



## Boomtowns '06

Bellingham, Washington; St. George, Utah; McAllen, Texas... You may be surprised by the places that top our list of the hottest cities for entrepreneurs.

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Call it the revenge of the boondocks. For several years now, the nation's entrepreneurial hotbeds have been migrating from the major urban centers to smaller cities on the periphery. But a funny thing happened on the way to *Inc.*'s 2006 Hot Cities list. Demographic trends have accelerated to the point that what once constituted the periphery is no longer, well, peripheral. Sure, longtime list-topping cities such as Phoenix, Daytona Beach, and Orlando again are posting strong job growth and continue to be great places to do business. But the nation's newest entrepreneurial hotbeds can be found even further afield--in cities like Bellingham, Washington; Port St. Lucie, Florida; and McAllen, Texas--places that have never registered as business centers. The rise of these small communities is the most important trend emerging from this year's survey of the nation's hottest places to do business. As always, our list (which was compiled by Michael A. Shires, professor of public policy at Pepperdine University) puts the focus on job growth, which we believe is the best measure of a region's economic vitality--especially as it applies to entrepreneurs. The Small Business Administration estimates that small companies generate as many as three-quarters of the nation's new jobs; as a result, a region showing strong job creation is likely to be a hotbed of entrepreneurial activity. What's more, strong job growth suggests that a region's economy is expanding. That means new demand and new opportunities.

To compile the rankings, *Inc.* measured current-year employment growth, as well as average annual job growth over the past three years and compared job growth in the first and second halves of the period comprising the past 10 years. The big difference this year is the number of communities surveyed. In years past, the Bureau of Labor Statistics, which generates the job-growth data, surveyed 274 metropolitan statistical areas, or MSAs. This year, BLS surveyed 393--which has allowed us to paint a far more accurate picture of where the action really is.

Red-hot Florida is the center of that action, contributing 19 cities to the list's top 100. Indeed, every one of the state's metro areas is experiencing significant population and job growth. The three star megaregions of the desert Southwest--Las Vegas (No. 9), Reno (No. 25), and Phoenix (No. 36)--boast many of the same advantages and are experiencing similar levels of growth. Now much of that growth is spilling over into even smaller areas, such as St. George, Utah (No. 2), Idaho Falls, Idaho (No. 10), and Bend, Oregon (No. 14). Says St. Louis-based demographer Wendell Cox: "This is the sprawl beyond the sprawl."

The nation's largest urban areas continue to lag. New York City comes in at No. 292, Boston at No. 343, and Philadelphia at No. 392. This is in stark contrast with surrounding areas, such as the suburbs of Philadelphia and Washington, D.C. The industrial belt also is lagging; it accounts for five of the bottom 10 MSAs, including last place Muncie, Indiana.

Admittedly, it's a lot easier for small, emerging regions to post big growth rates than it is for big, mature ones. Still, it's hard to deny the advantages of the boomtowns described in the pages that follow. We've profiled the top 20 cities in three categories--small (an employment base of less than 150,000); medium (150,000 to 450,000), and large (more than 450,000). We've also included some U.S. Census figures ranking the nation's cities on measures like median income, health, and education.

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