ICIC Initiative for a Competitive Inner City

PARK HILL INDUSTRIAL CORRIDOR
MICRO CLUSTER ANALYSIS

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Introduction and Overview

In 2001 the Initiative for a Competitive Inner City (ICIC), in partnership with the city of Louisville, released the "West Louisville Competitive Assessment and Strategy Project," which detailed a new and innovative plan for revitalizing West Louisville. Rather than approaching the challenges of poverty and joblessness in Louisville's inner city from a social perspective, the 2001 report approaches the challenges from an economic perspective. ICIC argues that the best way to revitalize West Louisville is to promote market-based economic development by identifying, publicizing, and capitalizing upon the area's competitive market advantages.

In 2008, ICIC again partnered with Louisville Metro Government to revisit and update the original 2001 report and to target the findings of this report more specifically to the Park Hill Corridor. The second report, entitled the "Park Hill Corridor Micro-Cluster Analysis," provides one part of the foundation upon which the Implementation Strategy for the redevelopment of the Park Hill Industrial Corridor will be built. Specifically, the new report supplements the 2001 report by using more recent economic data combined with on-the-ground analysis to identify those clusters that can most benefit from the competitive advantages of West Louisville in order to help reinvigorate the Park Hill Corridor.

Led by the partnership between Louisville Metro and Greater Louisville Inc, the updated report and analysis to support the Implementation Strategy was funded by a grant from Philip Morris to continue revitalization efforts in West Louisville.

This report is in three sections. Section I explains the basic terminology and methodology and provides a blueprint for the report. Section II details the specific research methods and gives the findings of ICIC's recent studies in West Louisville. Section III combines the research in Section II with other ICIC analysis to support several specific recommendations for the Park Hill Industrial Corridor.

I. Terminology, Methodology, and Blueprint

ICIC begins this study by grouping common businesses and institutions into 66 economic "clusters" using cluster definitions from the Institute for Strategy and Competitiveness at Harvard Business School. According to Porter (2008), a cluster is a "geographically proximate group of interconnected companies and associated

institutions in a particular field, including product producers, service providers, suppliers, universities, and trade associations. Clusters arise out of the linkages or externalities that span across industries in a particular location."[1] More simply, clusters are groups of businesses and organizations that feed off each other and thrive when they are geographically close to one another — like a construction company and a steel manufacturer. An example of one of ICIC's clusters is food processing, which would include everything from a business that mills flour to a business that bakes cookies.

Clusters are divided into two groups, (1) traded clusters and (2) local clusters:

1. **Traded clusters** group businesses which serve regional, national, or international demand. Businesses within these clusters benefit from growth in national and international markets and suffer from downturns in these markets. ICIC identified 50 traded clusters which are responsible for 28% of U.S. employment. An example of a traded cluster is the automotive cluster.

2. **Local clusters** group businesses which serve local demand almost exclusively. Some businesses grouped under local clusters serve larger areas than others — for example, a dry cleaner serves a neighborhood while a specialized business services company might serve firms across a small region — but local clusters do not respond to national or international demand. ICIC identified 16 local clusters which are responsible for 72% of U.S. employment. An example of a local cluster is local financial services.

Part of what makes an area attractive to businesses within certain clusters is the nearby presence of other businesses and institutions within that same cluster. As a result, ICIC needs a way to gauge and describe (1) the density of a given cluster within a given area, and (2) the rate at which that cluster is becoming more or less concentrated over time in the same area. To do this, ICIC uses two related metrics: Location Quotient, and Location Quotient Growth:

1. **Location Quotient** (LQ) can be used to compare the density of a particular cluster in one area to the density of the same cluster

[1] Porter, Michael E. "Clusters and Competition," On Competition, 2008. p.197

in other areas. The scale that ICIC employs uses LQ=1 as the baseline for all comparisons. LQ>1 indicates that the particular cluster is more concentrated in the area being studied than in the comparative region, and LQ<1 means it is less concentrated. Thus, an LQ of approximately 2.6 for the Local Industrial Products and Services cluster in West Louisville compared to the entire U.S. would mean that businesses and institutions within this cluster are about 2.6 times as densely concentrated in West Louisville as they are throughout the rest of the country. An LQ of 0.38 would mean just the opposite: that businesses and institutions are a little less than two-fifths as densely concentrated in the corridor as they are in the rest of the country.

2. **Location Quotient Growth** (LQ Growth): ICIC uses this same measure as the basis for determining whether a cluster's concentration in a particular area is increasing or decreasing compared to a comparison area. ICIC calls this measurement LQ Growth. If LQ Growth is zero, it means that the concentration of the cluster being measured is changing at the same rate in the two areas being compared. (Note: two areas with zero LQ Growth could be experiencing a net increase, a net decrease, or no change at all in cluster concentration —what matters is the *comparison* change in concentration.) Negative LQ Growth, then, means that a cluster's change in concentration is not keeping pace with the average change in concentration in the comparison region, and positive LQ Growth means that a cluster's change in concentration is outpacing the change in concentration in the comparison region. (Again, this says nothing about whether the cluster is becoming denser or less dense in the comparison region—LQ Growth is a measurement of *comparative rate of change* only).

Two final phrases that need to be explained before addressing the methodology which ICIC employs are Compound Annual Growth Rate (CAGR), and Metropolitan Statistical Area (MSA).

CAGR is a measurement of the annual growth rate in a particular sector or cluster of the economy. For the purposes of this report, it is used to measure historical employment growth in clusters or to represent the rate of future expected employment growth or decline in a cluster. Positive CAGRs indicate that a cluster is growing and negative CAGRs indicate that a cluster is losing jobs. Additionally, clusters with CAGRs that are high but experiencing a pattern of decline

may indicate that growth in that cluster may be short-lived. On the other hand, a low CAGR that is increasing annually indicates that a cluster may have the potential to develop into a long-term strength.

MSA (which stands for Metropolitan Statistical Area) is a classification used to describe contiguous areas with ties to a central city—usually metropolitan areas and the economically linked counties that surround them. Examining an entire MSA, rather than only the principal city, allows for a broader understanding of the local and regional factors that influence economic opportunity in the Park Hill Corridor and the rest of West Louisville. The Louisville MSA includes 13 counties, which are listed below.[2]

ICIC uses all of the tools described above to determine what clusters in West Louisville are best situated to grow and strengthen in the future. This is done in two separate steps:

1. First, ICIC pared down the group of clusters to be studied, using simple data analysis. Clusters that are filtered out of consideration during this process, which is only relevant for traded clusters, are generally not reconsidered later in the analysis. But, at first glance, these clusters do not have good prospects for growth and success in West Louisville.

2. Second, once this filtering process was complete, ICIC took the remaining clusters and examined them thoroughly from various perspectives, using data to project short-term and long-term cluster strength locally, regionally, and nationally. The techniques that are employed in this second phase range from an examination of current LQ and LQ growth in West Louisville to an examination of the competitive market advantages of the area (like its proximity to Louisville's downtown and its central location in the Louisville MSA) and how they might impact businesses and institutions within a particular cluster. The analysis in this second phase is based on both current conditions (which clusters are thriving in the area right now) and future trends (which clusters, while perhaps not strong in West Louisville currently, present opportunities for growth).

Once this analysis, which encompasses all of Section II, was complete, ICIC applied the findings to the Park Hill Corridor in Section III. This

[2] Those counties included in the Louisville MSA are Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble Counties in Kentucky and Clark, Floyd, Harrison, and Washington Counties in Indiana.

third section of the report lists specific clusters and groups of clusters that are well-situated to grow in the Park Hill Corridor. Additionally, Section III highlights and briefly examines some of the more nuanced questions presented by the analysis such as how to balance the long-term and short-term interests of the corridor and how to balance the social and economic interests of the corridor.

II. Data Analysis, Methods, and Findings

ICIC divided the data analysis section into two parts: (A) traded cluster analysis and (B) local cluster analysis. This section of the report will first present and explain local cluster analysis, then it will address traded cluster analysis. Finally it will examine how these two sets of data can be melded together to form a coherent plan for cluster development in West Louisville.

A. Local Cluster Data Analysis

ICIC identified 16 Local Clusters, which are grouped into three categories: Business Clusters, Consumer Clusters, and Business/Consumer Clusters. Clusters that provide goods and services to businesses are grouped together under the term Business Clusters; clusters which provide goods and services to private consumers are grouped under the term Consumer Clusters; and clusters that serve both businesses and private consumers are grouped under the term Business/Consumer Clusters. The 16 Local Clusters are categorized as follows:

Business Clusters

- Local Commercial Services
- Local Food/Beverage Processing and Distribution
- Local Logistical Services
- Local Industrial Products and Services
- Local Education and Training

Consumer Clusters

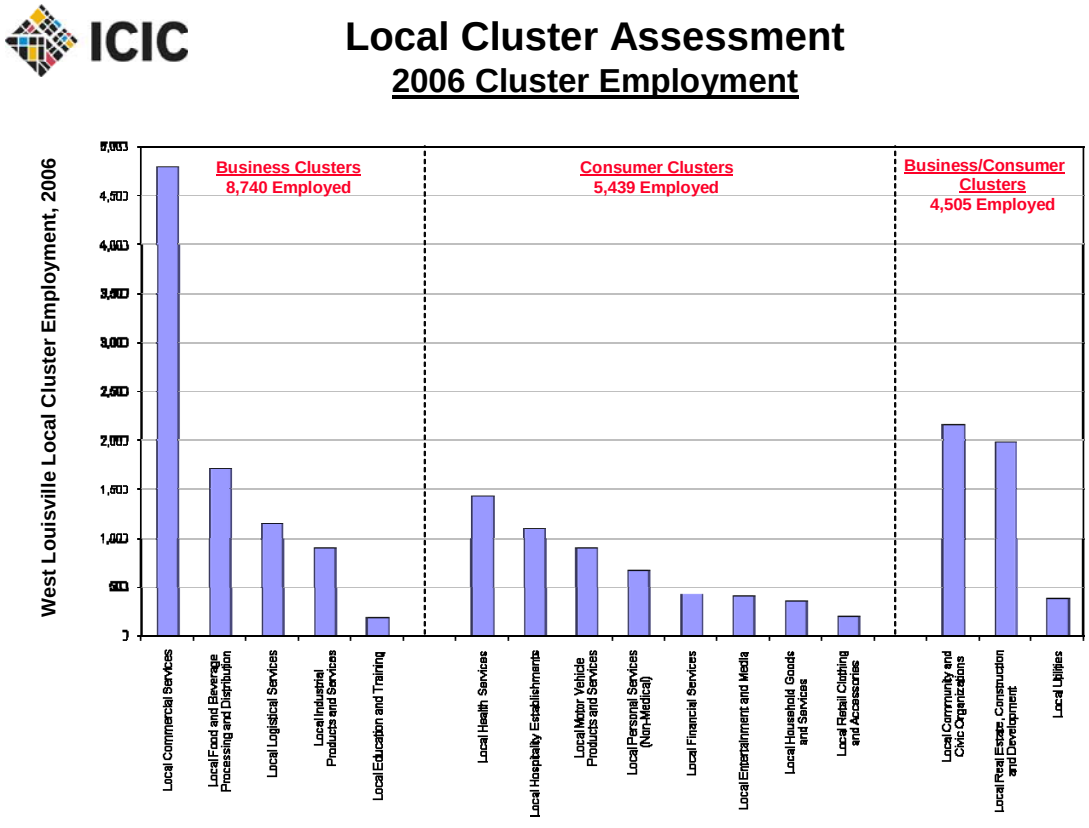
- Local Health Services
- Local Hospitality Establishments
- Local Motor Vehicle Products and Services
- Local Personal Services (Non-Medical)
- Local Financial Services
- Local Entertainment and Media

Local Household Goods and Services
Local Retail Clothing and Accessories

Business/Consumer Clusters

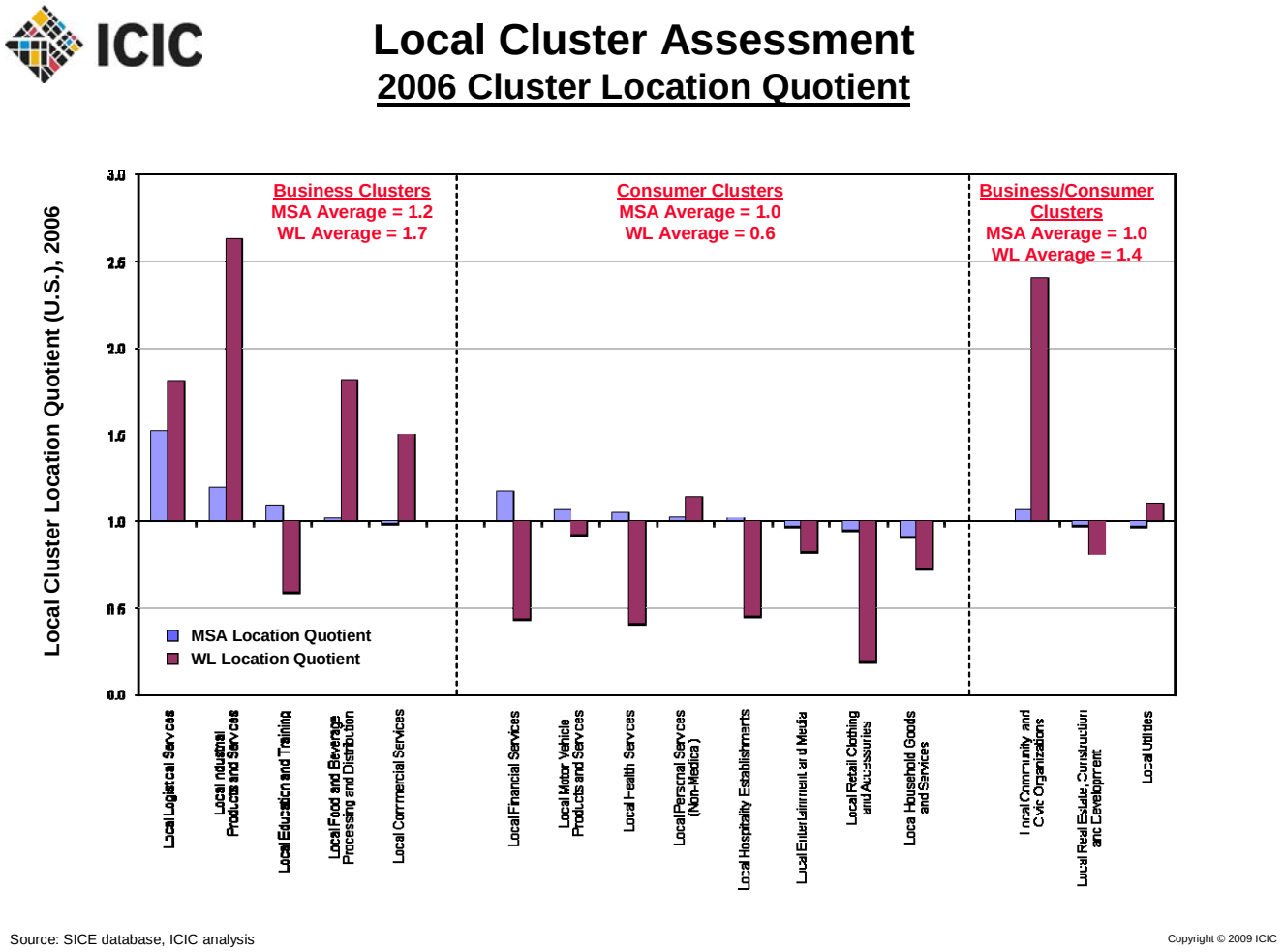
Local Community and Civic Organizations
Local Real Estate, Construction, and Development
Local Utilities

ICIC examined the number of workers within each cluster in West Louisville. This analysis, which is based on statistics from 2006, included a breakdown of the number of workers employed within each of the three different cluster groupings. Local business clusters employed the most people (8,740) followed by the local consumer clusters (5,439), and then business/consumer clusters (4,505). Within these groupings, the three clusters with the highest employment numbers were Local Commercial Services, a business cluster; Local Real Estate, Construction, and Development, a business/consumer cluster; and Local Community and Civic Organizations, also a business/consumer cluster. The following graph summarizes the results of this examination:



Source: SICE database, ICIC analysis

Next, ICIC calculated Location Quotients in two different areas, West Louisville and the Louisville MSA, for each of the sixteen local clusters.[3] In both cases, the comparative region for the Location Quotients was the rest of the United States. The results, which are presented in the graph below, provide insight into which local clusters are strongest in West Louisville when compared with both the Louisville MSA and the country as a whole.



Source: SICE database, ICIC analysis

It is clear that local business clusters are strong within West Louisville, with an average LQ of 1.7 compared with the MSA average of 1.2, while local consumer clusters are weak in West Louisville with an average LQ of 0.6 compared with the MSA average of 1.0. Local business/consumer clusters are neither strong nor weak on average,

[3] For an explanation of Location Quotients, see the Introduction to this report, page [2]

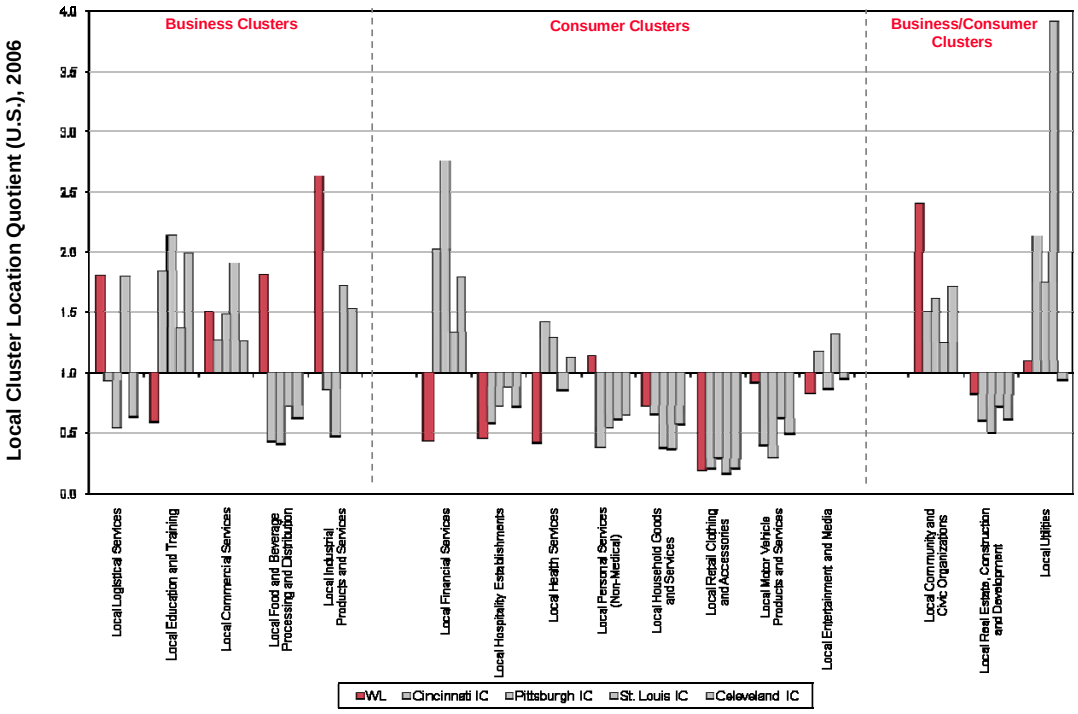
according to the data, as one would expect given the strength of business clusters and the weakness of consumer clusters in the area.

To explore these data further, ICIC again employed a Location Quotient, this time comparing the concentration of local business, consumer, and business/consumer clusters in West Louisville to the concentration of the same clusters in similar urban areas, including Cincinnati's and St. Louis's inner cities. This examination revealed that the strength of West Louisville's business clusters is unique among the five inner cities that were studied, while the weakness of consumer clusters is, for the most part, typical of inner city areas. Specifically:

1. In three out of the five local clusters that were studied, West Louisville has a higher location quotient than any of the comparison areas. These three clusters are Local Logistical Services; Local Food/Beverage Processing and Distribution; and Local Industrial Products and Services. The two clusters in which West Louisville does not have the highest LQ are Local Commercial Services, where all five of the areas that were studied—including West Louisville—have similar LQs of around 1.5, and Local Education and Training, in which West Louisville has an LQ below 1.0 while all comparison cities are above 1.0.
2. Among the local consumer clusters, West Louisville is slightly weaker on average than the comparison areas, but it is clear that LQs below 1.0 (which indicate weak clusters) are the norm for most consumer clusters in inner city areas. The one aberration is Local Financial Services, in which West Louisville's weakness contrasts with the strength of this cluster in the four comparison areas. While interesting, this anomaly does not change the general trend—that West Louisville and similar inner city areas tend to have weak consumer clusters.

The figure below illustrates these conclusions in graphic form and provides the data on individual clusters:

Local Business Cluster Strength is Unique



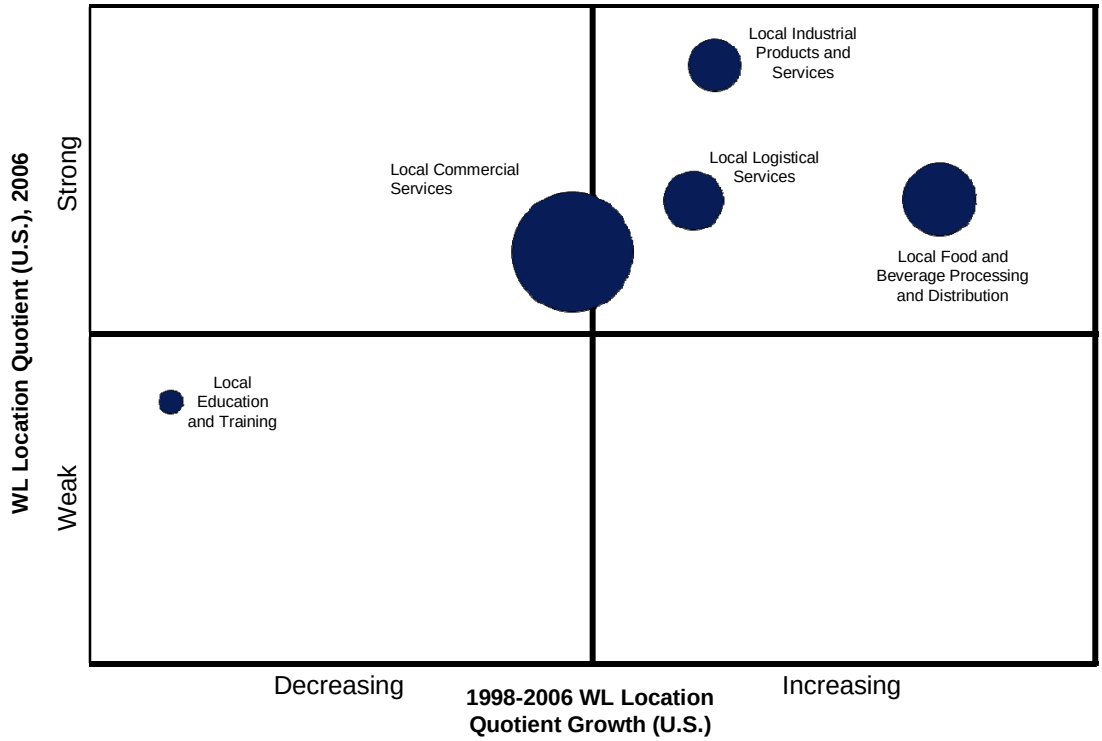
Source: SICE database, ICIC analysis

Having determined that West Louisville's local business clusters are strong compared to those in similar inner city areas, ICIC explored further to find out whether these clusters presented real opportunities for development. An investigation of LQ Growth in local business clusters in West Louisville from 1998-2006 allowed ICIC to figure out if these clusters, on average, were growing, shrinking, or stagnant.[4]

The results of this investigation are encouraging; LQ Growth numbers show that already-strong local business clusters are growing stronger. The figure below shows a graphic representation of LQ growth among the five different local business clusters between 1998 and 2006. This high rate of LQ growth —when coupled with the local business clusters' already-impressive LQ average—indicates that these clusters should play an important role in any economic revitalization strategy for West Louisville.

[4] An explanation of LQ Growth can also be found in the Introduction to this report, on page [3]

Local Business Clusters are Growing



Note: Object Size: Cluster employment relative to other clusters shown
Source: SICE database, ICIC analysis

ICIC makes the following four conclusions based on the above local-cluster data:

I. West Louisville consumer demands are underserved in the area. Many residents choose to go outside West Louisville to meet demand for retail services, health care, and other personal services.

II. Unlike consumer services, local business services are strong enough to serve the local market, as well as the regional market.

III. West Louisville local business services seem to have the ability to survive and adapt to significant losses in the local employment base which makes them critical to a future growth strategy.

IV. The proven ability to serve the entire region means business services in West Louisville provide opportunities for both short- and long-term economic growth, again highlighting their important role in West Louisville's development.

B. Traded Cluster Data Analysis

ICIC identified 50 traded clusters. These clusters are less sensitive to local economic changes and often generate high-wage jobs, so they are ideal targets for sustainable growth. At the same time, because these clusters are dependent on long-term trends in demand, technology, and trade, it is important to examine them within the context of national and international trade and investment. The 50 traded clusters are:

- Nonmetal Mining
- Medical Devices
- Automotive
- Business Services
- Transportation and Logistics
- Hospitality and Tourism
- Financial Services
- Processed Food
- Metal Manufacturing
- Heavy Construction Services
- Plastics
- Publishing and Printing
- Education and Knowledge Creation
- Building Fixtures, Equipment, & Services
- Distribution Services
- Production Technology
- Motor Driven Products
- Chemical Products
- Casino Hotels
- Entertainment
- Furniture
- Prefabricated Enclosures
- Agricultural Products
- Tobacco
- Lighting and Electrical Equipment
- Communications Equipment
- Construction Materials
- Forest Products
- Information Technology
- Analytical Instruments
- Leather and Related Products
- Heavy Machinery
- Coal Mining
- Livestock Processing
- Aerospace Vehicles and Defense
- Sporting, Recreational, & Children's Goods
- Biopharmaceuticals
- Power Generation and Transmission
- Oil and Gas Products and Services
- Apparel
- Textiles

- Jewelry and Precious Metals
- Forestry and Primary Wood Processing
- Water Transport
- Fertilizers
- Footwear
- Combination Energy Services
- Fishing and Fishing Products
- Aerospace Engines
- Metal Mining

Traded Cluster Filtering Process and Results

History is often a good indicator of whether or not a particular traded cluster is well-suited for an area. Because traded clusters compete in national and global markets, they rely on the complementary development of a properly-skilled workforce, a base of suppliers, and a group of supporting institutions. When these factors are already present in an area or region, growing the correspondent cluster through business attraction and retention is quite possible; when the factors are not already present, though, future growth in the cluster is difficult.

Fortunately, this insight allowed ICIC to pare down the field of clusters to be evaluated using a series of simple criteria. This initial process is meant to separate out clusters that are weak in West Louisville or the Louisville MSA and those that are experiencing slow growth in West Louisville, the Louisville MSA, or the entire country. These three filters accomplish this goal:

1. Filter #1: There is no local competitive advantage for the cluster, and there is no expansion potential from nearby areas.
   Criteria:
   a. No existing cluster presence in West Louisville (2006 employment is zero); *or*
   b. Low cluster presence in West Louisville (total employment in 2006 was less than ten people); *and*
   c. Cluster in decline in Metro Statistical Area (MSA employment has shrunk from 1998-2006)
2. Filter #2: There is no regional competitive advantage for the cluster, and the cluster would have to grow at the expense of other regions with a demonstrated strength in that area.
   Criteria:
   a. Low cluster presence in the West Louisville MSA (employment in 2006 was less than 150 people);*and*

   b. Cluster growing slowly nationally (U.S. projected employment growth is less than 10% from 2006-2016)

3. Filter #3: The cluster is in decline locally, regionally, and nationally, and the region has no strength on which to build or recruit businesses within the cluster.

   Criteria:

   a. West Louisville cluster employment in decline (West Louisville employment has shrunk from 1998-2006); *and*
   b. MSA cluster employment in decline (MSA employment has shrunk from 1998-2006); *and*
   c. Cluster in rapid decline nationally (U.S. 2006-2016 projected employment growth is less than -10%); *and*
   d. Local region not specialized in cluster (MSA 2006 cluster employment is less than 1.0% of total MSA employment, and Location Quotient is less than 1.0)

Applying these filters to the 50 traded clusters allowed ICIC to filter slightly fewer than half of the 50 clusters out of consideration. The twenty clusters that are filtered are listed below:

- Apparel
- Textiles
- Jewelry and Precious Metals
- Forestry and Primary Wood Processing
- Water Transport
- Fertilizers
- Footwear
- Combination Energy Services
- Fishing and Fishing Products
- Aerospace Engines
- Furniture
- Lighting and Electrical Equipment
- Forest Products
- Leather and Related Products
- Heavy Machinery
- Coal Mining
- Livestock Processing
- Sporting, Recreational, & Children's Goods
- Biopharmaceuticals
- Metal Mining

Because ICIC did not discount the possibility that several of these twenty clusters could be good candidates for growth and expansion in the Park Hill Corridor, despite their apparent weakness in West Louisville, several of them will be reexamined later in the report. Specifically, clusters which fit either a retention strategy (because they have high LQs in the Louisville MSA) or a regional expansion strategy (because West Louisville could attract businesses from other parts of the Louisville MSA that are looking for a central hub) were

reexamined. It is still safe to say that *most of these twenty clusters should not be considered part of a future economic growth strategy for West Louisville or Park Hill.*

Traded Cluster Post-Filter Analysis

ICIC used four familiar measurements to evaluate the remaining traded clusters.[5] They are:

Metric 1: 1998-2006 West Louisville Employment Growth
The total number of employees working in businesses and institutions within particular clusters is an indicator of whether these clusters are *growing or declining locally.*

Metric 2: West Louisville Location Quotient
This provides a measure of both *the size and the strength of the cluster*. High location quotients can reflect recent growth or a legacy of strength in the cluster.

Metric 3: 1998-2006 West Louisville Location Quotient Growth
Local growth in LQ compared to US growth in LQ provides a measure of the *change in relative strength of the cluster in West Louisville*. This measure is important because emerging clusters—which may have great prospects for growth—will have low LQs but high 1998-2006 LQ growth.

Metric 4: Projected US growth, 2006-2016
High-growth clusters are better investment targets because they provide *opportunities for long-term growth*.

These four metrics provided ICIC an accurate picture of a cluster's strength at that moment, and how strong it will be in the future. All of these considerations lead to three broad recommended courses of action in West Louisville:

1. Focus on *national business attraction* by encouraging businesses within particular clusters to consider the competitive advantages of West Louisville.
2. Put a premium on *business retention* in West Louisville by listening to the concerns of local businesses and doing

[5] See Introduction for a full explanation of LQ, LQ Growth, and Compound Annual Growth Rate, or CAGR, in the Introduction.

everything possible to make West Louisville a permanent location for these businesses.

3. Become a hub for *business expansion and consolidation* within regional clusters that need a centralized location from which to operate by promoting the advantageous location of West Louisville in the Louisville MSA.

Moving on to the more specific data evaluation, ICIC grouped the traded clusters that appear most promising into three separate categories: Attraction/Retention Targets Tier 1, Attraction/Retention Targets Tier 2, and Expansion Targets. Tier 1 and Tier 2 Attraction/Retention targets are clusters which fit into the *national business attraction* strategy, and Expansion Targets are clusters which fit into the *regional business expansion and consolidation* strategy. The results of ICIC's evaluation are explained in more detail below:

Attraction/Retention Targets Tier 1

- Building Fixtures, Equipment, Services
- Heavy Construction
- Medical Devices
- Metal Manufacturing
- Motor Driven Products
- Plastics
- Prefabricated Enclosures

Attraction/Retention Targets Tier 2

- Analytical Instruments
- Automotive
- Business Services
- Chemical Products
- Distribution Services
- Entertainment
- Financial Services
- Processed Foods
- Publishing and Printing

Expansion Targets

- Furniture
- Leather and Related Products
- Lighting & Electrical Equipment
- Motor Driven Products
- Plastics
- Prefabricated Enclosures

Section III: Application to the Park Hill Corridor

In order to take the previous cluster data analysis a step further, ICIC set out to create an economic analysis that balanced economic growth with community development. Three particular broad strategies emerged:

1. Utilize historical economic data to establish the competitive strengths, and discern the current growth trajectory of, the Corridor.
2. Look to current conditions on the ground to determine likely future needs in the community.
3. Use future economic growth forecasts to pinpoint strategies that are both pragmatic and sustainable.

To start this economic analysis, ICIC identified three areas of particular strength in the Park Hill Corridor which should be capitalized upon. These strengths are (1) Local Business Services, (2) some Traded Clusters, and (3) those clusters that are prime candidates for the type of regional expansion/consolidation discussed in Section II of this report.

1. Local Business Services are strong throughout West Louisville. Local Logistical Services; Local Industrial Products and Services; Local Commercial Services; and Local Food and Beverage Processing all have a demonstrated strength in the Park Hill Corridor. The strength of these local business services must play an important role in the revitalization of the Corridor.
2. There are several Traded Clusters that could be included as part of an economic growth strategy for the Corridor.
3. Businesses within some clusters that are likely to decline nationally in the coming years may need a geographic hub from which to operate if they are to stay profitable. Because of its strategic location in the Louisville MSA, the Park Hill Corridor could serve as such a hub for business expansion from both the MSA and the wider region.

ICIC's research indicates that these three strengths can serve as the backbone of an economic development strategy for the Corridor. Nonetheless, ICIC noted that a workable strategy for the

redevelopment of the Corridor must be based on more than cluster strength and weakness. Accounting for the different goals and the different interests involved will be extremely important to the success of this project, so ICIC has attempted to summarize the competing objectives of the project. The following are four challenges that must be navigated in order to create a workable redevelopment strategy for the Corridor:

1. Short-term interest vs. Long-term interest:

Many of the industries with existing strengths in the Corridor have poor long-term prospects for growth. In particular, many of the strongest traded clusters are concentrated in declining national industries like tobacco, metal manufacturing, and chemical products. Strategies that focus on the expansion of local firms may provide a much-needed "burst" of economic growth, but they will exacerbate this problem in the long-term.

2. Industry vs. Residential

ICIC believes that the neighborhood's evolution will continue to involve both residential and industrial activity. The obvious need is to identify and confront any obstacles that this type of mixed-use causes.

3. Economic vs. Social Goals

High-wage and high-growth industries often do not employ large numbers of low-skill workers. However, it is imperative that many of the jobs that are created in the Corridor be accessible to local area residents. This is true both because employing local residents reinvigorates the neighborhood and because an area is more attractive to businesses when there is a ready workforce with which they can connect.

Also, the area's strengths in highly-polluting industries might be stymied by new air quality standards. The redevelopment plan should not be too reliant upon industries that may be hard hit by environmental regulations in the coming years.

4. Jobs vs. Careers

Available job opportunities for low-skilled workers are often low wage and temporary in nature. These types of jobs do not lead to the skill acquisition and advancement associated with "careers." A plan to create jobs should be cognizant of the short term, but it also should recognize the vital role that job stability plays in allowing workers to gain human capital and become more employable.

With these challenges in mind, ICIC formulated a set of specific recommendations that account for the perspectives described above and encourage the right type of development in the Corridor.

1. Focus on the development of clusters rather than the development of individual businesses.

Attracting and growing businesses, while vital to the long-term prospects of the area, should be viewed as only one step in the development process. By promoting a comprehensive cluster-based approach to the redevelopment of the Corridor, the city can ensure that sustainable growth is maximized.

Conceptualizing business growth and attraction as a sort of foundation for cluster growth and attraction can help to accomplish this goal. In this view, each business that grows or relocates in the Corridor is laying the groundwork for a future time when businesses within that same cluster will be naturally attracted to the Corridor because of its cluster strength and density. This wider view ensures that local leaders stay focused on the goal of creating a "self-sustaining" economy in the Corridor that grows and expands because of its competitive advantages.

2. Do not waste resources recruiting businesses to the area that do not fit into a cluster-based strategy.

For the reasons explained above, it is not wise to recruit firms or industries that cannot be leveraged into broader cluster strength. Ask, "Can we build this cluster?" before investing significant resources into attracting a business, even if the business can provide short-term job-growth.

3. Focus on clusters that demand a range of skills.

By promoting growth in clusters that have low-skilled and high-skilled activities and great upward mobility, local leaders can provide an immediate boost to the area and ensure that good jobs will be available to committed and hard-working local residents in the long run. This approach is economically sound and socially responsible. It will connect low-skilled workers with appropriate jobs while providing opportunities for wage growth and skill acquisition that hold great promise for steadily reinvigorating the area and empowering its residents.

4. Encourage a broad industry mix within clusters.

Focusing on a small number of clusters and maximizing the Corridor's presence within these clusters will allow local businesses to reap the full benefits of cluster concentration. Capturing different parts of the value-creation chain across a range of end products and activities also will alleviate concerns about creating too many low-wage, low-mobility jobs. Workers at the low-wage end of the supply

chain will be more upwardly mobile if higher-wage, higher-skill activities within the chain also are clustered in the Corridor. Simultaneously, this type of “supply-chain clustering” is extremely efficient for businesses, especially given rising fuel costs.

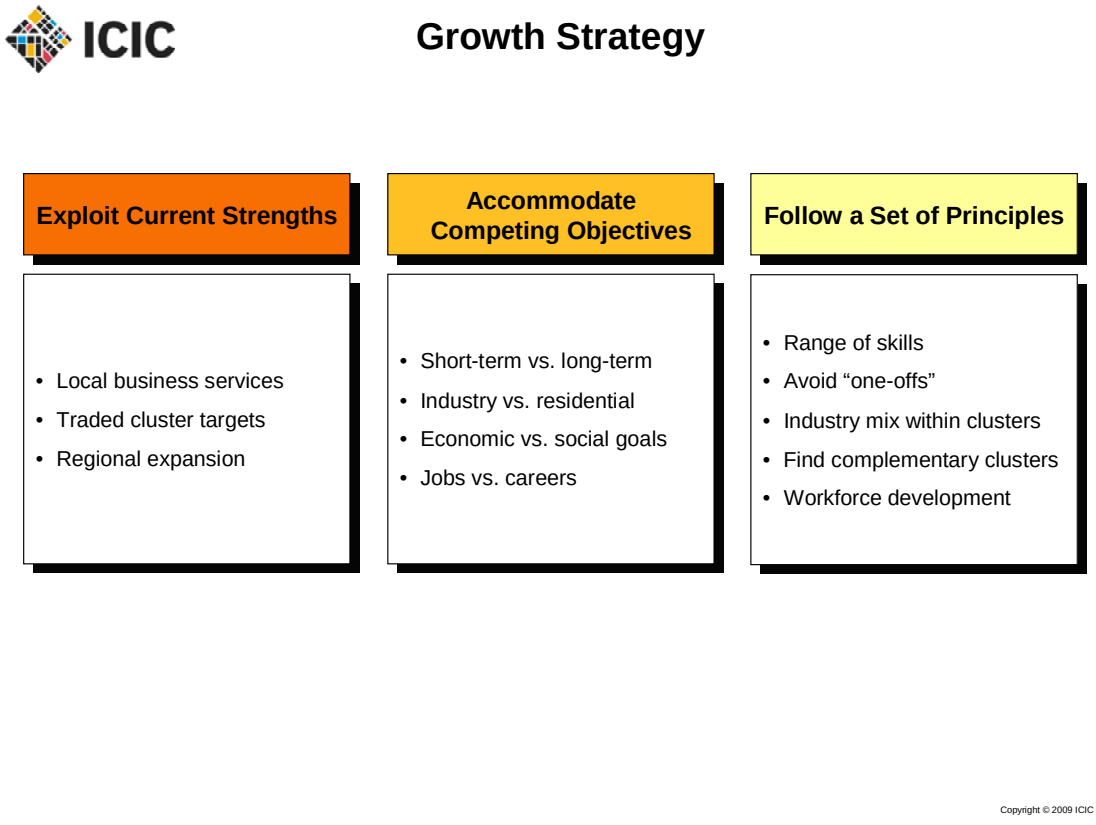
5. Seek out complementary clusters to amplify the benefits of cluster density.

Similar clusters can feed off each other if they are concentrated in the same area for the same reason that businesses within a particular cluster can benefit from being highly concentrated. By finding clusters that require similar skills, materials, or infrastructure and recruiting businesses within these clusters, local leaders can create important synergies. Again, this promotes labor flexibility and mobility by creating a pool of workers who are prepared for any number of available jobs in the area. This flexibility encourages more businesses within these clusters to invest in the area, which can lead to more businesses devoting resources to educating the local workforce by providing job training for higher-skilled work.

6. Focus on growth through upgrading

A strategy that focuses on a small group of clusters and attempts to attract new businesses from progressively higher ends of the value chain within those clusters will provide the greatest potential for responsible job growth and wage growth. It will do this by providing local workers the opportunity to develop the skills that will increase their wages and make them more employable. Workers will be able to slowly develop these necessary skills by first working in lower-skilled jobs and then steadily advancing to jobs within the same cluster that pay higher wages because they involve value-added products.

A summary of the growth strategy for the Park Hill Corridor is illustrated below:



Considering the three elements of this growth strategy, ICIC identified the following clusters for their potential to reinvigorate the Park Hill Corridor:

Business Services
Rationale: Existing strength; West Louisville's location allows it to serve much of the MSA; strong growth is expected in this cluster over the next decade.

Construction
Rationale: High local demand, training in place, existing strength in heavy construction; West Louisville is well-situated for construction materials handling and distribution, as well; activity is largely off-site, won't harm local air quality.

Processed Foods
Rationale: Rail and river allow raw materials to be received cheaply and efficiently; good access to regional and national consumer

markets; cluster is strong in most U.S. inner cities; complement to distribution; strong regional agricultural cluster.

Distribution
Rationale: West Louisville has access to river, rail, roads, UPS; there is existing demand for warehouse space in West Louisville; long-run play from warehouse to higher-end to specialized distribution that exploits UPS is possible; could include third-party medical testing, e.g., blood tests; complements food and construction.

Clean Manufacturing and Research
Rationale: West Louisville's strengths are threatened by stricter environmental regulations; if clean processes and products could be developed for glues, coatings, solvents, etc., existing strengths could survive and grow.

Craft Manufacturing
Rationale: Region is known for hardwoods; existing strengths in furniture; small footprints fit West Louisville; artists and arts are growing in the neighborhood.

By making cluster recommendations based not only on the current competitive advantages of West Louisville, but also on the goals of the revitalization strategy, ICIC's micro-cluster analysis provides one part of the foundation for the master planning process for the Park Hill Corridor and continued guidance for the economic development efforts in West Louisville.