



The Montrose Group, LLC

Using ARPA to Advance Rural Development Strategies

Missouri Economic Development Council
2021 Annual Conference



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Economic Development Planning

Helping communities, organizations, and companies plan their economic future, develop sites, and redevelop downtowns

Corporate Site Location & Tax Incentives

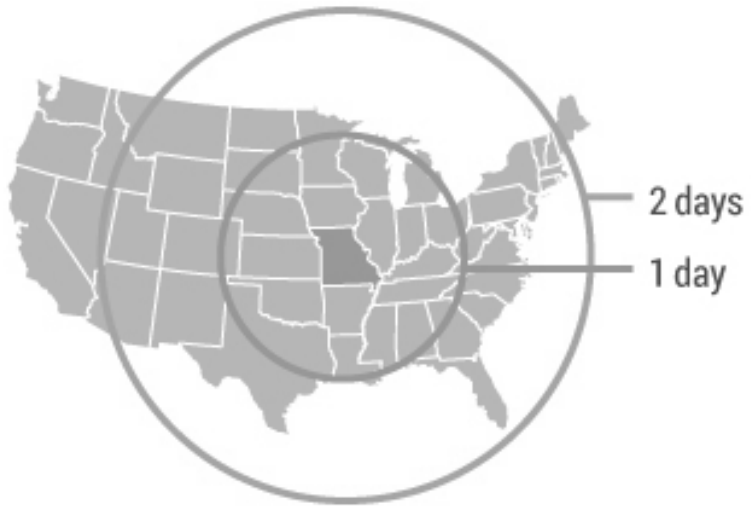
Serving companies searching for a new location by researching growing markets and negotiating tax incentives

Lobbying

Advocating for companies, communities, and trade associations on budget, policy, procurement, regulatory reform and tax matters before the local, state, and federal government

Track Record Positioning Communities for Success

Understanding community strengths and aligning those strengths to capitalize on development opportunities



Missouri at a Glance



American Rescue Plan Act



ARPA Funding for
Long-Term Impact

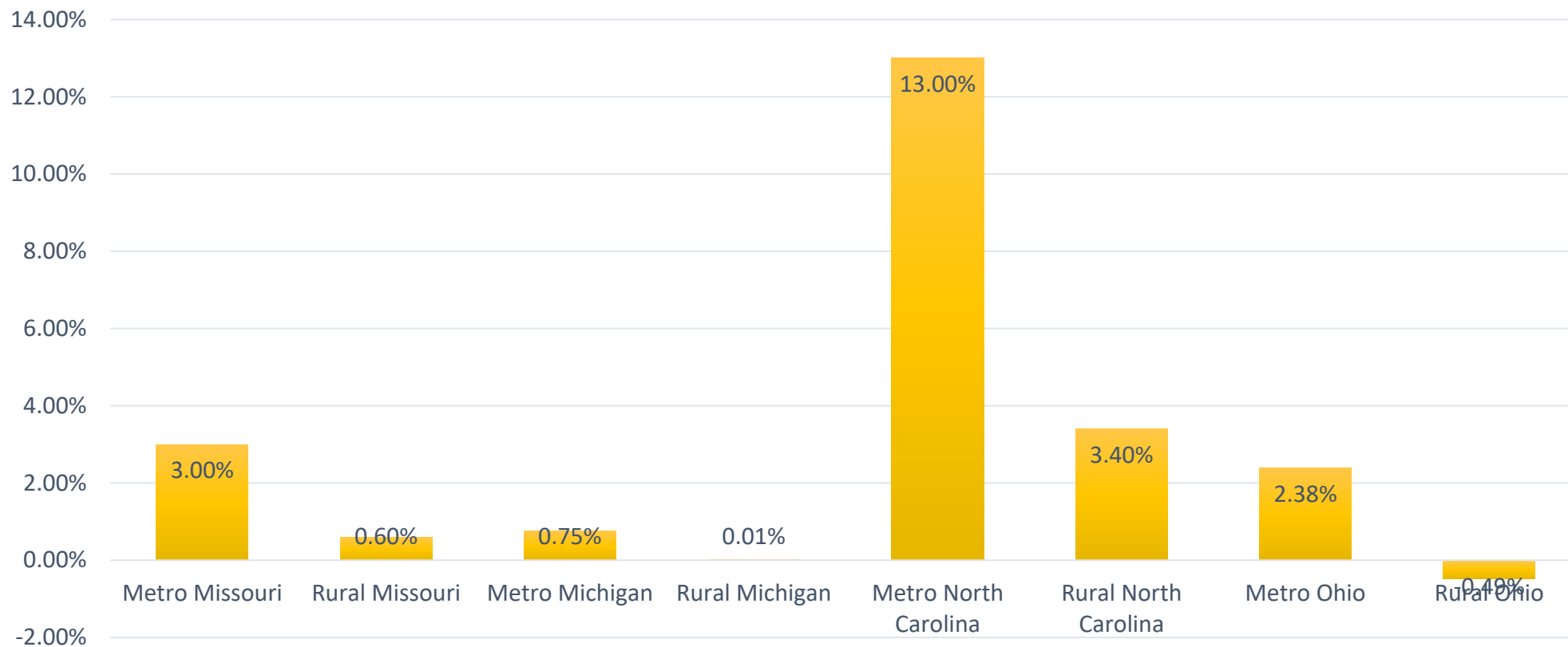


Q&A

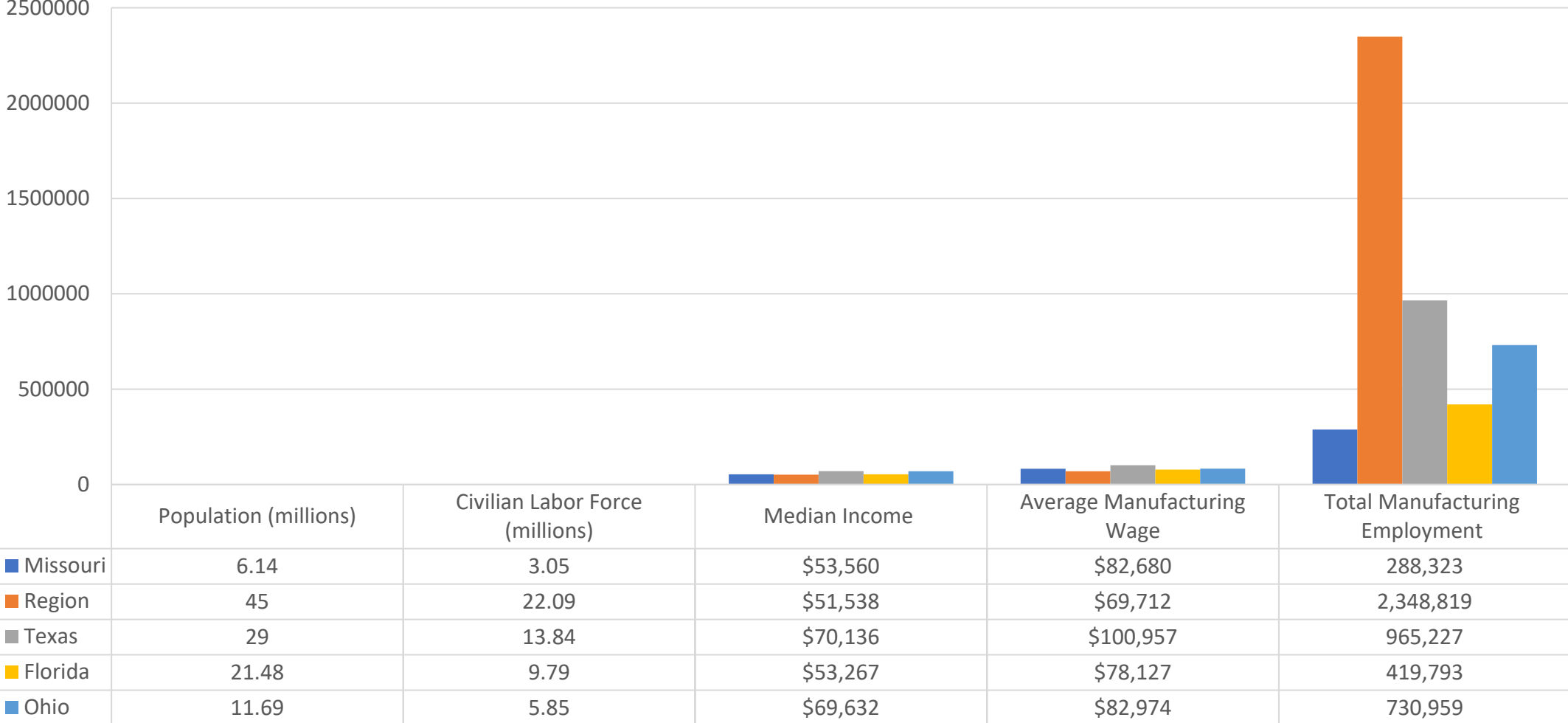


Why is Rural Development Important

Rural vs Metro Population Change 2009-19

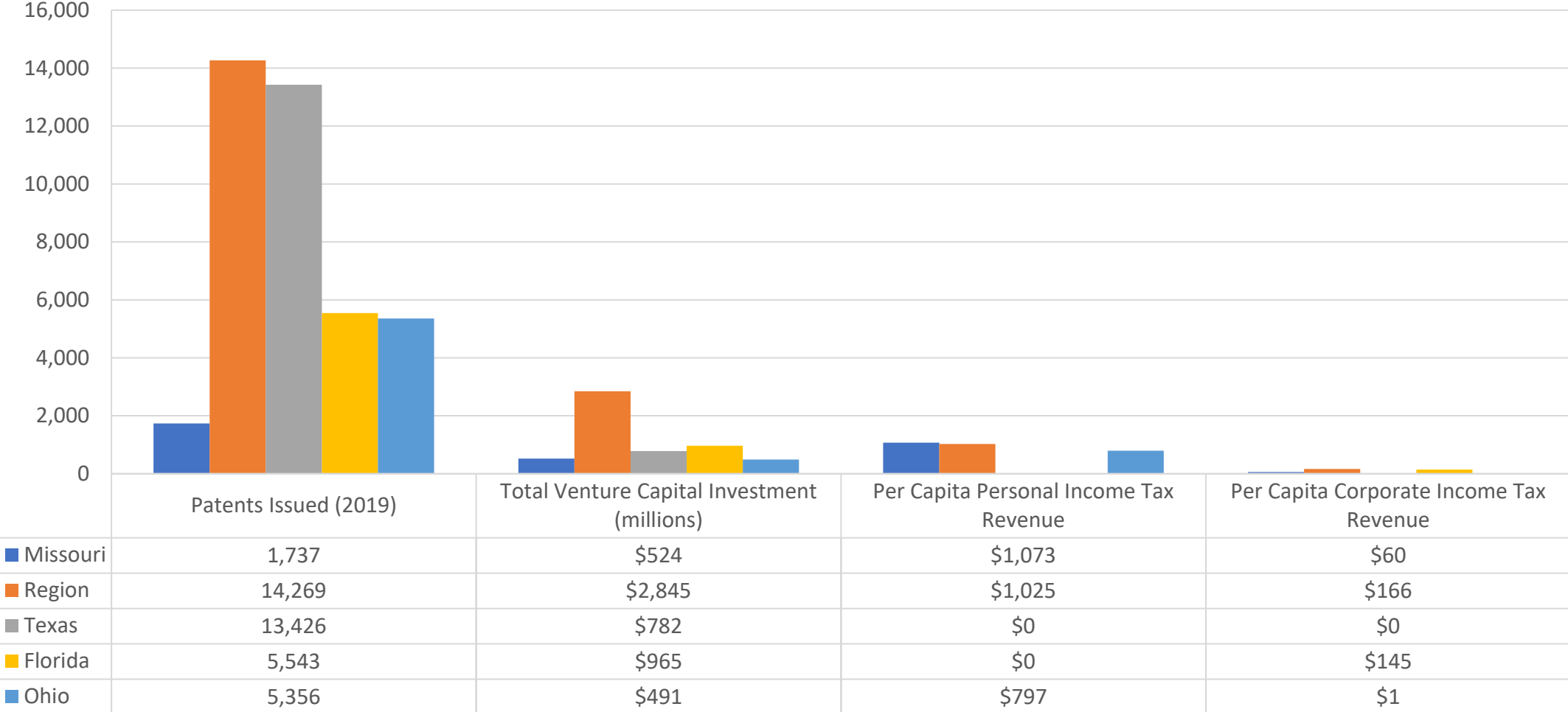


Missouri at a Glance



Source: MissouriPartnership.com

Missouri at a Glance



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Missouri at a Glance – Key Takeaways

Civilian Labor Force Participation Rate of ~49.7% is comparable to surrounding states and states like Florida, Ohio, and Texas

Median Income higher than surrounding region, but lags growing economies like Ohio and Texas

Manufacturing wages are strong and competitive

Weak issuance of patents and moderate venture capital investments likely slowing economic growth, as patents and venture capital promote innovation, encourage economic development, and attract talent

Per Capita Personal Income Tax Revenues are higher than region, Florida, Ohio and Texas – inhibiting talent attraction

Per Capita Corporate Income Tax Revenues on par with surrounding region, but are higher than states like Florida, Ohio and Texas

Southwest US – Magnet for CapEx

- Arizona, New Mexico, Texas, Oklahoma, and Nevada account for 30% of U.S. job growth in manufacturing over 3 years – adding more than 100,000 jobs (triple the national growth, according the US Bureau of Labor Statistics)
- Why the success? Open land, tax incentives, and a lower cost of living is driving a growing supply of the-savvy workers

Lucid Motors, Inc. - Arizona

- Lucid looked at 60 sites in 13 states before choosing 590-acre site in Pinal County, AZ (rural area dotted with dairy and cotton farms)
- Arizona's first auto-assembly operation
- Global supply chain disruptions, and the interruptions to Just-in-Time strategies is causing manufacturers to reshore or expand U.S. production – benefitting SW states the most
- Local trade school established training center near facility, and worked with Lucid to develop curriculum to train new hires – workforce talent attraction strategy

ARPA Program Overview

- \$350 Billion in State and Local Fiscal Recovery Funds
- Meet present needs and build a foundation for strong, equitable recovery
- Two tranches of funding dispersal
 - 50% beginning in May 2021
 - 50% delivered ~12 months after

Type	Amount (\$ billions)
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cites	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-Entitlement Units of Local Government	\$19.5

Source: Treasury.gov



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Missouri's ARPA Allocations

- \$1.272 Billion distributed to Missouri municipalities
- \$1.2 billion distributed to Missouri counties

Source: Treasury.gov

Missouri Municipality Allocations

Blue Springs	\$6,190,665.00
Cape Girardeau city	\$8,280,673.00
Columbia	\$25,284,624.00
Florissant	\$6,677,255.00
Independence	\$21,485,924.00
Jefferson City	\$7,586,581.00
Joplin	\$13,779,739.00
Kansas City	\$194,776,376.00
Lees Summit	\$8,310,882.00
O'Fallon	\$7,774,553.00
Springfield	\$40,276,290.00
St Joseph	\$38,704,807.00
St Louis	\$439,692,690.00
St. Charles city	\$7,157,499.00
St. Peters city	\$4,570,716.00

Largest County Allocations – Jackson County \$136.6M

Greene County \$56.9M

Clay County \$48.6M

Jefferson County \$43.7M

Lowest County Allocations – Mercer County \$702,560

Knox County \$768,989

Putnam County \$912,143

Average Allocation - ~\$4.5M



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American Rescue Plan Act

- ARPA funds at state level must be spent by 2023-2024, which is a relatively long timeframe for spending federal stimulus dollars
- Funding objectives appear to offer wide latitude for how dollars are utilized
 - Supporting COVID-19 response efforts
 - Replacing lost public sector revenue
 - Supporting economic stabilization of households and businesses
 - Addressing systemic public health and economic challenges.
- Allowable uses include COVID-19 mitigation efforts; assistance to households for food, rent, mortgage payments or utilities; unemployment trust fund deposits; loans or grants to help small businesses and non-profits; behavioral health care services; water, broadband and sewer infrastructure investments; premium pay for essential workers, and more.
- Long-Term Asset Investments
 - Broadband
 - Water/Sewer Infrastructure
 - RLFs to support small businesses/non-profits

ARPA Uses of Funding

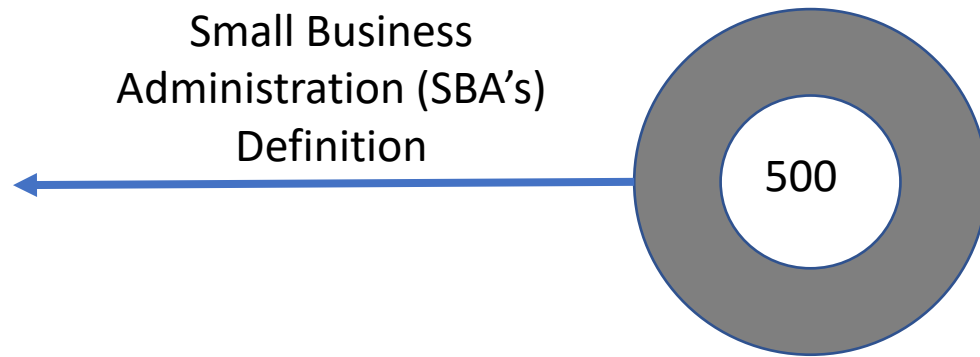
1. **Support public health expenditures** – funding COVID 19 mitigation efforts, medical expenses, behavioral healthcare, etc.
2. **Address negative economic impacts caused by the public health emergency** – including economic harms to workers, households, small business, impacted industries, and public sector
3. Replace lost public sector revenue – due to pandemic
4. Provide premium pay for essential workers – to those who bear greatest health risks because of their service in critical infrastructure sectors
5. **Invest in water, sewer, and broadband infrastructure** – improving access to and expanding access to critical infrastructure

Support Public Health Response

- **Services and programs to contain and mitigate the spread of COVID-19, including:**
 - ✓ Vaccination programs
 - ✓ Medical expenses
 - ✓ Testing
 - ✓ Contact tracing
 - ✓ Isolation or quarantine
 - ✓ PPE purchases
 - ✓ Support for vulnerable populations to access medical or public health services
 - ✓ Public health surveillance (e.g., monitoring for variants)
 - ✓ Enforcement of public health orders
 - ✓ Public communication efforts
 - ✓ Enhancement of healthcare capacity, including alternative care facilities
 - ✓ Support for prevention, mitigation, or other services in congregate living facilities and schools
 - ✓ Enhancement of public health data systems
 - ✓ Capital investments in public facilities to meet pandemic operational needs ←
 - ✓ Ventilation improvements in key settings like healthcare facilities ←



Addressing Negative Economic Impacts in Small Businesses



...or small business?



65%
NET NEW JOBS

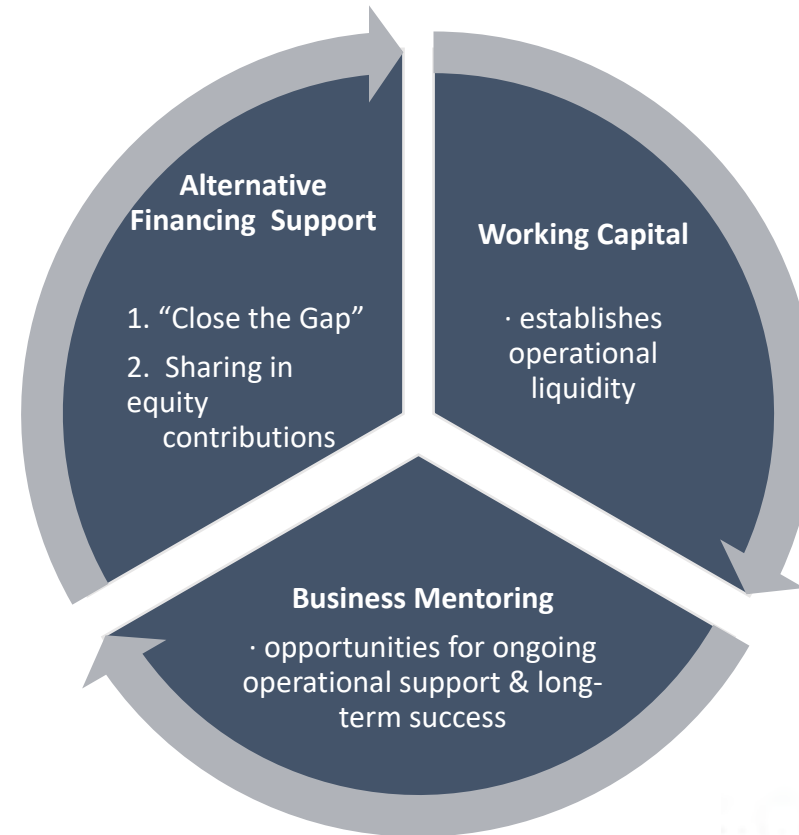
- Small businesses account for 65% of net new jobs. (2000-2018)
- 47.5% of all private sector employees
- 40.7% of private sector payroll
- 400K Small Business Closures vs. 433K Startups = 33K Net New Startups
 - Startup defined as being <1 year old

Source: U.S. Small Business Administration

Addressing Negative Economic Impacts in Small Businesses

Support to Drive Small Business Growth

Flexible and integrated support systems create an ecosystem where small businesses thrive and survive

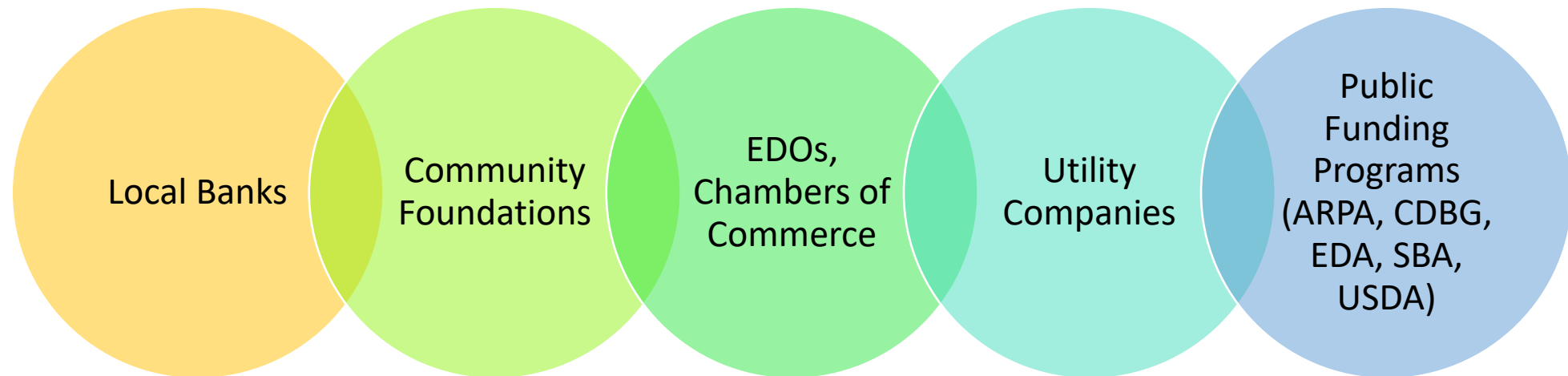


Addressing Negative Economic Impacts in Small Businesses

ARPA Mission Related Capital – RLF Small Business Lending Program Ideas

- **Gap Financing** – for more established businesses
- **Micro Loans** – for new and emerging businesses
- **Credit Building Loans** – small loan amounts to help entrepreneurs or credit-deficient owners build credit and ability to access conventional financing
- **Transactional Financing Loans** – for small contractors that need assistance with securing inventory and M&E for project bidding and construction
- **Consulting or Advisory Loans** – for small businesses needing professional services to bring projects to fruition
- **Loan Guarantees** – to back conventional lender financing
- **Seed/Venture Capital** - % of overall loan program income dedicated to seed money

Support for Establishing Local Revolving Loan Funds



Small Business Resources at Work

- Sustainable Opportunity Development Center – Salem, Ohio
 - Located in rural eastern Ohio
 - SOD Center is in historic downtown
 - Mission of SOD Center is to facilitate growth, advance vitality and improve quality of life for Salem residents
 - Off-site training space for unemployed job seekers to corporate executives
 - Co-working space for entrepreneurs and small businesses
 - Entrepreneurial and small business workshops
 - Access to high-speed broadband and technology resources
 - SOD Center staff advocates for business-friendly environment in Salem to promote turnkey small – to – large sector business development



Economic Reality of COVID-19

- Pandemic has accelerated trends across all industry sectors
 - Food processing/manufacturing
 - Distribution/Logistics
 - Class-A Office
 - Remote workforce has heavily impacted revenues in communities and is driving communities to both look at changes for dealing with remote workforce and capitalize on remote workforce opportunities for talent attraction
- Pandemic has exposed vulnerabilities in the supply chain
- Existing small businesses have been hurt and uncertainty in new small business starts and entrepreneurial endeavors

Rural Development's Role in New Economy

Revitalization of a community – downtown districts, legacy sites – to create new sense of place

Promote mixed-use in downtowns with retail, restaurants, shared space, incubators, and multi-family housing

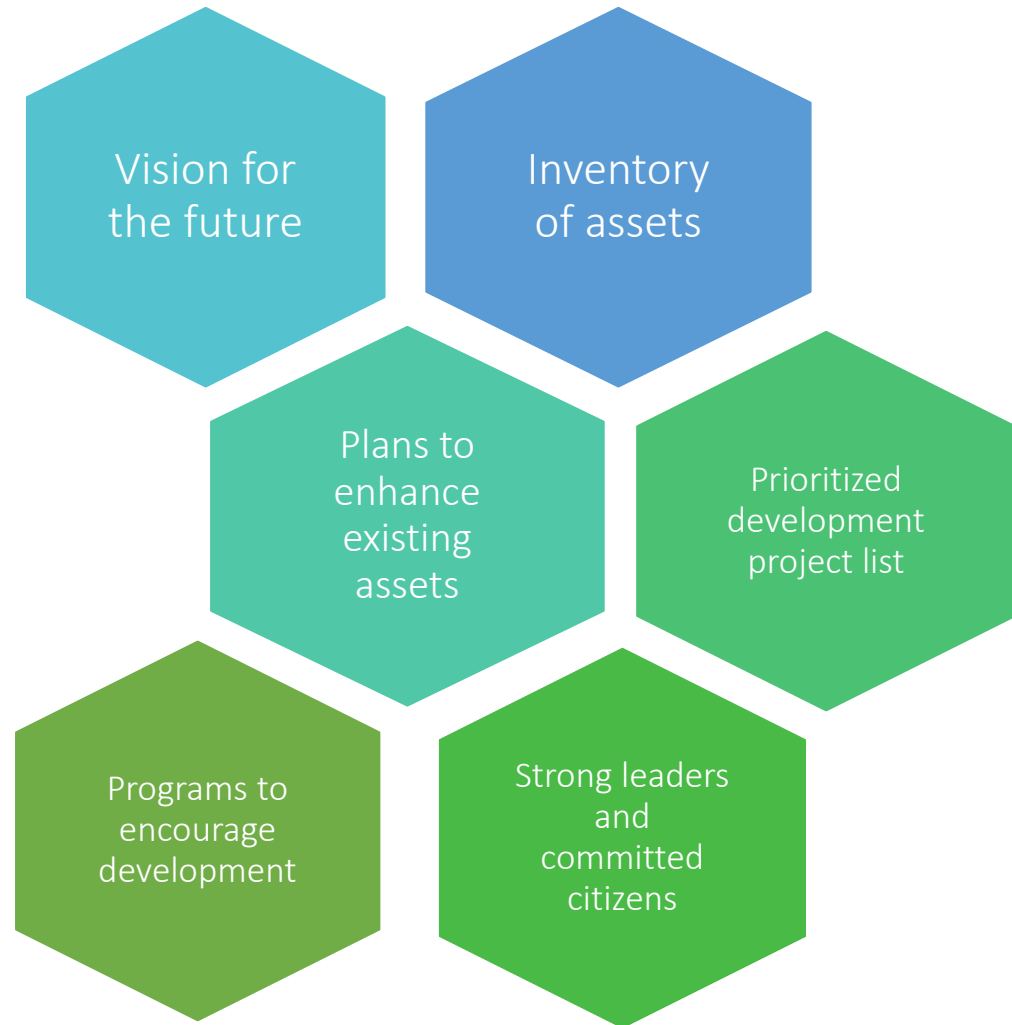
Promotes more housing options and inventory for talent attraction

Connectivity to broadband and technology infrastructure

Spill over effect of redevelopment creates economic vitality

Increases tax base and employment opportunities

Successful Rural Development Ingredients



Layers of the Capital Stack Cake



ARPA in Rural Development Recap

Develop a capital investment strategy for ARPA funds that generate long-term benefit

Water/Sewer Infrastructure that opens up new development sites

Broadband infrastructure attracts remote workforce and entrepreneurs

RLF programs for small business/entrepreneurial activities support new company creation

Downtown redevelopment and mixed-use needed in metro and rural communities

Added up, ARPA funding of long-term investments positions community for future

Thank You!

Questions?

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