

Subsector		2013 Decatur LQ	2013 Decatur Employment	Recent Trends, 2008-2013 Average Annual Growth		Forecast Trends, 2013-2018 Average Annual Growth	
NAICS	Description			Decatur	US	Decatur	US
323	Printing and Related Support Activities	● 8.3	60	-5.1%	-0.1%	1.9%	0.4%
327	Nonmetallic Mineral Product Manufacturing	● 4.0	89	22.2%	-4.6%	1.6%	0.7%
332	Fabricated Metal Product Manufacturing	● 4.7	10	10.9%	-4.8%	2.2%	0.8%
335	Electrical Equipment, Appliance, and Component Manufacturing	● 471.4	322	3.6%	-1.1%	1.3%	1.1%
336	Transportation Equipment Manufacturing	● 3.4	144	13.9%	-1.1%	-3.4%	-1.2%
339	Miscellaneous Manufacturing	◐ 0.6	12	43.1%	-1.9%	13.9%	0.0%
--	All Other Manufacturing	○ 0.2	64	-16.2%	-2.3%	1.5%	-0.8%
Total Manufacturing		◐ 0.6	701	3.5%	-2.3%	0.8%	-0.7%

Source: Avalanche Consulting based on EMSI Data
LQ = Location Quotient: Per capita concentration of the industry as a % of US concentration

Top Selling Points

- Decatur has heavy concentrations in several manufacturing sectors, including Nonmetallic Mineral Product Manufacturing, Fabricated Metal Manufacturing, Electrical Equipment, Appliance & Component Manufacturing, and Transportation Equipment Manufacturing.
- Decatur manufacturers increased their workforce by nearly 20% during a period in which domestic manufacturing employment contracted.
- Decatur is strategically located near the Dallas-Fort Worth metropolitan area and the Barnett Shale, both of which support significant manufacturing operations.
- Decatur is already home to several thriving manufacturers firms, including Landmark Fabrication, Imperial Fabrication, PCG Manufacturing, and Poco Graphite.
- Once US 380 is completed, Decatur will feature greater connectivity to the Dallas-Fort Worth area.
- Local Transportation Equipment Manufacturers benefit from the growth in Support Activities for Transportation, a Transportation & Distribution employment sector that includes aviation.
- DISD provides Career and Technical Education (CTE) certifications in manufacturing, including automotive and welding technology dual credit programs.
- Weatherford College is developing a welding certification program to support local employers.
- Decatur's Industrial Park offers opportunities for development.

Transportation & Distribution

About the Industry

Transportation & Distribution encompasses a wide range of activities involving the storage and distribution of goods. Although Transportation & Distribution includes all modes of transportation, Decatur's strengths are in the areas of rail, road, and air transportation due to the city's inland location and proximity to the Dallas-Fort Worth metropolitan area.

Rising global trade continues to drive employment growth in the Transportation & Distribution industry. During the past 40 years, reciprocal trade agreements among countries have opened up new markets for both imports and exports. While the liberalization of trade policies has made it easier to offshore some employment, especially basic manufacturing and service operations, US exports continue to increase. During the past decade, the value of US exports nearly doubled; in 2013 US exports reached new highs.

Technological advances that enable increasingly complex supply chains have also been key in fostering growth in the Transportation & Distribution industry. International shipments can be tracked more efficiently and reliably than ever thanks to sophisticated supply chain management software and related devices. Such advances have in turn expanded global distribution networks and revolutionized supply chain management strategies.

The Transportation & Distribution industry in Texas has proven especially resilient during the past decade. The Lone Star State possesses a comprehensive portfolio of Transportation & Distribution assets—a growing population, significant port, rail, and air infrastructure, an international border, and healthy auxiliary industries such as manufacturing and the oil & gas sector. Between 2003 and 2012, Texas added 65,500 Transportation & Distribution jobs, a 20% increase.

Target niche sectors identified for Decatur include:

- Trucking
- Aviation Maintenance, Repair & Overhaul



Transportation & Distribution

Trucking

Aviation
Maintenance,
Repair & Overhaul

Why Decatur?

Transportation & Distribution employment is slightly more concentrated in Decatur than the US average. With an LQ of 1.1, Decatur already has 10% more Transportation & Distribution jobs per capita than the US as whole. Existing Transportation & Distribution employment is primarily composed of Rail Transportation and Truck Transportation.

Truck Transportation accounts for more than 70% of Transportation & Distribution employment within Decatur. With an LQ of 2.2, Truck Transportation is also heavily concentrated in Decatur. On a per capita basis, Decatur also features an extraordinarily high concentration of Rail Transportation employment. Although the sector employs just 55 people in Decatur, Rail Transportation's LQ exceeds 950. It should be noted that due to Decatur's relatively small populations, Rail Transportation employment might be overestimated. Even if Decatur's Rail Transportation employment is less than the reported figure, however, the city has a very high concentration of Rail Transportation employment. Support Activities for Transportation is Decatur's smallest Transportation & Distribution niche sector. It is also experiencing the greatest level of growth.

Significant transportation infrastructure assets compliment Decatur's concentration of Transportation & Distribution employment. The primary connection between Decatur and the Dallas-Fort Worth metropolitan area, US 380, is currently being widened. A more efficient road network, combined with sustained activity in the oil & gas sector, will support additional employment growth in Road Transportation. The Decatur Municipal Airport is already home to several air transportation companies and has capacity to handle additional **Aviation Maintenance, Repair and Overhaul** operations.

Decatur's competitive strengths are projected to fuel employment increases in each of the city's existing Transportation & Distribution subsectors. Support Activities for Transportation, which includes air service support activities, is expected to grow 7.5% annually through 2018. No other Transportation & Distribution sector is forecast to experience faster growth in Decatur during this period. Truck Transportation employment in Decatur is also expected to enjoy strong growth between 2013 and 2018, with employment increasing 5.4% annually. Employment in Rail Transportation is projected to increase a modest 1.1% through 2018.

Transportation & Distribution Industry Trends Decatur, TX

Subsector		2013 Decatur LQ	2013 Decatur Employment	Recent Trends, 2008-2013 Average Annual Growth		Forecast Trends, 2013-2018 Average Annual Growth	
NAICS	Description			Decatur	US	Decatur	US
482	Rail Transportation	961.0	55	0.0%	3.7%	1.1%	1.5%
484	Truck Transportation	2.2	255	-2.5%	-0.4%	5.4%	1.4%
488	Support Activities for Transportation	0.6	30	4.6%	0.0%	7.5%	1.6%
--	Other Transportation & Warehousing	0.1	16	-6.2%	-0.4%	0.0%	1.4%
TOTAL		1.1	356	-1.8%	-0.3%	4.7%	1.4%

Source: Avalanche Consulting based on EMSI Data

LQ = Location Quotient: Per capita concentration of the industry as a % of US concentration

Top Selling Points

- Decatur is in close proximity to the Dallas-Fort Worth metropolitan area, which is one of the country's leading Transportation & Distribution regions. Between 2003 and 2013, cargo traffic at Dallas-Fort Worth International Airport increased 56.5%. Both rail and road container traffic has also enjoyed strong growth in Texas during the past decade. Between 2003 and 2013, international loaded truck container traffic increased 38.8% in Texas and loaded rail container traffic rose 63.1%. The broad increase in cargo traffic across all modes provides Decatur with an opportunity to capture a rising share of a growing market.
- Decatur is extremely well positioned to benefit from sustained activity related to the Barnett Shale. Hydraulic fracturing requires a large amount of water, chemicals, and other materials and equipment. As a result, fracking will continue to generate significant transportation activities throughout North Central Texas.
- Decatur's existing infrastructure assets encompass all land, rail, and air transportation. The widening of US 380 further strengthens the city's connections to the larger Dallas-Fort Worth metropolitan area and surrounding areas.
- Decatur is located 30 miles from Alliance Airport and 45 miles from Dallas-Fort Worth International Airport.
- The recently renovated Decatur Municipal Airport is already home to several aviation service and maintenance companies. Existing firms include United Rotorcraft, Alamo Aerospace, North Texas Soaring, Decatur Jet Center, Clearview Aviation, and Wayne's Aircraft Service.
- Decatur Municipal Airport, a prime location for Aviation Maintenance, Repair & Overhaul companies, has available land for development.
- Decatur's high concentrations of employment in Truck Transportation and Rail Transportation indicate the city possesses an existing workforce well suited to expanded Transportation & Distribution operations.

Health Care Services

About the Industry

Health Care Services encompasses hospital medical care and outpatient care, dental work, urgent care, elderly care, and social services. Demographic dynamics and technological advances in medicine typically drive growth in the industry. In recent years, Health Care Services employment has proven virtually immune from the ups and downs of the broader economy. During boom times, Health Care employment increases. In economic downturns, Health Care continues to expand.

The US Health Care Services industry generates \$2 trillion annually and includes over 780,000 hospitals, doctor offices, emergency care units, nursing homes, and social services providers. Direct Health Care Services employment exceed 18.6 million and health care spending represents 17% of US GDP, the highest proportion among all industrialized nations. The US is the leader in cutting edge health care technology and research. However, workforce shortages exist within the industry, especially for doctors and nurses in rural communities.

The Health Care Services industry is highly fragmented and involves many different players, including medical professionals, institutional providers, and health care companies. Larger integrated health care providers possess the resources to offer a full range of medical services and negotiate favorable contracts with health insurance companies. Smaller health care providers compete through specialization and geographic focus.

Growth in US Health Care Services employment is unlikely to slow in the years ahead. The aging of the Baby Boomer generation will fuel additional demand for Health Care Services over the next several decades. Although the long-term impact of the Affordable Care Act remains uncertain, thus far the legislation appears to be increasing the demand for Health Care Services. Finally, continued advances in technology and industry fragmentation make significant cost reduction unlikely.

Decatur recommended Health Care Service niche sector include:

- Hospital Services
- Physician & Other Medical Professional Offices

Health Care Services



Hospital Services

Physician & Other Medical
Professional Offices

Why Decatur?

In addition to its role as a retail hub for Wise County, Decatur is also the leading provider of Health Care Services to County residents. With nearly 2,200 workers, the Health Care Services industry is 60% more concentrated in Decatur than the US average.

During the past five years, Health Care Services has experienced the greatest level of employment growth among Decatur's target industries. All three primary Health Care sectors—Ambulatory Health Care Services, Hospitals, and Nursing & Residential Care Facilities—posted employment gains between 2008 and 2013. The opening of the Wise Regional Health System provided an especially potent boost to **Hospital** employment, which increased 37% during this period. Ambulatory Health Care Services employment increased by more than 27%.

Employment in all Health Care Services sectors is projected to increase through 2018. Currently, employment is forecast to increase 2.6% annually in both Decatur and the US. Decatur's Hospital employment is expected to experience the greatest level of growth, at 3.0% annually. **Physician & Other Medical Professional Offices** (represented by the Ambulatory Health Care Services sector), is projected to increase 2.8% annually between 2008 and 2013. It should be noted that Hospital employment and Ambulatory employment are deeply entwined; the federal government classifies many physicians as Ambulatory Health Care Services employment (even if these physicians physically work within a hospital).

Current employment forecasts for Decatur's Health Care Services industry may actually underestimate actual growth. Current projections from the Texas State Data Center and the Office of the State Demographer currently anticipate a dramatic increase in the number of older residents in Wise County. If the population growth trends observed between 2000 and 2010 continue throughout the next decade, the number of Wise County residents age 65 and older will grow at 2.5 times the overall rate of population growth through 2020. Under this scenario, the proportion of Wise County residents age 65 and older would increase from less than 13% to nearly 20%. As the Health Care Services epicenter of Wise County, Decatur may face a rapidly growing patient population in the coming years.

Health Care Industry Trends Decatur, TX							
Subsector		2013 Decatur LQ	2013 Decatur Employment	Recent Trends, 2008-2013 Average Annual Growth		Forecast Trends, 2013-2018 Average Annual Growth	
NAICS	Description			Decatur	US	Decatur	US
621	Ambulatory Health Care Services	0.7	364	4.9%	2.9%	2.8%	3.1%
622	Hospitals	3.6	1,342	6.6%	0.8%	3.0%	1.7%
623	Nursing and Residential Care Facilities	1.1	278	1.0%	1.3%	0.8%	2.3%
624	Social Assistance	1.0	201	3.8%	3.0%	1.7%	3.2%
	TOTAL	1.6	2,185	5.2%	4.2%	2.6%	2.6%

Source: Avalanche Consulting based on EMSI Data

Top Selling Points

- Decatur is the primary Health Care Services destination in Wise County.
- Decatur already possesses an extensive Health Care Services industry, as demonstrated by the city's relatively high concentrations of Ambulatory Health Care Services and Nursing & Residential Care Services employment.
- Between 2008 and 2013, Hospital employment in Decatur grew 8 times faster than the US average.
- Decatur's growing population, compounded by the anticipated aging of Wise County, will likely drive significant growth in the region's patient population.
- Weatherford College offers a vocational nursing program to support local Health Care Services workforce needs.
- Wise Regional Health System boasts multiple awards and accreditations in patient safety, imaging services, stroke care, bariatric surgery and oncology.
- Wise Regional Health System is affiliated with Baylor Scott & White Health, providing access to greater resources from one of the most highly regarded health care systems in the world today.
- Wise Regional Health System opened the Bridgeport Campus in May 2013 to offer area residents access to a wide range of medical specialists, technology, and advanced medicine.

Retail

About the Industry

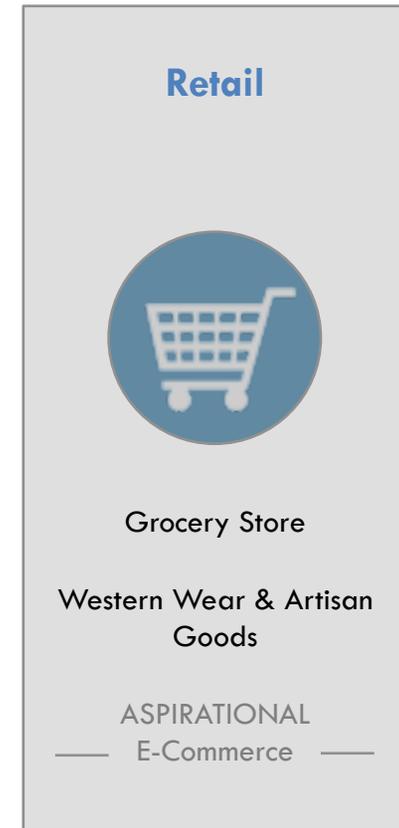
Retail includes both national chains and independent outlets, selling everything from necessities such as groceries and gasoline to specialty items such as artwork and clothing. Individual income levels, consumer confidence, and interest rates drive demand for retail services. During the previous 30 years, economies of scale associated with strong purchasing power and distribution networks helped fuel the growth of larger chain merchandisers. In recent years, many consumers embraced buying from local retailers, which often feature unique merchandise catered to local market demand. The rise of internet retailers, which combines convenience with virtually unlimited inventory, threatens chains and independent retailers alike.

The recession temporarily interrupted a period of prolonged growth in retail employment as declining income levels and falling consumer confidence kept shoppers at home. The industry has largely recovered from the economic downturn. Thanks to its relatively strong economy and sustained population increases, retail has proven more resilient in Texas. Between 2010 and 2012, Texas retailers added 51,500 workers to their payrolls, a 4.5% increase.

Retail target niche sectors identified for Decatur include:

- Grocery Store
- Western Wear & Artisan Goods
- E-Commerce

Within Decatur, each of these niche sectors address separate markets and economic development goals. A grocery store, for example, would primarily serve Wise County residents. Additionally, the actual job creation associated with a grocery store would be less important than the retailer's contribution to Decatur's quality of life. A thriving Western Wear & Artisan Goods niche industry, on the other hand, might serve customers throughout the Dallas-Fort Worth region and produce auxiliary benefits such as an increase in tourism. Finally, E-Commerce would provide Decatur companies with the opportunity to serve a national market. High volume E-Commerce companies might fuel additional growth in Decatur's Transportation & Distribution industry.



Why Decatur?

Decatur is already the retail hub for Wise County. With 1,550 employees, employment in Decatur’s Retail industry is 30% more concentrated than the US average. Motor Vehicle & Parts Dealers employ nearly a third of all Retail workers. Motor Vehicle & Parts Dealers is also the most concentrated Retail sector in Decatur. Other leading Retail sectors include Building Material & Garden Equipment and Supplies Dealers (218 workers, 2.4 LQ), General Merchandise Stores (431 workers, 1.7 LQ), Gasoline Stations (98 workers, 1.5 LQ) and Clothing & Clothing Accessory Stores (136 workers, 1.2 LQ). All of these retail sectors except General Merchandise Stores are forecast to add workers in Decatur through 2018.

Decatur’s list of concentrated Retail sectors has one notable omission—**Food & Beverage Stores**. With an LQ of just 0.3, Food & Beverage Store employment in Decatur is 70% lower than the US average on a per capita basis. The relative concentration of nearly every other retail sector in Decatur, however, demonstrates the city’s capacity to support additional Food & Beverage activity. Decatur should be Wise County’s primary destination for groceries, as it currently is for automobiles and construction materials purchases.

In addition to strengths in retail sectors often associated with big box stores, Decatur has a thriving downtown with many smaller retailers specializing in **Western Wear & Artisan Goods**. Notable stores located in Decatur include David’s Western Wear and the Biggar Hat Store. The physical concentration of such retail outlets, combined with an attractive downtown and events such as rodeo competitions, contribute to a critical mass of activities to attract out-of-town visitors. In turn, such individuals can help support even greater levels of retail activity within Decatur.

The success of companies such as David’s Western Wear and ENERGY worldnet, an online provider of safety training services, demonstrates the potential of **E-Commerce** to support increased employment activity in Decatur. Without additional broadband infrastructure to increase internet speeds and capacity throughout Decatur, however, E-Commerce remains an aspirational target sector.

Retail Industry Trends Decatur, TX				Recent Trends, 2008-2013 Average Annual Growth		Forecast Trends, 2013-2018 Average Annual Growth	
Subsector		2013 Decatur LQ	2013 Decatur Employment	Decatur	US	Decatur	US
NAICS	Description						
441	Motor Vehicle and Parts Dealers	3.3	456	1.8%	-0.5%	1.8%	0.7%
443	Electronics and Appliance Stores	0.4	14	-3.8%	-2.6%	0.0%	0.8%
444	Building Material and Garden Equipment and Supplies Dealers	2.4	218	1.7%	-1.0%	5.4%	1.2%
445	Food and Beverage Stores	0.3	69	-5.6%	0.5%	-5.5%	0.4%
446	Health and Personal Care Stores	0.8	63	0.0%	0.4%	6.2%	1.6%
447	Gasoline Stations	1.5	98	-1.7%	0.4%	4.0%	-0.8%
448	Clothing and Clothing Accessories Stores	1.2	136	-1.4%	-0.3%	3.4%	1.0%
451	Sporting Goods, Hobby, Book, and Music Stores	0.6	29	23.7%	-1.3%	2.0%	0.1%
452	General Merchandise Stores	1.7	431	-1.1%	0.9%	-0.1%	1.3%
--	Other Retail	0.6	36	-4.4%	-0.7%	0.0%	-0.4%
TOTAL		1.3	1,550	0.7%	-0.1%	3.0%	0.8%

Source: Avalanche Consulting based on EMSI Data
LQ = Location Quotient: Per capita concentration of the industry as a % of US concentration

Top Selling Points

- Decatur is already the prime shopping destination for Wise County, as demonstrated by the city's employment concentrations in several significant retail sectors. The retail draw is larger than the city limit population, making it an attractive prospect for retail development.
- Decatur's relatively low concentration of Food & Beverage Store employment, combined with high concentrations in most other retail sectors, suggests that grocery stores have been slow to recognize the city's market potential.
- Most retail sectors in Decatur have experienced employment increases during the past five years. During the next five years, virtually every retail sector in Decatur is expected to add workers.
- In comparison to many smaller communities throughout the US, Decatur has a vibrant downtown with several prosperous stores selling Western Wear & Artisan Goods. The successful Main Street Program preserves the historic downtown square and supports local retail businesses in this sector.
- Wise County Fairgrounds offer rodeos, swap meets, and other events that complement the Western Wear & Artisan Goods sector and draw in visitors from around the region.
- Decatur is home to several companies that have successfully translated their physical stores to digital platforms. Additional growth in Decatur's E-Commerce industry, however, will require new investments in broadband internet infrastructure.

Section Three: Target Confirmation

The final section of this report describes the process of filtering potential target audiences and confirms the suitability of recommended target industries for Decatur. This includes analysis of local and national growth trends for industry clusters within the region, a summary of local competitive assets, and a review of local stakeholder input.

Target Selection

Selecting target industries is not a perfect science. There are numerous ways to determine the compatibility of an industry with a local community. Ultimately, however, the selection process is driven by the answers to three primary questions:

What are current industry dynamics?

What assets are platforms for industry growth?

What do residents and area leaders want in the future?

Additional questions arise during the selection process. Will the industry cluster generate higher wages for residents? Are there adequate economic development resources available to compete for the target? Does the industry adequately reflect the values of the community?

The following pages address each of the primary questions, revealing the process used to select Decatur's recommended target audiences from the wide pool of available industries.

What are Current Industry Dynamics?

An analysis of existing industries is the first step in determining Decatur's target industries. The purpose of the examination is to identify industries that have been growing locally and nationally, as well as those industries that are forecast to grow in the future. Industry dynamics are assessed using a variety of tools, including bubble charts and cluster growth forecasts.

Industry clusters are concentrations of interrelated businesses, suppliers, and support institutions that locate within close proximity. Companies operating in the same field often cluster together to increase productivity, access a broader base of talent, reduce transportation costs, and share research and knowledge.

What is a “Location Quotient”?

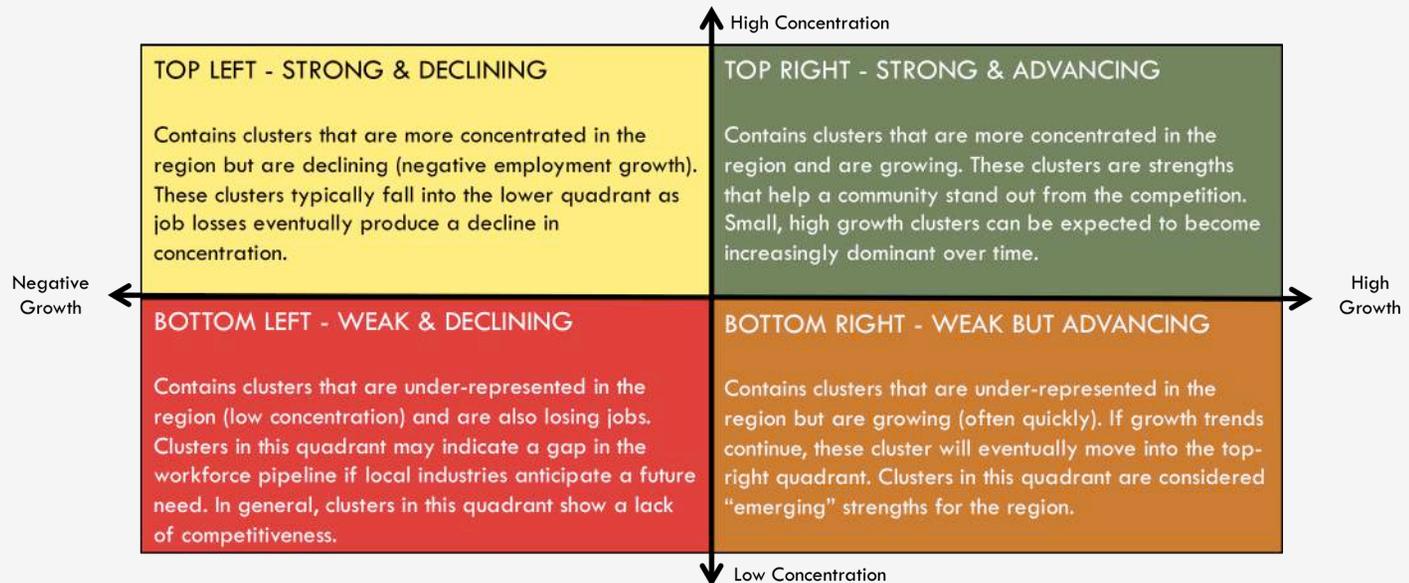
This calculation, which is also called “LQ”, is the relative concentration or density of a specific occupation cluster in the region versus the US average for that occupation cluster. Specifically, the LQ is calculated by taking the per capita concentration in the region, divided by the same per capita concentration for the US. A 1.5 LQ indicates that the region has 50% more concentration on a per capita basis than the US, which is a sign of relative local strength in that occupation cluster. Note that LQ is a relative measure: a high concentration in one cluster means that others will have lower LQs.

Each bubble chart illustrates:

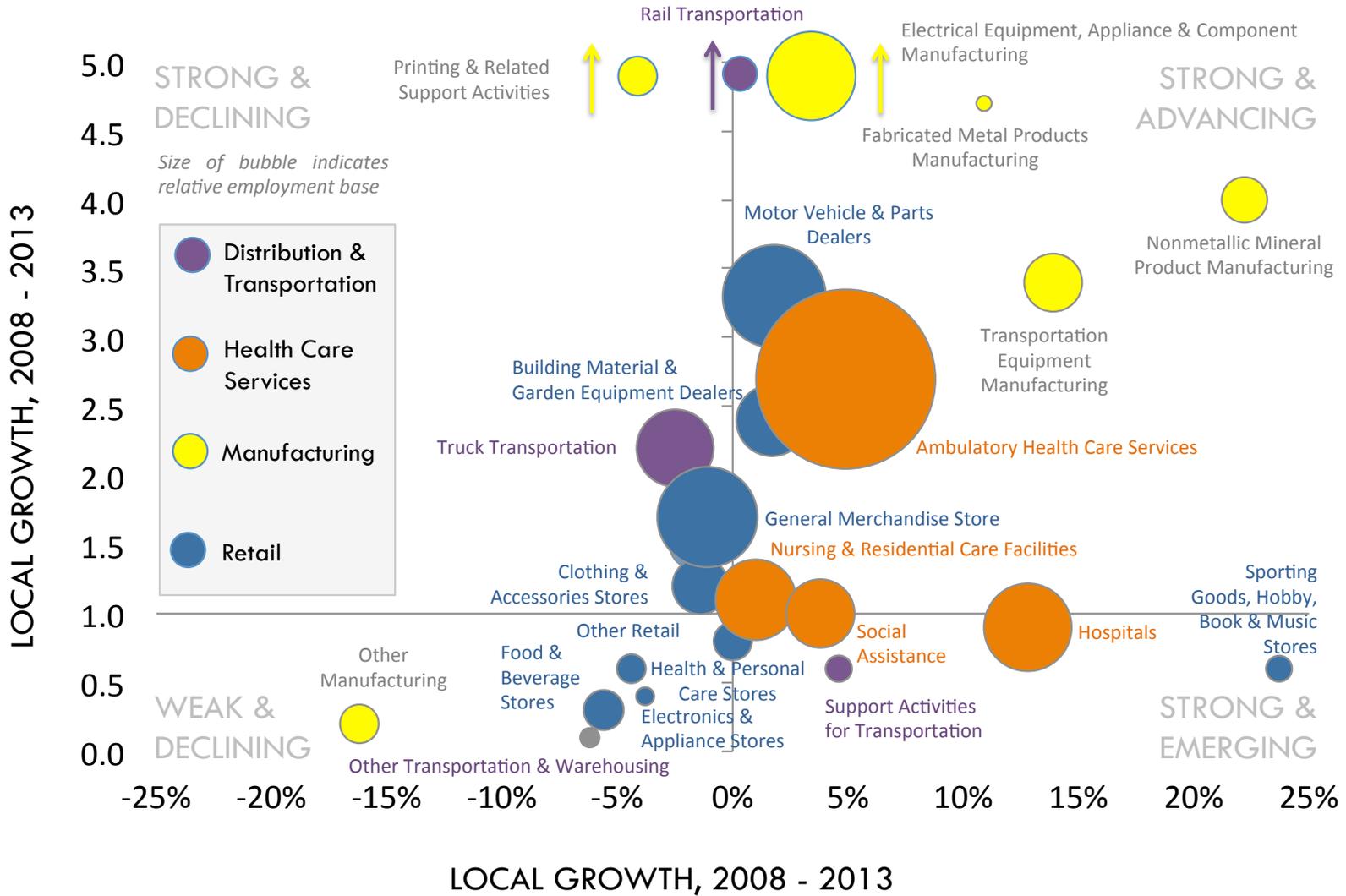
- The growth of each occupational cluster along the horizontal axis
- The LQ of each occupational cluster along the vertical axis
- The employment size of the cluster as the size of the circle

CLUSTER BUBBLE CHART EXPLANATION

The graph’s four quadrants each tell a different story for each cluster



DECATUR TARGET INDUSTRY SECTORS



Past Performance

The majority of sectors within Decatur's recommended target industries experienced employment growth between 2008 and 2013. Employment in Ambulatory Health Care Services, the largest and most concentrated target industry sector within Decatur, increased nearly 5% annually. All four remaining Health Care Services sectors also experienced growth during this period. Growth in three manufacturing sectors—Non-metallic Product Manufacturing, Transportation Equipment Manufacturing, and Fabricated Metal Manufacturing—exceeded double digits. Decatur also saw growth in several Retail sectors.

Relatively few sectors within Decatur's recommended target industries have suffered employment declines. Most of the sectors that have witnessed employment losses are retailers that compete with the larger big box stores. Examples include Clothing & Accessories Stores, Health & Personal Care Stores, and Food & Beverage Stores. Outside of retailing, the only sectors that failed to add workers are Truck Transportation, Other Manufacturing, and Other Transportation & Warehousing.

Projected Performance

The table on the following page contains employment projections for every single sector within Decatur's recommended target industries. The forecasts include average annual growth rates between 2013 and 2018. Virtually every single subsector is projected to experience employment growth. Furthermore, Decatur's employment growth is projected to exceed the US average in 16 of the 26 examined target industry sectors.

Employment in Decatur's Transportation & Distribution industry is expected to grow in each of the three primary sectors—Rail Transportation, Truck Transportation, and Support Activities for Transportation. All four Health Care Services sectors are expected to increase, including Ambulatory Health Care Services, Hospitals, Nursing & Residential Care Facilities, and Social Assistance.

With the exception of Transportation Equipment, all of Decatur's Manufacturing sectors are forecast to add jobs through 2018. Given the difficulty of projecting employment performance for smaller regions such as Decatur, combined with on-the-ground realities such as the expansion of US 380 and a thriving oil & gas sector, Transportation Equipment Manufacturing may outperform current employment projections.

Most Retail sectors within Decatur are expected to increase their payrolls during the next five years. Employment in General Merchandise Stores is projected to remain essentially flat. Additional employment declines in Food & Beverage Stores are currently forecasted. Such a decline likely reflects the fact that smaller Food & Beverage outlets such as those affiliated with gas stations are losing ground as big box retailers expand their food offerings. Such declines, however, further support the need for a grocery store within Decatur. Food & Beverage Store employment is the second-least concentrated sector among all recommended target industries.

DECATUR TARGET INDUSTRY SECTORS - PROJECTED PERFORMANCE

Target Industry	NAICS	Description	2013 Decatur LQ	Forecast Trends, 2013-2018 Average Annual Growth	
				Decatur	US
TRANSPORTATION & DISTRIBUTION	482	Rail Transportation	● 961.0	1.1%	1.5%
	484	Truck Transportation	● 2.2	5.4%	1.4%
	488	Support Activities for Transportation	◐ 0.6	7.5%	1.6%
	--	Other Transportation & Warehousing	○ 0.1	0.0%	1.4%
HEALTH CARE SERVICES	621	Ambulatory Health Care Services	● 2.7	2.8%	3.1%
	622	Hospitals	◐ 0.9	3.4%	1.7%
	623	Nursing and Residential Care Facilities	◑ 1.1	0.8%	2.3%
	624	Social Assistance	◐ 1.0	1.7%	3.2%
MANUFACTURING	323	Printing and Related Support Activities	● 8.3	1.9%	0.4%
	327	Nonmetallic Mineral Product Manufacturing	● 4.0	1.6%	0.7%
	332	Fabricated Metal Product Manufacturing	● 4.7	2.2%	0.8%
	335	Electrical Equipment, Appliance, and Component Manufacturing	● 471.4	1.3%	1.1%
	336	Transportation Equipment Manufacturing	● 3.4	-3.4%	-1.2%
	339	Miscellaneous Manufacturing	◐ 0.6	13.9%	0.0%
	--	All Other Manufacturing	○ 0.2	1.5%	-0.8%
RETAIL	441	Motor Vehicle and Parts Dealers	● 3.3	1.8%	0.7%
	443	Electronics and Appliance Stores	○ 0.4	0.0%	0.8%
	444	Building Material and Garden Equipment and Supplies Dealers	● 2.4	5.4%	1.2%
	445	Food and Beverage Stores	○ 0.3	-5.5%	0.4%
	446	Health and Personal Care Stores	◐ 0.8	6.2%	1.6%
	447	Gasoline Stations	◑ 1.5	4.0%	-0.8%
	448	Clothing and Clothing Accessories Stores	◑ 1.2	3.4%	1.0%
	451	Sporting Goods, Hobby, Book, and Music Stores	◐ 0.6	2.0%	0.1%
	452	General Merchandise Stores	◑ 1.7	-0.1%	1.3%
	--	Other Retail	◐ 0.6	0.0%	-0.4%

What Assets are Platforms for Industry Growth?

Decatur's Strengths, Weaknesses, Opportunities, and Threats (SWOT) were thoroughly reviewed in the previous report, the *Competitive Assessment*. The document included a review of Decatur's competitive strengths in five major economic development categories:

Business Climate

Decatur features a favorable business climate. With a low cost of living, competitive wages, and minimal property taxes, Decatur offers companies an extremely attractive operating environment. Local strengths are further complimented by state policies. Texas features a compelling business climate, including no income tax and limited regulations. Within Decatur, the Economic Development Corporation is perceived as responsive, helpful, and collaborative. The City of Decatur also boasts a high credit rating.

Education & Workforce

The Decatur Independent School District is home to several excellent schools. Decatur High School recently established an automotive and welding technology dual credit program and Weatherford College has a nursing program. Both programs align with the recommended target industries. Future expansion of Weatherford College will likely create additional programs for Decatur residents. Decatur is also a net importer of jobs. The city's ability to draw workers from outside the region makes it easier to attract new employers.

Entrepreneurship & Innovation

Decatur is already home to a number of thriving homegrown businesses that demonstrate the community's supportive climate for entrepreneurs. Residents also believe Decatur is a forward-thinking, progressive community open to new business ideas. Decatur also possesses organizational resources to aid small businesses, including banking, accounting, legal, and insurance professionals. The absence of greater internet connectivity, however, remains a significant obstacle to entrepreneurial activity.

Infrastructure

Decatur's strategic location is among its greatest assets. The city is located just 30 miles from the Dallas-Fort Worth metropolitan area. Improvements to US 380 will soon be completed, providing even greater connectivity to Dallas-Fort Worth. The Decatur Municipal Airport has undergone recent renovations and has capacity to support additional commercial activity. Decatur's Industrial Park provides additional opportunities for development. Decatur is also home to a BNSF facility.

Quality of Life

Decatur's small town atmosphere, friendly residents, and relaxed pace make it an attractive destination for families. The city is also a health care and retail hub, providing convenient medical and shopping opportunities for local residents. Decatur boasts a vibrant downtown, local fairgrounds, and a Civic Center.

What Do Residents and Area Leaders Want in the Future?

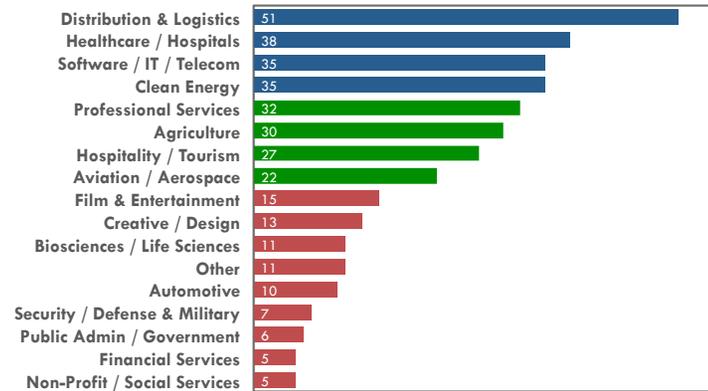
Stakeholder Input

The consulting team interviewed a variety of residents and businesses throughout Decatur. The interviews were used to obtain a local perspective on the state of the economy, assets and opportunities, strengths and concerns, and potential target industries. In addition to personal interviews and focus groups, the consulting team also conducted an online survey, which collected 148 responses.

Residents were asked to identify the most desirable targets for Decatur. Distribution & Logistics and Health Care / Hospitals were the two most commonly cited industries. Both represent recommended target industries. Software / IT / Telecom and Clean Energy also enjoyed strong support.

The survey did not directly ask residents about the Retail industry. Hospitality / Tourism, however, was one of the most commonly preferred industries. Retail opportunities are a critical component in a healthy Hospitality / Tourism industry. More importantly, Decatur residents believe the lack of more shopping outlets threatens the community's livability. Residents were asked to identify community attributes that meet resident expectations. Decatur's retail environment was among the lowest rated factors.

What industry clusters are the most desirable targets for future Decatur economic development?



How well does Decatur meet your expectations in the following areas?

LIVABILITY



Overall Target Assessment

The graphic below summarizes the degree to which industry dynamics, local assets, and community values support the target recommendations:

Manufacturing: Employment is projected to grow at both the local and national level through 2018. Decatur’s existing manufacturing concentrations and proximity to the Dallas-Fort Worth metropolitan region and Barnett Shale are critical assets. Manufacturing sectors such as Aviation / Aerospace and Automotive are supported by the community.

Transportation & Distribution: Transportation & Distribution is the most commonly preferred industry among Decatur residents. Decatur’s strategic location is an important industry asset. Additional investment in rail infrastructure would make Decatur even more attractive to Transportation & Distribution firms. The industry is forecasted to experience solid growth in Decatur and the US through 2018.

Health Care Services: Health Care Services is projected to experience the greatest level of growth among recommended target industries. Additionally, Health Care Services was the second most preferred industry among surveyed residents. Decatur’s strong concentration of Health Care Services employment will likely grow as Wise County continues to age.

Retail: The Retail Industry is expected to experience modest growth through 2018. Additional retail activity would address a commonly perceived gap in Decatur’s quality of life and build upon the city’s existing role as the primary shopping destination of Wise County.

