Kent County, Delaware

Economic Development Strategy Initiative

Presentation to the City of Dover • November 2007



Moran, Stahl & Boyer

EXHIBIT #1
Council Workshop of 11/05/2007

Discussion Topics

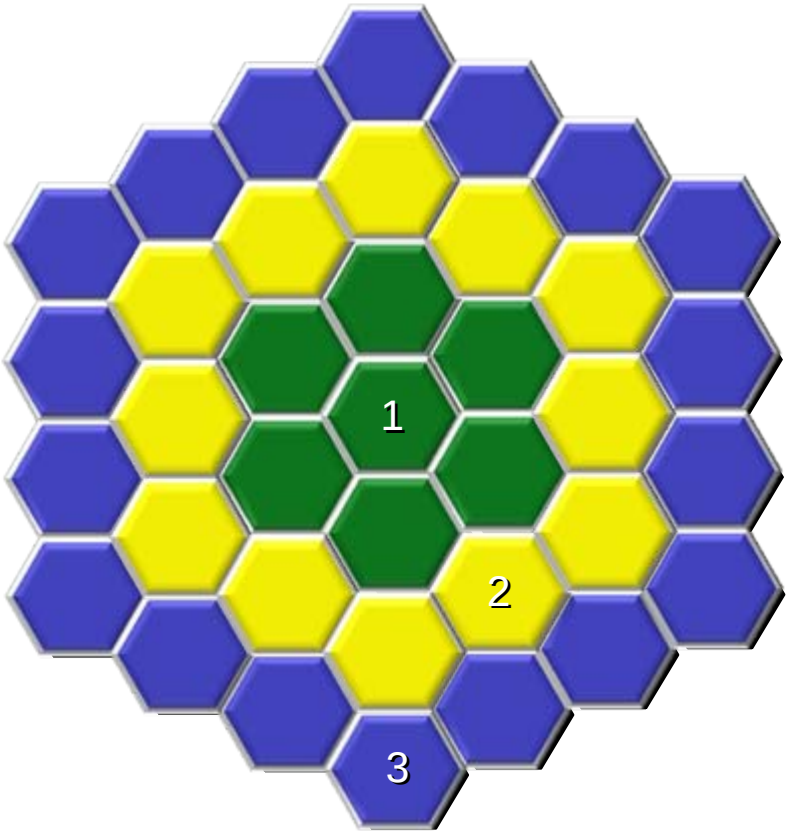
- Project Objectives
- Dynamics of a Typical Economy
- Overview on Kent County's Economy
- Findings of Stakeholder Interviews and Employer Survey
- Assessment of Physical Resources to Support Economic Development
- Economic Development Recommendations for the City of Dover

Objectives of County-Wide Initiative

- Address the employment needs of current and future residents while responding to the resource requirements of its businesses;
- Understand Kent County's economic development strengths and weaknesses from the "big picture" perspective;
- Respond to a changing economy as well as unprecedented population growth by providing a strategic plan for Kent County's economic development program; and
- Identify the facilities, resources and organizational support necessary to achieve the county's goals for economic growth and development.

Dynamics of a Typical Economy

Composition of a Local Economy



Level 3 - Consumer Services:
Provide services to local residents

Level 1 - Primary Industries:
Employers that infuse money into the county from outside sources, such as:

- State/Federal Government
- Agriculture
- ✔ Manufacturing
- Colleges/Universities
- ✔ Financial Services Firms
- ✔ Professional/Scientific/Technical Serv.
- Regional Healthcare Operations
- Regional Retail Operations
- ✔ Regional Distribution Operations
- Tourism-Related Businesses

✔ Typical Economic Development Focus

Level 2 - Business Support Services:
Provide support service to the primary industries located in the county

Consider: Quality/Variety of Jobs and Size of Tax Base vs. Demand for Services

Land Use Options: Jobs/Tax Revenues vs. Quality of Life

Jobs and Tax Revenue Generating Land Use Options

- Government Operations
- Healthcare
- Industrial & Office Parks
- Retail Options
- Colleges and Universities
- Tourism (Hospitality and/Destinations)
- Agriculture

Transportation Infrastructure/Utilities

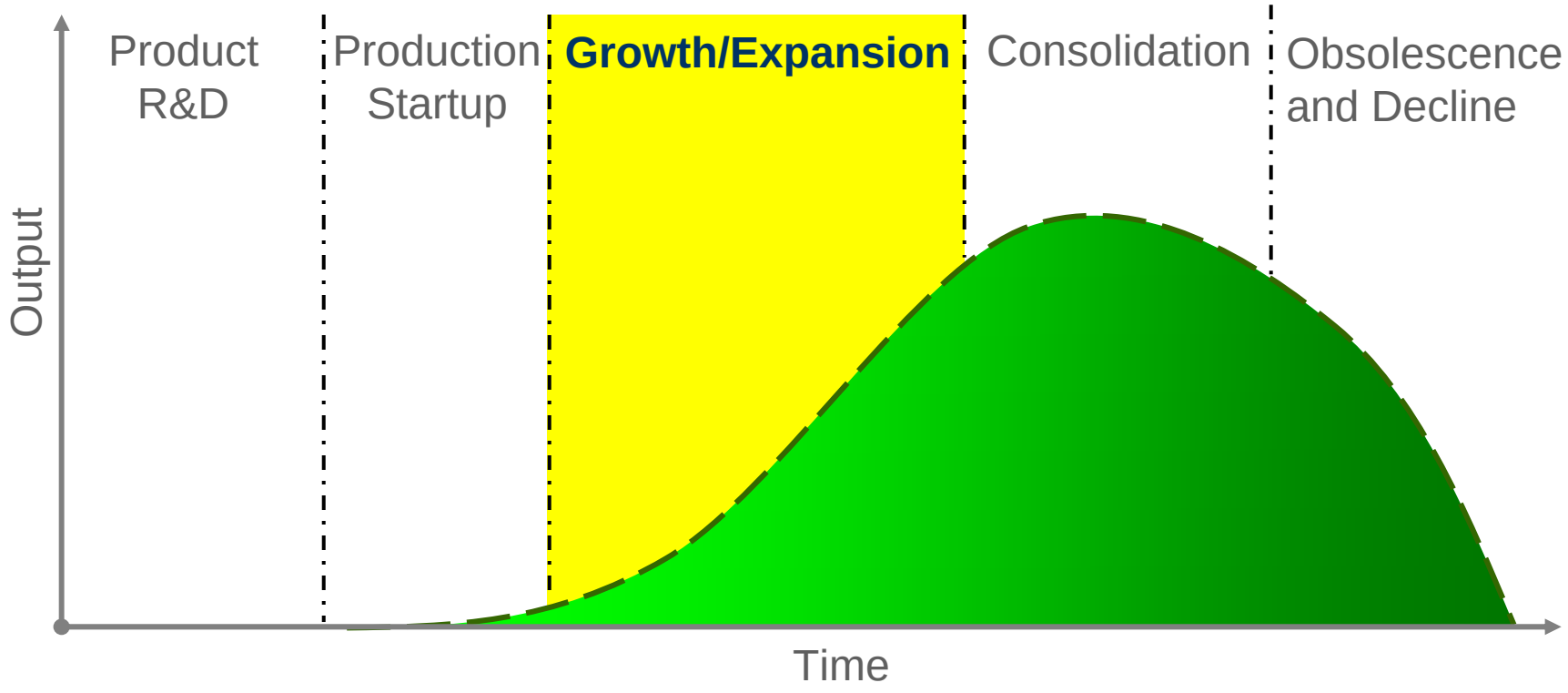
Quality of Life Land Use Options

- Parks/Natural Land
- Residential Development
- K-12 Schools
- Cultural Facilities (Museums, Civic Center, etc.)
- Religious Facilities

Economic Development Opportunities vs. Community Impact

Economic Segment	Number of Jobs	Level of Compensation	Tax Revenue	Impacts on Community
Office Park	Highest	Highest	Highest	Increased commuter traffic
Manufacturing Plant	Moderate	Wide variation	High	• Traffic during shift changes • Truck traffic (need to locate near primary highway) • Potential water use, air emissions, wastewater and solid waste
Warehouse Operation	Low to Moderate	Low to Moderate	Moderate	Truck traffic (need to locate near primary highway)
Retail Complex	Low to Moderate	Low	Moderate	Increased local traffic
Residential Development	Moderate (construction)	Low to Moderate	Relatively Low	Expansion of schools and infrastructure required

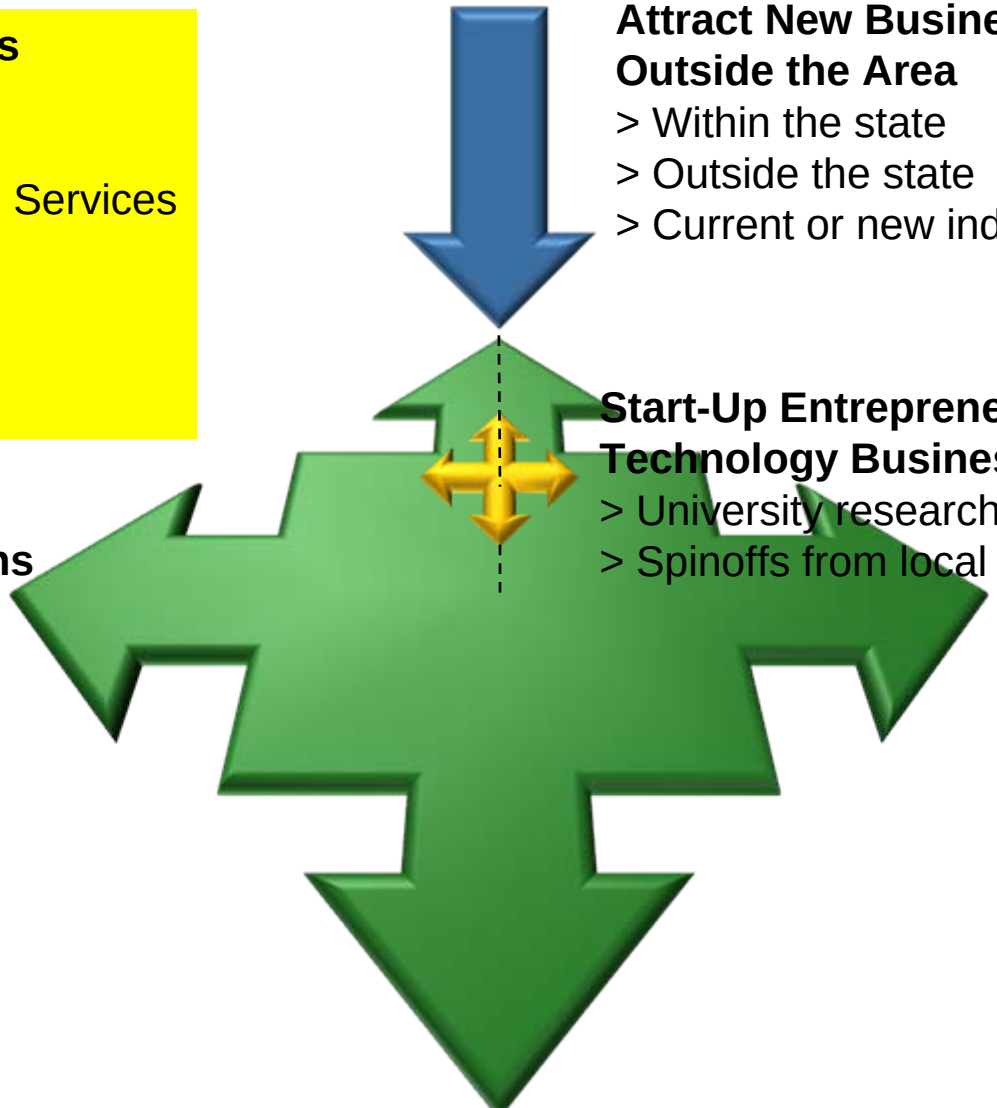
Product/Business Life Cycle



Options for Expanding Local Portfolio

Types of Operations
- Headquarters
- R&D
- Back Office/Shared Services
- Manufacturing
- Distribution
- Data Center
- Other

Expand Local Business Operations
> In-kind growth
> Additional types



Attract New Business From Outside the Area
> Within the state
> Outside the state
> Current or new industries

Start-Up Entrepreneurial Technology Businesses
> University research derivatives
> Spinoffs from local business

Overview on Kent County's Economy

Kent County Economy

The Good News . . .

- Solid population growth at over 2%/year
- Unemployment consistently low
- Economy buoyed by diversified economy comprised of:
  - > State and federal government
  - > Tourism
  - > Education institutions
  - > Manufacturing
  - > Healthcare
  - > Construction
  - > Small business
- Significant construction will return with housing market rebound
- Reasonable shopping options for a community of its size

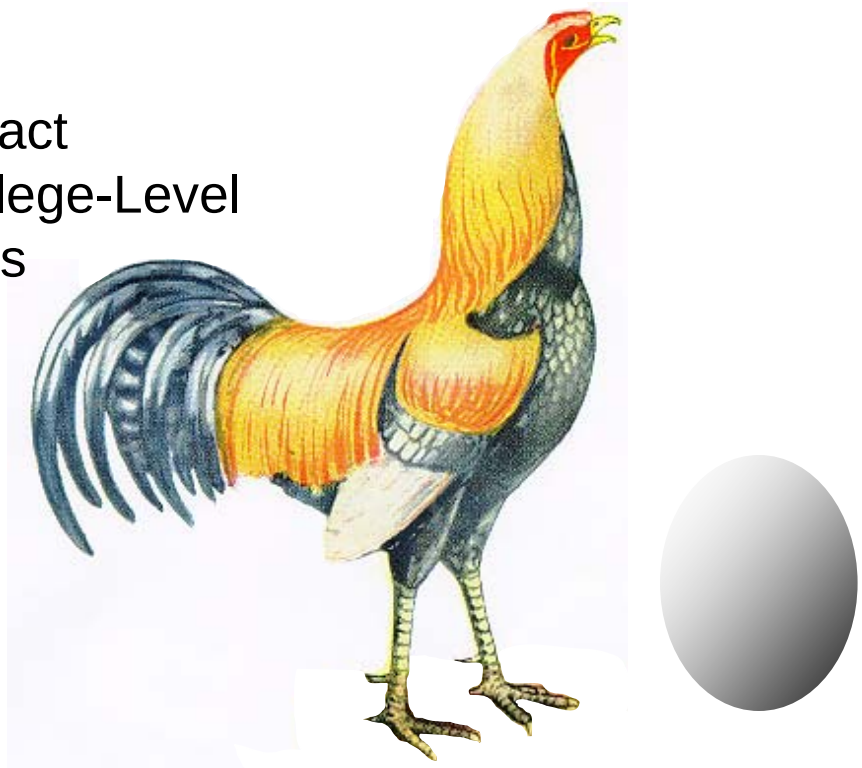
Kent County Economy

The Challenging News . . .

- 40% loss of manufacturing jobs from plant shutdowns and productivity enhancements
- Significant on-going loss of customer service center jobs
- Manufacturing employers having issues in hiring qualified people motivated to work in a factory environment
- AF Base and state government are important segments but are not expanding with the economy to provide more jobs
- Fastest growing age group: 50-64 yr. olds
- High rate of land consumption to housing and retail
- Education levels are low (only 18% of adults have 4-yr. college degree vs. 26+% nationally)
- Fastest job growth sector is lower paying service jobs . . . losing our educated students (“brain drain”)

Where Do We Start? . . .

Attract
College-Level
Jobs



Retain
College-Level
Graduates

. . . Which Comes First ?

Economic Development Segment Analysis

Economic Segment	Est. Civilian Employment	Growth Potential (5 to 10 years)	Growth Outlook and Comments
State/Local Government	▶ 15,000	Stable	State Capitol, agencies and local governments.
Federal Government	▶ 1,730	Stable	Primarily Dover AFB civilian employment.
Agriculture	▼ 1,000	Slow Loss	Strong efforts to sustain farm land but inevitable loss of active farms thru the generation turnover.
Manufacturing	▲▼ 3,800	Moderate Slow Loss	Some opportunity to bring in small to mid-size traditional and new technology companies. Employment with existing companies may erode over time due to automation and market shifts.
Finance & Insurance	▲▼ 2,400	Moderate Short-Term Loss	Short-term losses but still potential to attract additional back office and call center operations.
Professional, Scientific & Technical Services	▲ 1,500	Moderate to High	New companies serving local/regional population growth and relocating for quality of life.

Economic Development Segment Analysis (cont'd)

Economic Segment	Est. Civilian Employment	Growth Potential (5 to 10 years)	Growth Outlook and Comments
Information (Publishing, Media, Telecom & Internet)	▲ 700	Moderate	Potential for additional publishing businesses to leverage paper and electronic info explosion.
Construction Services	▲▼ 3,500	Moderate	Driven by residential and healthcare growth
Educational Services	▲ 4,100	Moderate	Planned growth at DSU and other colleges.
Healthcare Services	▲ 6,700	High	Driven by population growth and significant influx of retirement age residents.
Transportation & Warehousing	▲ 3,300	Slight	Limited potential for another Wal-Mart size warehouse due to the 40 miles to I-95.
Wholesale	▲ 1,500	Moderate	Reflects growth in retail.
Retail	▲ 9,100	Moderate	Driven by growth in population and tourism. Strong developer desire to expand this segment.
Accommodation & Food Service	▲ 4,500	Moderate	Driven by growth in population and tourism.
Arts & Entertainment	▲ 2,800	Moderate	Potential for Civic Center and other venues.

University Research: Delaware State University

- Current expenditures $7+ million and expanding
- Primary research areas include:
  - > Computer modeling for environmental project
  - > Enhancing software for 3D applications
  - > Establishing lab and model to understand neurobiology of sensor systems and impact on the learning process
  - > Delaware Biotech Center to study plant intercellular signaling
  - > Applied Optics Center with initial focus on laser diode devices and laser spectroscopy
  - > Recycling of spent fuel cell materials
- Institution is building R&D infrastructure through facilities, relationships and effective grant writing
- They are engaging in “the right efforts” but commercialization will take time, maybe 5-10 years

Findings of Stakeholder Interviews/Employer Survey

Stakeholder Interviews & Employer Survey – Key Findings

- **Concerns About the Quality & Quantity of Labor**
  - > Limited availability of skilled technical labor and professionals
  - > Manufacturers can't get people when they need them
  - > Local labor not comfortable in production (and warehouse) environments
  - > Competition with the construction industry
  - > Difficulty recruiting professionals and those with specialized skills from outside the area… "trailing spouse" problem
  - > Some success recruiting from New Castle County if the job is located in northern Kent County
  - > On a scale of 1 to 5 (with 1 as "excellent" and 5 as "poor"), labor availability rated 3.55; labor quality and work ethic rated 3.20

Stakeholder Interviews & Employer Survey – Key Findings

- **Lack of Support for Small Business / Entrepreneurship**

  > Perception that local and state agencies and commercial banks won't help small businesses

  > Historically, Delaware dependent on large employers; today, 75% of business establishments in Kent County (and the nation) have < 10 employees

  > Some programs being created

  > Opportunities for entrepreneurship: retirees, graduates of local colleges

Stakeholder Interviews & Employer Survey – Key Findings

- **Quality of Life Issues**

  > Kent County generally perceived as offering an excellent quality of life and low cost of living, but…

  > Need more leisure activities, recreational and cultural opportunities, etc. – especially for young professionals, singles, mid-career couples

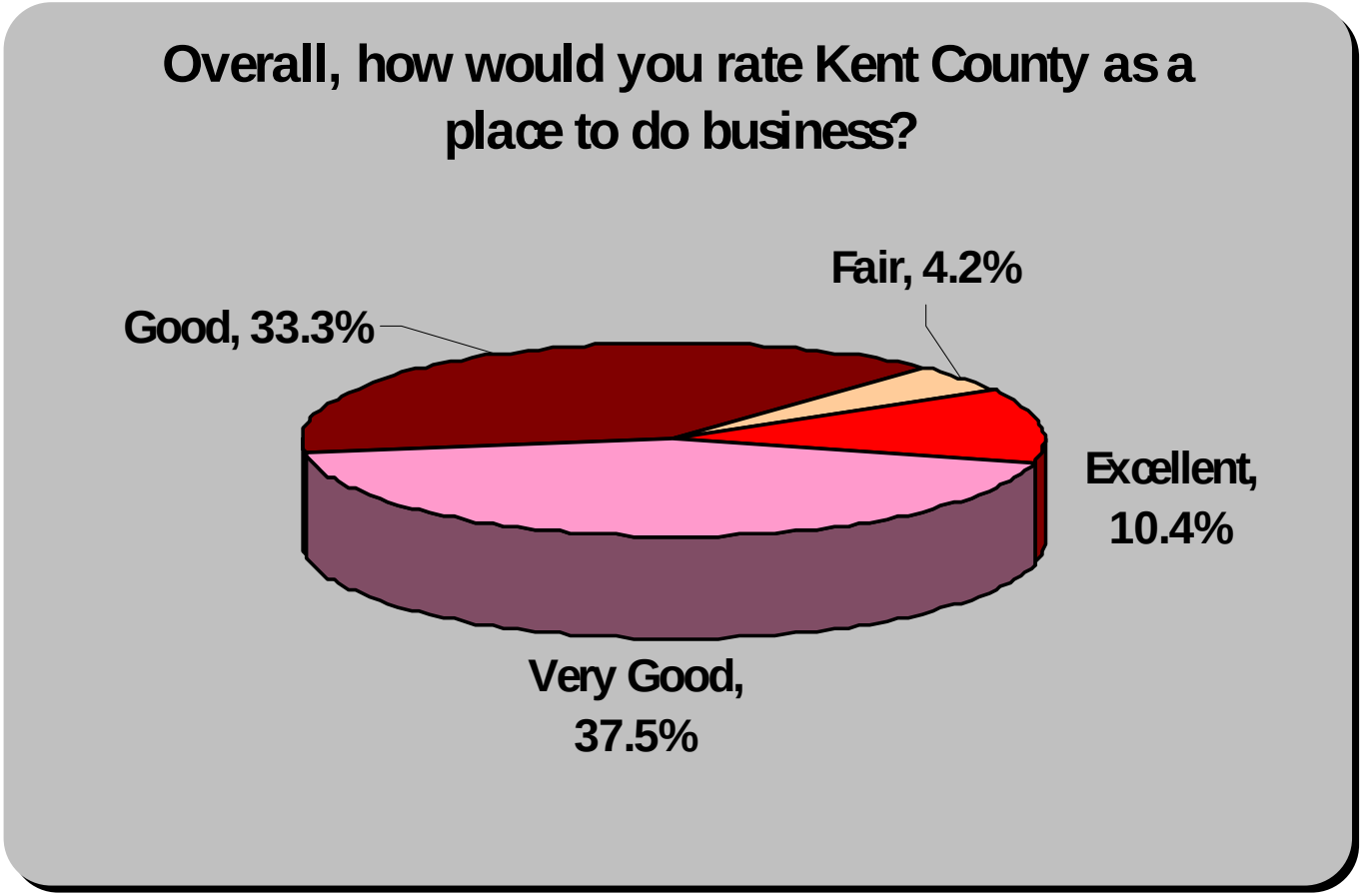
  > College students are “mobile and global” – not staying in Kent County

  > Need venues for entertainment and sports – Civic Center overwhelmingly seen as a positive for Kent County

  > Concerns that Kent County will become a congested bedroom community serving cities to the north, resorts to the south – would prefer to see controlled/planned growth and a more diverse economy with new businesses

Stakeholder Interviews & Employer Survey – Key Findings

- **Perceptions of Economic Development**



Assessment of Physical Resources to Support Economic Development

Resource Requirements by Target Industries

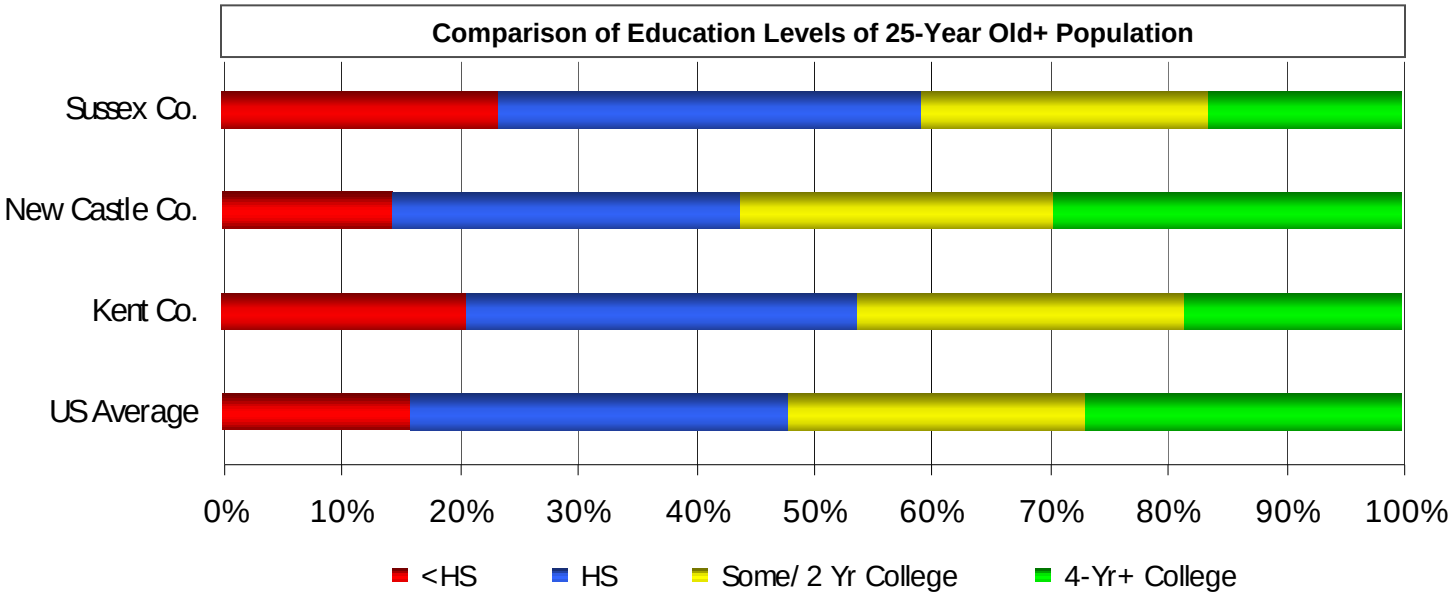
Resource	Comments on Requirements
Labor	• High School grads with good work ethic, drug free, ability to work in teams, shifts and different environments • Technicians • Functional professionals with admin support staff
Industry Presence	• Having enough local industry in type and size to sustain certain culture and with the specific skill sets for a particular operation.
Real Estate Options	• Industrial/office parks, land and stand-alone buildings
Transportation	• Air, interstate and rail
Utilities	• Access to power (two sources), gas, telecom, water and sewer
Operating Costs	• Cost of labor, real estate, utilities and transportation are critical
Other Business Needs/Incentives	• Incentives to offset startup/initial construction costs and the cost of initial and on-going training
Quality of Life	• For relocating highly trained staff: housing cost/availability, quality of education, culture and recreation, healthcare, etc.

Labor Supply Indicators

Kent County

- Current population: ~143,800
- 5-Year growth rate: 10.7%

Age Cohort	Current Population	5-Year Project Growth Rate
18-34	34,700	8.4%
35-49	32,000	2.1%
50-64	23,800	23.5%



Quality of Life as a Competitiveness Factor

Critical for attracting top talent for other areas. Key criteria for evaluation:

- Life Stage . . . unmarried/married, children/no children
- Life Style . . . physically active, arts, social, travel, etc.
- Place of Origin . . . city, suburbs or rural
- Cultural/Ethnic Background . . . foods, religion, activities, special services
- Specific Health, Education and Care Needs . . . elder care, handicapped or gifted children, etc.
- Dual Career Challenges . . . spousal employment, child care, commute time, special services
- Financial Situation . . . relative cost of living vs. income

Each life stage has characteristic quality of life needs

Quality of Life

Criteria	Rating	Source	Comments
Cost of Living Index	96	*Cities Ranked & Rated*	U.S. average = 100
Cost of Housing Index	84.1	*Cities Ranked & Rated*	U.S. average = 100



$159,990 (3 Bed, 2 Bath)

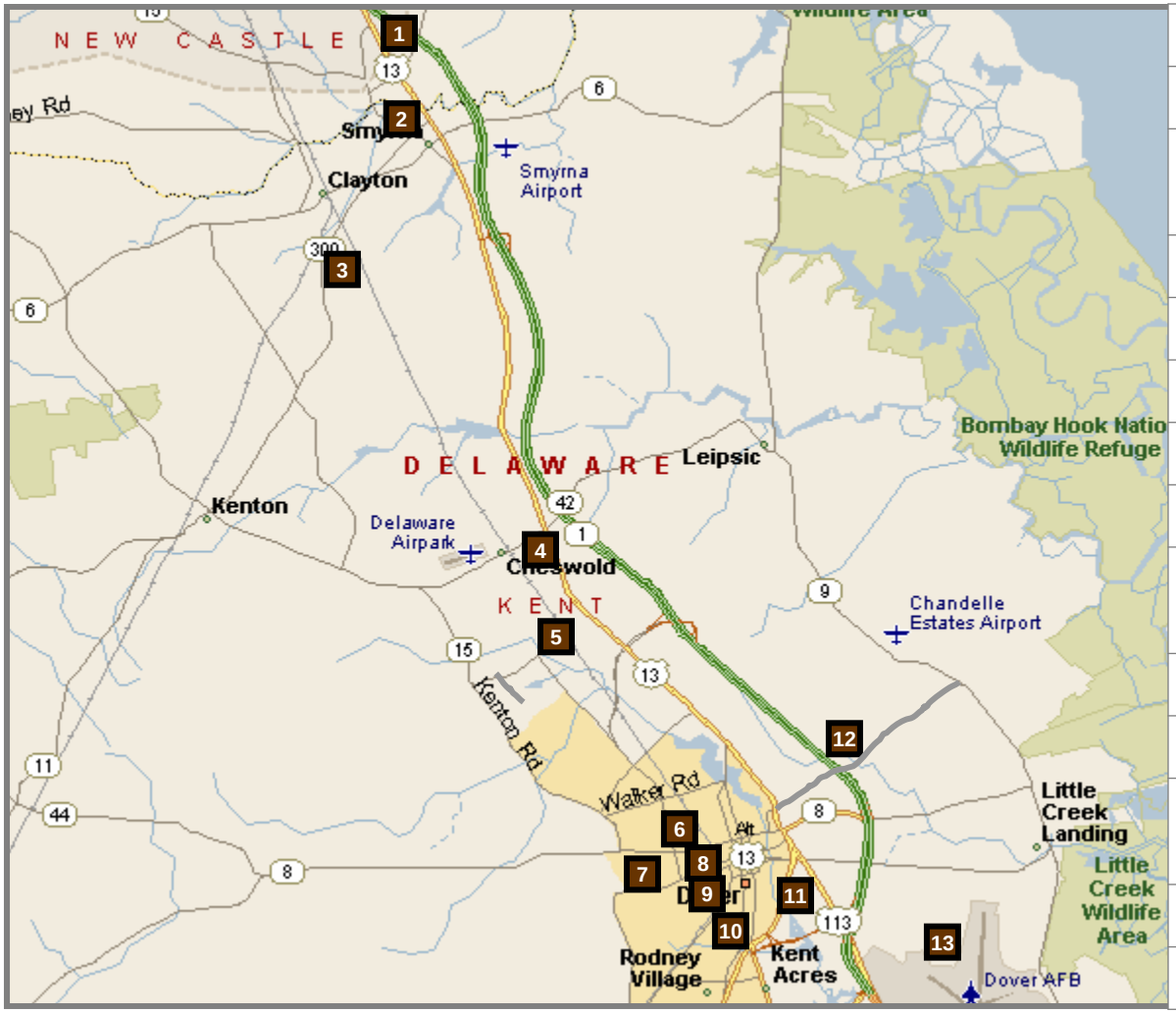


$224,900 (4 Bed, 2.5 Bath)

Opportunities to improve area for young professionals:

- More meeting places in the downtown area (“cyber cafes”)
- Build the Civic Center to attract more entertainment to the area

Industrial/Office Parks, Land and Buildings (Northern Kent Co.)



No.	Description
1	Duck Creek
2	Smyrna Health & Wellness Center
3	Smyrna Industrial Pk
4	Central Delaware Ind. Pk
5	McKee Business Pk
6	Former Sara Lee Building
7	Enterprise Business Pk
8	West Side Development Project
9	Eden Hill Farm
10	Creekside Center
11	Blue Hen Corporate Office Pk
12	Garrison Oaks
13	Kent County Aeropark

Target Industries vs. Local Industrial/Office Parks

Industrial Park	Trad. Mfg.	New Tech. Mfg.	Back Office	Prof. Serv.	Publish	Warehouse
Duck Creek[1]		■	■	■	■	
Smyrna Health & Wellness Ctr.				■		
Smyrna Industrial Park	■	■	■	■	■	■
McKee Industrial Park	■					
Former Sara Lee Building	■					■
Enterprise Industrial Park	■		■		■	■
Westside Development Project	■	■		■	■	
Eden Hill Farm				■		
Creekside Center				■		
Blue Hen Corp. Office Park			■	■		
Garrison Oaks		■		■		
Kent County Aeropark Area	■	■			■	■

[1]Duck Creek will be located just north of the Kent/New Castle County border

Economic Development Recommendations for the City of Dover

Recommendations for the City of Dover

- Define an Economic Development Vision for the City
  - > Long-term economic portfolio (types of employers and jobs)
  - > Land/facility requirements
  - > Workforce preparation
- Work Closely With Economic Development Partners
  - > Kent County/Central Delaware Economic Development Council
  - > State of Delaware

Economic Development Functions

- Ongoing interface with existing companies (needs assessment)
- Small business development (target entrepreneurial companies)
- External marketing and lead management (networking relationships)
- Management of facilities (industrial park development/operation)
- Secure bonds/grants (industrial revenue bonds, other sources)

- Develop the Garrison Oaks Property

  > Critical asset for Dover and Central Delaware (accessibility/size)

  > Prepare long-term development plan (few vs. many tenants)

  > Implement site development over 5-year period

  > Amass funds for site development and initial spec facility

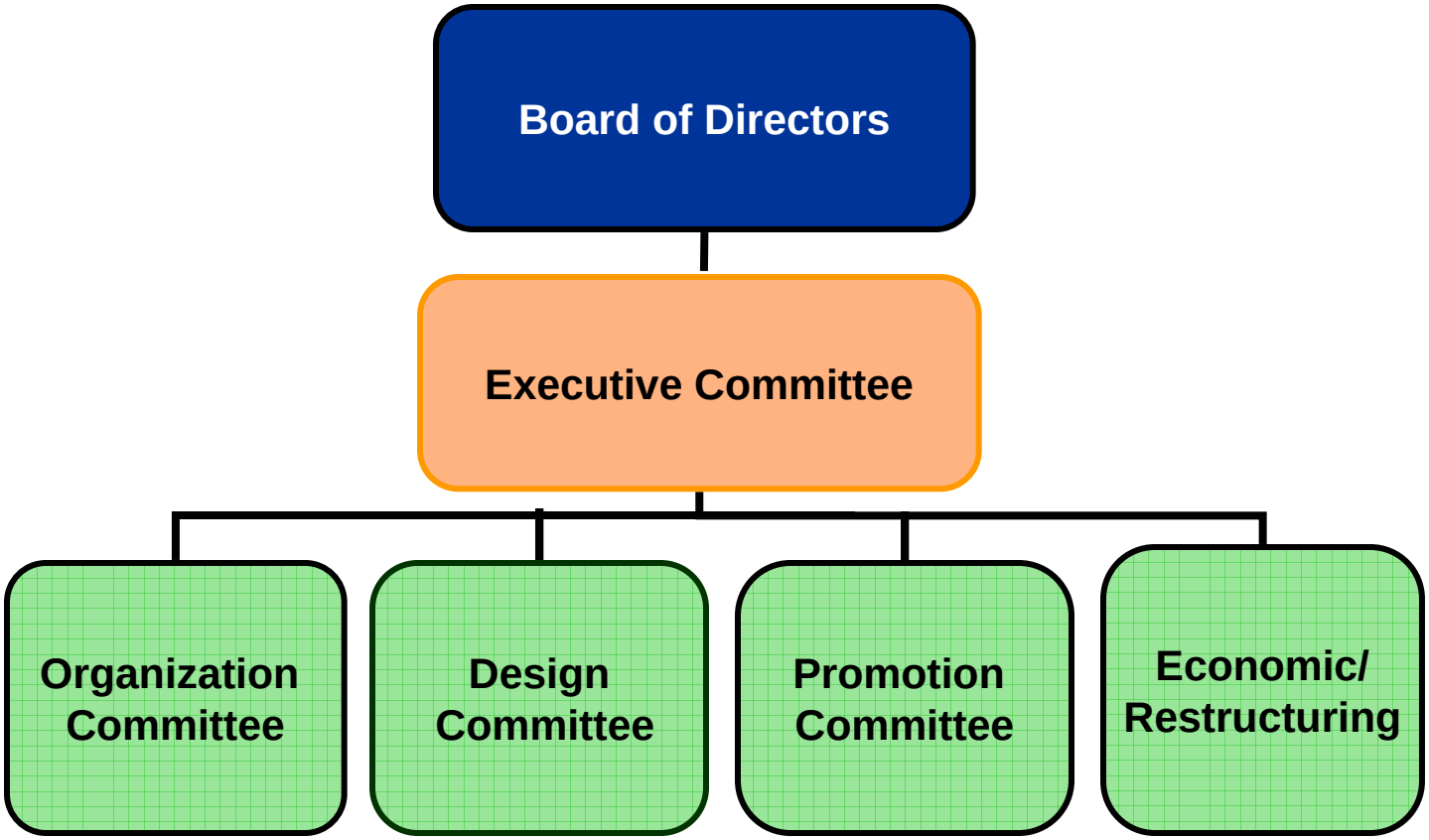


THE DOWNTOWN DOVER PARTNERSHIP CORPORATION

MAINSTREET DOVER

Mission: *To restore and revitalize the downtown Dover, Delaware area through educating and mobilizing the community in a common effort. This will strengthen aesthetically, culturally and historically the entire City of Dover.*

MAINSTREET DOVER



PARKING AUTHORITY

Mission: *The Parking Authority shall be for the purpose of conducting research activities and creating an effective system of off-street parking for the fulfillment of public needs in relation to parking. The Dover Parking Authority shall, in addition, have power to lease, buy, construct, manage and maintain facilities designed for the purpose of providing greater parking facilities.*

DOWNTOWN DOVER DEVELOPMENT CORPORATION

Mission: *To promote the public welfare of the residents of the City of Dover, Delaware, by promoting and furthering, in any way, consistent with its public welfare purposes, the enhancement and development of the economic resources of the City of Dover and its residents, to the extend that the common good and general welfare of the community is served. In particular, the DDDC will work to improve the opportunities for job creation and broadening of the tax base through the development of the commercial and residential potential of the central Dover area.*

DOWNTOWN DOVER PARTNERSHIP

Consolidation of the following four entities:

- Parking Authority
- Main Street Dover
- Downtown Dover Development Corporation
- B.I.D.

DOWNTOWN DOVER PARTNERSHIP CORPORATION

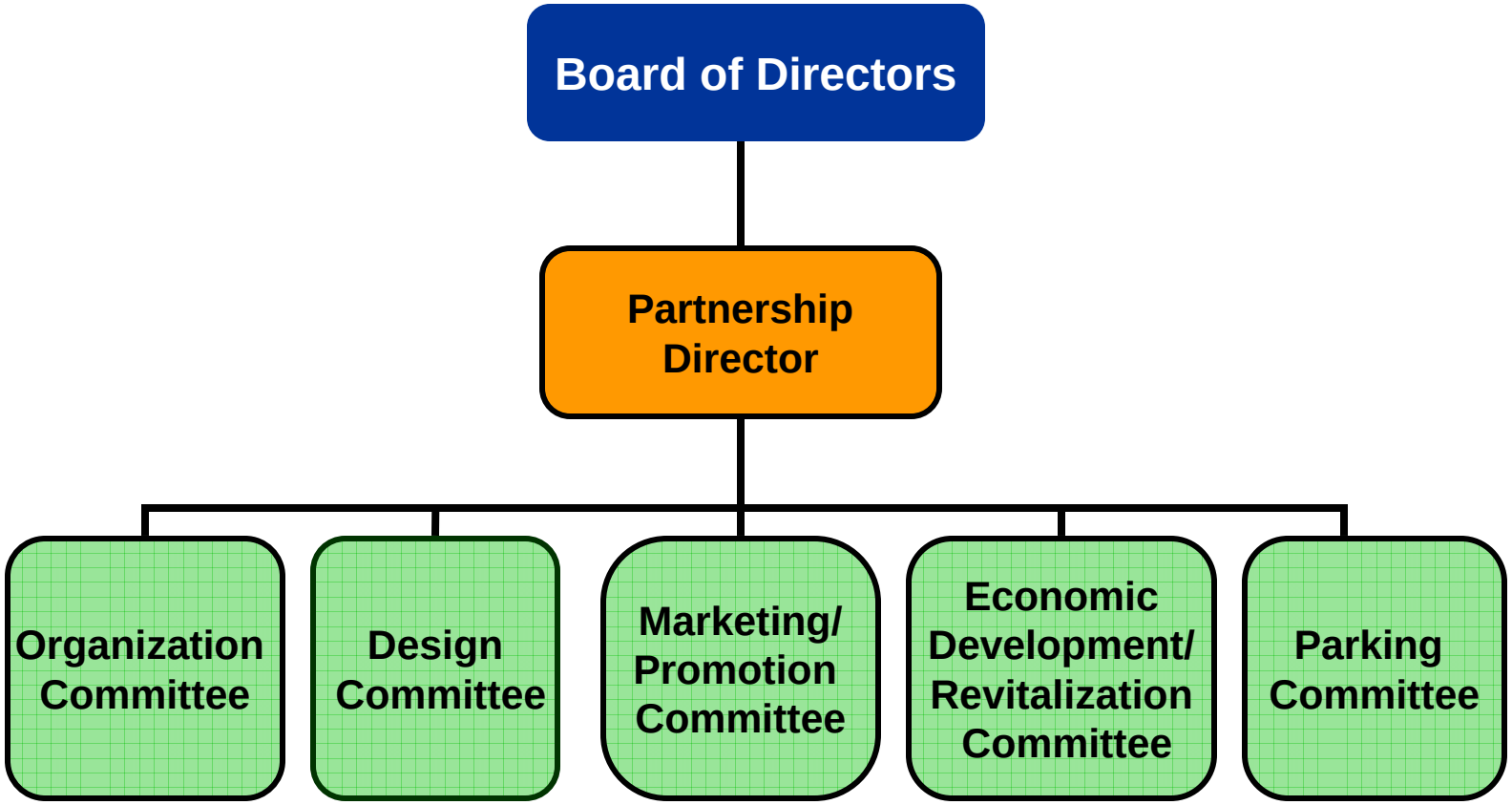
Statement of Purpose

The purpose of this corporation is to promote the public welfare of the residents of the City of Dover, Delaware by promoting and furthering in any way, the development of the economic, cultural and historic resources of the downtown area and provide for the residents to the extent that the common good and general welfare of the community is served.

GOALS OF THE CORPORATION

1. Improve the opportunities for job creation.
2. Broaden the tax base through the development of the commercial and residential potential of the central Dover area.
3. Maintain and restore the historic architectural and community qualities of the downtown area consistent with the goals of the national Mainstreet Program.

DOWNTOWN DOVER PARTNERSHIP CORPORATION



BOARD OF DIRECTORS

Six (6) Individuals from Government: Appointed by the Mayor and Approved by Council

- City Manager
- City Planner
- 3 Council Members
- State Government Representative

Nine (9) Members Appointed by Mayor and Approved by Council

- Downtown Business Owner
- Resident of Downtown or resident from a neighborhood adjacent to downtown
- President of Wesley College or designee
- CEO of Bayhealth or designee
- Downtown Retail Merchant
- Real Estate Professional
- Financial Services Professional
- Discretionary Appointment (appointed by Board of Directors and approved by Council?)
- Discretionary Appointment (appointed by Board of Directors and approved by Council?)

INTERIM STAFFING

- City Planner will serve as the acting director upon the creation of the Partnership. The Partnership Board will determine when/if there is a need to hire a full time Executive Director to run the Partnership.

- City Planning and various other city staff will assist the City Planner with the duties of the Partnership.

- Current staff for MSD will be under the direction of the City Planner and will assist with running the Partnership.

PARTNERSHIP DIRECTOR

Will be responsible for the coordination of the Corporation's policies and such other duties as the Board of Directors may require.

Shall report directly to the President.

Needs to have leadership and economic development abilities!

ORGANIZATION COMMITTEE

Will work to encourage cooperation and leadership building in the business community. This committee will also implement a systematic process to raise funds for the Corporation's programs, projects and general operating fund.

DESIGN COMMITTEE

Will work to improve the appearance of the downtown Dover area and to educate the public and private sector about good design principles and the value of historical and cultural preservation.

MARKETING AND PROMOTION COMMITTEE

Will work to create a positive image for the downtown Dover area by promoting the downtown area as an exciting place to live, work, shop and invest.

ECONOMIC DEVELOPMENT/ REVITALIZATION COMMITTEE

Will work to rebuild and diversify the downtown Dover area's economy. Strategic purchases, development and Redevelopment enhancements to the area will be Key to success!

PARKING COMMITTEE

Will work to develop parking in the downtown Dover area and provide oversight over the parking lots owned and/or managed by the Corporation.

TO DATE

- **Drafted bylaws for Partnership.**
- **Presented bylaws and organizational structure of the Partnership to Main Street Dover, Parking Authority and the Downtown Dover Development Corporation.**
- **Asked each organization to provide input on the partnership concept.**
- **Mainstreet Dover Parking Authority and Downtown Development Corporation voted to endorse partnership concept.**
- **Began discussions regarding how to revise the bylaws to incorporate the input obtained from the three downtown groups.**

ISSUES/SUGGESTIONS

- **Keep the process inclusive.**
- **Develop an initial budget and a source for funding.**
- **Provide city staff with necessary resources to ensure partnership success.**
- **Make sure the process involves public input.**
- **Reserve revenue stream for parking projects.**
- **Follow recommendations from KSK Transport Study (February 2004)**
- **Include a cultural arts representative on the Board of Directors.**

TOP REASONS TO PURSUE THE PARTNERSHIP

1. Consolidation of the current groups into one entity should create better communication and better leadership from the new board.

2. One group handling the issues of the Downtown Revitalization should utilize less resources of the city staff which should aid in better distribution of resources to downtown businesses and revitalization efforts as a whole.

3. The City of Newark has implemented a similar partnership at the direction of HyettPalma. They are a similar sized city and their partnership has made tremendous strides in revitalization of their downtown.

TOP REASONS TO PURSUE THE PARTNERSHIP

4. All funding resources available to the current organizations will remain in tact with one leadership entity. One entity will reduce overhead and more $ will be spent on revitalization less on administration.

5. The board will control budgeting of the resources. The new partnership will allow the Mayor and City Council the opportunity to unite all our downtown constituents through inclusive representation.

6. Downtown needs our help!

NEXT STEPS



- **Incorporate input from downtown organizations into the draft bylaws.**
- **Outline the necessary code changes to implement Partnership.**
- **Outline the initial Partnership budget that includes the consolidation of all three organizations and their current budgets.**
- **Present final details to City Council and ask that they vote to begin implementation of the Downtown Dover Partnership Corporation.**



DISCUSSION

Downtown Dover Incentives

Dover City Council
Economic Development Workshop
November 5, 2007

EXHIBIT #3
Council Workshop of 11/05/2007

Presentation Overview

- Incentives Currently Offered
- Opportunities to Expand Incentives

Downtown Redevelopment Appendix C – Dover Code

- Eligible project
  - **New construction or renovation**
  - Located within the target area
  - Fair market value of the materials to be used in and the labor to be performed on the project exceeds the sum of $15,000.00;
  - Commercial, office, or a residential use; and
- Target Area Identified

Downtown Redevelopment Appendix C – Dover Code

- Waiver of Permit Fees
  - Building, plumbing, mechanical & fire protection
- Sewer Impact Fee Waiver
  - Multiple story new construction on one lot
  - Combination of retail, office, residential or commercial services (at least two)
  - One-half of City sewer impact fee waiver

Downtown Redevelopment Appendix C – Dover Code

- Property Tax Waiver
  - 10-year waiver of property tax
  - 10-year period begins with building permit issuance
- Contribution to Downtown Dover Development Corporation
  - 10% of the value of incentives must be contributed to DDDC

Historic Preservation Tax Credits

- City of Dover
- State of Delaware
- Federal Government

Tax Credits for Historic Properties Dover Code, Chapter 102, Article V

- Tax Credits for Preservation, Restoration and/or Rehabilitation (Exterior)
- Eligible Properties
  - Within City Historic District
  - Listed on National Register of Historic Places
- 50% of Total Cost
  - Maximum $6,000 credit
  - Minimum project cost of $1,200
- Prorated Over Ten Years

State Historic Preservation Tax Credit Delaware Code, Title 30, Chapter 18

- Certified Historic Properties
  - Listed on National Register of Historic Places
  - Located within a historic district listed on the National Register of Historic Places
  - Designated historic property by local ordinance certified by State Historic Preservation Office
  - Located in a local historic district certified by the State Historic Preservation Office

State Historic Preservation Tax Credit Delaware Code, Title 30, Chapter 18

- Credit Against State Bank Franchise or Income Taxes
- Amount of Credit
  - 20% of qualified expenditures if eligible for federal tax credit
  - 30% of qualified expenditures if not eligible for federal tax credit
  - 100% of qualified expenditures for properties qualifying for credit award as resident curator property

Other Incentives

- Main Street Façade Grants
- Downtown Dover Development Corporation Loans

Downtown Incentives: Moving Forward

Proposed Incentives for Downtown Dover

Proposed Incentives

- Align downtown jurisdictions - apply incentives to downtown target area
  - Numerous districts create confusion
- Create fast-track approval process
- Hire case manager for new business issues

Proposed Incentives

- **Eliminate the BID tax in downtown Dover**
  - Business Improvement District tax viewed as a disincentive
- **Reduce property taxes in the target area**
  - Property tax reduction for mixed use properties
- **Provide incentives for existing employers to invest in the downtown**

Proposed Incentives

- **Real estate tax abatement in downtown**
  - Current real estate abatement should be reviewed and potentially expanded
- **Tax Incremental Financing**
  - TIF should be explored as a mechanism to finance downtown redevelopment
- **Façade grants**
  - Continuation of Main Street Dover's Façade Improvement Grants with additional funding requested from the General Assembly

Proposed Incentives

- **Historic preservation tax credits**
  - Request that the State ear-mark a portion of historic preservation tax credits for use in downtown
- **City historic preservation tax credit**
  - City should re-tool historic preservation tax credit and promote its use in the target area
- **Renter's deduction on personal income tax**

Proposed Incentives

- **Add surface parking immediately**
  - Underway at Governors Avenue
- **Create “ambassadors” in the downtown target area, similar to the Seattle Metropolitan Improvement District ambassadors**

Toward an Economic Development Strategy: 2008 Comprehensive Plan

Dover City Council
Economic Development Workshop
November 5, 2007

Council Workshop of 11/05/2007
EXHIBIT #4

Economic Development – 2003 Comprehensive Plan Update

- Economic Development Combined with Community Development
- Overview of Economic Development from Land Use/Zoning Perspective
- Not Used to Promote a Comprehensive Economic Development Strategy for Dover

Economic Development - 2008 Comprehensive Plan

- Separate Economic Development from Community Development
- Incorporate a Sound Economic Development Strategy for Dover
- Bring in Regional Experts & Regional Studies
- Identify Impediments to Economic Development
- Identify Policies and Actions to Be Taken by City to Further Economic Development

Economic Development - 2008 Comprehensive Plan

- How Do We Get There?
  - Advisory Committee for the Comprehensive Plan
  - Pull from other studies and strategies
  - Public meetings
- Timeline
  - Begin process this fall
  - Finalize plan in fall 2008