

Ohio debates its state budget



Phillip L. Parker
CAE, CCE President & CEO

We are about 60 days out from a mandated balanced state budget and our leaders are still negotiating the priorities for Ohio for the fiscal years of 2018-2019.

Without a doubt, this is a big job, but they've had plenty of practice. Spend more or spend less? Cut more or cut less? Gore more or gore less? One thing is for sure: They can't or won't please everybody - or anybody - but maybe that's actually the strategy.

But with our combined knowledge of the pressing issues, can't we decide on our highest priorities and reduce some budgets so as to invest in others?

Six, almost seven years ago and then again two years later, some of us created a state plan called "Redesigning Ohio" where we offered priorities that would save millions in tax dollars that could then be re-invested in responsible actions that would drive Ohio to a more competitive advantage versus surrounding states.

We also said if we didn't take some bold measures in state government reform, more and more, each and every day, the burden of government services would fall more on the local level - your property tax duplicate.

By the way, Harvard University's Kennedy School of Government recognized this study and its recommendations by those nine Ohio chambers of commerce as one of the best reports on government efficiency in the nation.

In fairness, we did make some good progress and some worthwhile changes were made, but still not enough. We are still bloated in some areas and not focusing our attention on long-term strategic measures that will take us past Ohio's next gubernatorial election.

We must invest in areas that will strengthen us five, 10 or 20 years out if we want our children and grandchildren to stay in Ohio and have successful careers:

■ **Education** - We are blessed with many outstanding higher education institutions, both public and private four-year-plus universities and a strong community college system. We have some great and some not-so-great K-12 school systems. Where we miss the boat too often is the connection of students, parents and teachers with

local career opportunities and our business community. If we can't do a better job investing here, we are doomed for another generation or two of unskilled, mismatched workers in jobs we already have or will have in the future.

■ **Infrastructure** - This is more than just highways and bridges, more than just "build it and they will come." Remember "Field of Dreams"? But to be honest, it is also about highways and bridges and the next generation of cable and fiber. It's also about energy, whether it be gas, the electric grid or other renewables and water, including updated delivery systems. Nothing lasts forever, and these systems must be maintained and improved through public-private partnerships. We don't want to be and can't afford to be an aging state of Flints (Michigan). Their image will take a generation to reverse.

■ **Health and human services** - I could write a book or talk for hours about the changing healthcare systems, safety nets and those who need quality care. But that seems obvious with everything playing out on the big screen in Washington. But what about here - in Dayton, Xenia, Kettering, Troy? All around us is an opioid problem that is getting worse, not better. We see that news and

read about the death and family destruction and, let's be honest, we individually give thanks it didn't happen in our own family, or at least not tonight. But the destruction has long-lasting impacts on our families, employers and yes, our tax dollars. If we could fix this we might be able to use those long-term resources for something else - like feeding our hungry or educating our children or fixing our roads and bridges.

This state budget is not the panacea to all of our ills; it's far from it. I'm just as fond as the rest of you about paying less in taxes. But to be honest with you, if our leaders would figure out ways to spend less in certain non-critical areas, I would gladly give up my one-half percent or 1 percent reduction if they would use it and some of that expense savings that we all know can be had and then invest it over the next two, six or 10 years in areas we know will make a strategic difference in the future of Ohio, our children and children's children.

As our leaders debate this two-year, \$144 billion budget over the next six weeks, I look forward to watching our state's definition of state-supported strategic priorities and whether my and your tax dollars will be used efficiently, effectively, wisely and strategically.

BUSINESS

HOUSING

Robots may build homes at factories

Automated line helps solve shortage of labor in industry.

By Prashant Gopal and Heather Perlberg
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The future of U.S. homebuilding depends on more people like Cyndicy Yarborough, a 26-year-old former Wal-Mart clerk with no background in construction.

At Blueprint Robotics in Baltimore, she works in a factory that builds houses like cars, on an assembly line, using robots that fire thousands of nails into studs each day and never miss. Yarborough operates a machine that lifts floors and walls and packs them onto a flatbed truck, the final step before delivery to a development site where they'll be pieced together.

"I like being a part of something new, on the cutting edge," said Yarborough, a single mother who took the job at Blueprint last May.

For all the concern over automation removing jobs from the workforce, companies like Blueprint are actually helping to ease a labor shortage that has crimped construction of residences and commercial properties across the country.

The plants enable developers to fill the gap by having houses and apartment buildings manufactured off-site, for less money and in a fraction of the time.

Even Marriott International Inc., the world's biggest hotel operator, is increasingly turning to modular construction for some of its properties.

To meet growing demand, high-tech plants are opening, and older factories that were shuttered after the last decade's real estate crash - many in areas such as rural Pennsylvania, where labor costs are cheap - are being revived. Builders hire the factories to manufacture homes in sections, which are transported on trucks, then laid down on foundations by cranes, like giant Legos. Sometimes the modules are fully framed rooms, complete with tile showers and gourmet kitchens.

"This has to be the wave of the future - I don't know how we solve the labor shortage otherwise," said John Burns, an Irvine, California-based homebuilding consultant.

"What drives modular construction is the ability to build the house more cost-effectively."

U.S. homebuilders say the labor crunch is their biggest challenge, and that it's pushing costs up as much as 5.2 percent on average, according to National Association of Home Builders/Wells Fargo surveys last year.

President Donald Trump's proposals to crack down on undocumented workers may further squeeze the industry, one heavily dependent on immigrant labor.

The idea of transporting homes in prefabricated sections has roots in the early 1900s, when homesteaders could buy kits from a Sears, Roebuck & Co. catalog for assembly on their newly acquired plots of land. In the 1980s and 1990s, it became increasingly popular to build lower-cost homes in factories, according to Gary Fleisher, who runs a blog for the industry called Modularhomecoach.com.

Today's plants are capable of producing bigger buildings with more elaborate designs. The Blueprint factory in Baltimore is one of the first in the U.S. to use robots, Fleisher said. Taller multifamily buildings, dorms and hotels are increasingly being manufactured indoors. And so are mansions that sell for millions.

"Some builders won't even advertise they work with modular companies like us," said Myles Biggs, general manager of Ritz-Craft

Corp.'s Pennsylvania construction facility. "You could be driving past a modular home and not even know it, because it looks just like one next door."

Ritz-Craft can deliver a single-family house in six to eight weeks, on average. Having an indoor facility means weather delays are rarely a factor. Each worker is given a narrow concentration, like tiling floors or sanding drywall, which increases production speed. People without any background in construction can become skilled laborers in two weeks, according to Biggs.

The idea is catching on with Marriott, which aims to have agreements with North American developers this year to produce about 50 of its Select branded hotels in factories, said Karim Khalifa, senior vice president of global design strategies. In December, Marriott opened a Fairfield Inn in Folsom, California, with 97 rooms - all built at a Guerdon Enterprises plant in Boise, Idaho.

Last month, a collection of Marriott hotel rooms was getting wood-framed walls and ceilings at a Champion Homes factory in Liverpool, Pennsylvania. Even the beds and televisions will be in place before the boxes are shipped through stretches of highway and stacked in Chapel Hill, North Carolina, next month.

"What we like is how well modular is built," Khalifa said. "These things have all been designed to be transported. They have the integrity of a shipping container."

Apartment developers, too, are increasingly going with modular construction, especially in fast-growing cities such as Denver and Nashville, Tennessee, said Rich Rozycki, head of Champion Homes' commercial division, which has seen its pipeline grow 50 percent since 2014. The company also has had discussions with national homebuilders looking for a solution to their labor problems, he said.

Labor costs are more favorable for factory construction, according to David Reed, vice president of Champion's modular division. Workers make about \$15 to \$20 an hour in rural Pennsylvania. That compares with \$50 to \$100 an hour in the markets the manufacturers serve, like New York's Hudson Valley, and the Washington, D.C., area, Reed said.

Builder Kris Megna works with Champion to create houses as large as 10,000 square feet (930 square meters) in the pricey suburbs of Boston. Megna, 31, who founded Dreamline Modular Homes in 2010, said almost any custom design is possible, even though the modules can't be much bigger than 60 feet by 16 feet (18 meters by 5 meters).

Walls between sections can be knocked down for open-concept kitchens, and cutouts can create vaulted ceilings, he said.

"The house is 60 percent complete when it arrives, and that means 60 percent of the headaches of building are gone," Megna said.

For less-expensive homes with smaller margins for developers, transportation costs can eat up the savings of going modular.

Federal restrictions also limit the size of each box, or section of home being moved, which can mean more on-site construction. There's also the stigma, modular manufacturers say, that connects them to the industry's oldest relative.

"Often when we exhibit a model home at trade shows, I will hear comments like 'This is nice for a trailer,'" said Biggs of Ritz-Craft.

"Our homes are far from it, and in many ways higher-quality than those built on site."

Economic Indicators

Sales Tax Collections

County	Current Rate	Jan 2017	Jan 2016	12 Mos Change	YTD 2017	YTD 2016	YTD Change
Butler	0.75%	\$4,119,424	\$4,267,829	-3.48%	\$4,119,424	\$4,267,829	-3.48%
Clark	1.50%	\$2,648,158	\$2,561,257	3.39%	\$2,648,158	\$2,561,257	3.39%
Darke	1.50%	\$842,255	\$847,907	-0.67%	\$842,255	\$847,907	-0.67%
Greene	1.00%	\$3,060,999	\$2,954,419	3.61%	\$3,060,999	\$2,954,419	3.61%
Miami	1.25%	\$1,850,768	\$1,752,951	5.58%	\$1,850,768	\$1,752,951	5.58%
Montgomery	1.00%	\$8,182,689	\$8,301,060	-1.43%	\$8,182,689	\$8,301,060	-1.43%
Prebble	1.50%	\$584,978	\$505,179	15.80%	\$584,978	\$505,179	15.80%
Warren	1.00%	\$3,976,340	\$4,004,331	-0.70%	\$3,976,340	\$4,004,331	-0.70%
Region Total		\$ 25,265,611	\$ 25,194,933	0.28%	\$ 25,265,611	\$ 25,194,933	0.28%

Source: http://www.tax.ohio.gov/tax_analysis/tax_data_series/sales_and_use/publications_tds_sales/S1M0116.aspx

Residential Home Sales

	Jan '17	Jan '16	%Change	YTD '17	YTD '16	%Change
Number of Homes Sold	850	842	0.95%	850	842	0.95%
Total Home Sales	\$118,959,210	\$104,443,100	13.90%	\$118,959,210	\$104,443,100	13.90%
Average Sale Price (\$)	\$139,952	\$124,042	12.83%	\$139,952	\$124,041	12.83%

Source: Dayton Area Board of Realtors, Dayton Area Home Sales for January 2017

Calendar of events

Register for all events at Dayton-Chamber.org.

Group Rating 2 Hour Safety Training/Hot Topic Session, April 25, 7:30-10 a.m., Crowne Plaza Dayton, 33 E. Fifth St., Dayton. Topic: Recordkeeping 101; speaker: Robert Shearer, Shearer Safety Services

Dayton Area Logistics Association Tours Winsupply, April 26, 3-4:30 p.m., Winsupply Inc. Distribution Center, 9300 Byers Road, Miamisburg. Topic: "The Business of Logistics"; speaker: Richard Schwartz, chairman of the board, Winsupply Inc. **Minority Business Partnership Business Opportunity**

Breakfast, April 27, 7:30-10 a.m., Dayton Convention Center, 22 E. Fifth St., Dayton. Topic: Speed networking - construction, and goods and services **Generation Dayton Day**, May 5, noon-5 p.m., lunch at Kroc Center, 1000 N. Keowee St., Dayton. Presenting various non-profit locations. Topic: Get out and

give back - young professionals service day **Legislative Day in Columbus**, May 16, 9-1:30 p.m., the Capital Club, 50 S. Front St., LaBistro Room, Columbus. Topic: Legislative Issues affecting business in Ohio

BUSINESS LEADS

MONTGOMERY COUNTY VENDORS LICENSE

- Clipper Courier Inc., 4600 S. Dixie Drive, Moraine 45439
- District 6 Donuts LLC, dba District 6 Donuts, 145 Mark Twain Court, Dayton 45414
- Taste, Sharon, dba Love's, 2010 Germantown St., Dayton 45417

LOCAL BUSINESS

CENTERVILLE Firehouse Subs opens in Centerville

Firehouse Subs' newest Dayton-area restaurant opened Tuesday in the Cornerstone of Centerville development.

This will be the fourth Dayton-area location for the chain, and another in Englewood also is gearing up to open, while a sixth is in the works in Sidney.

Firehouse Subs Area Developer Charles Fryman said he is looking for more locations.

The newest Firehouse Subs was built out at 5239 Cornerstone North Blvd. in a "Shoppes at Cornerstone" multi-tenant retail center in front of Costco Wholesale off Wilmington Pike.

The 1,800-square-foot sub

shop will employ about 35, Fryman has said. MARK FISHER

RESTAURANT Hawthorne Grill to rebrand, reopen

Following a trend of fine-dining restaurants moving toward a more casual approach, a Kettering full-service restaurant that has been open for nearly seven years has suspended operations in order to re-brand and reopen May 4 as a deli and breakfast spot that will no longer offer dinner service.

The Hawthorn Grill opened in 2010 at 1222 E. Stroop Road in Kettering, under chef-owner Candace Rinke, and has operated as a full-service restaurant since its opening.

"Life is about trusting your feelings, taking chances, find-

ing happiness, learning from the past, and realizing everything changes," Rinke said.

Sweet Prince Deli & Treat Co. will be a one-stop shop for coffee, espresso, cappuccino, breakfast sandwiches, breakfast pastries, lunch, sweet treats and carry-out of Hawthorn Grill's popular items - mushroom soup, house salads, white bean chicken chili, lemon-dill potato salad, chocolate chip cookies and bread pudding, Rinke said.

MARK FISHER

RESTAURANT Philly Pretzel Factory to give out pretzels

Still haven't tried the Philly Pretzel Factory shop that opened last November in Centerville? Your chance is coming up - and it won't cost you a dime.

The franchise store's co-owner, Ed Horan, said his store will participate in the National Pretzel Day promotion on April 26 by offering one free pretzel to each customer, no purchase necessary.

The store is located at 1063 S. Main St. (Ohio 48) in the Centerville Place shopping center, near the Spring Valley Pike intersection.

This is the 10th year for the free-pretzel offer from Philly Pretzel Factory, which is, indeed, headquartered in Philadelphia.

Founded in 1998, Philly Pretzel Factory now 150 units nationwide.

The Centerville location - launched by Ed Horan and his wife Julie Horan - is the first, and still only, Philly Pretzel Factory in Ohio. MARK FISHER