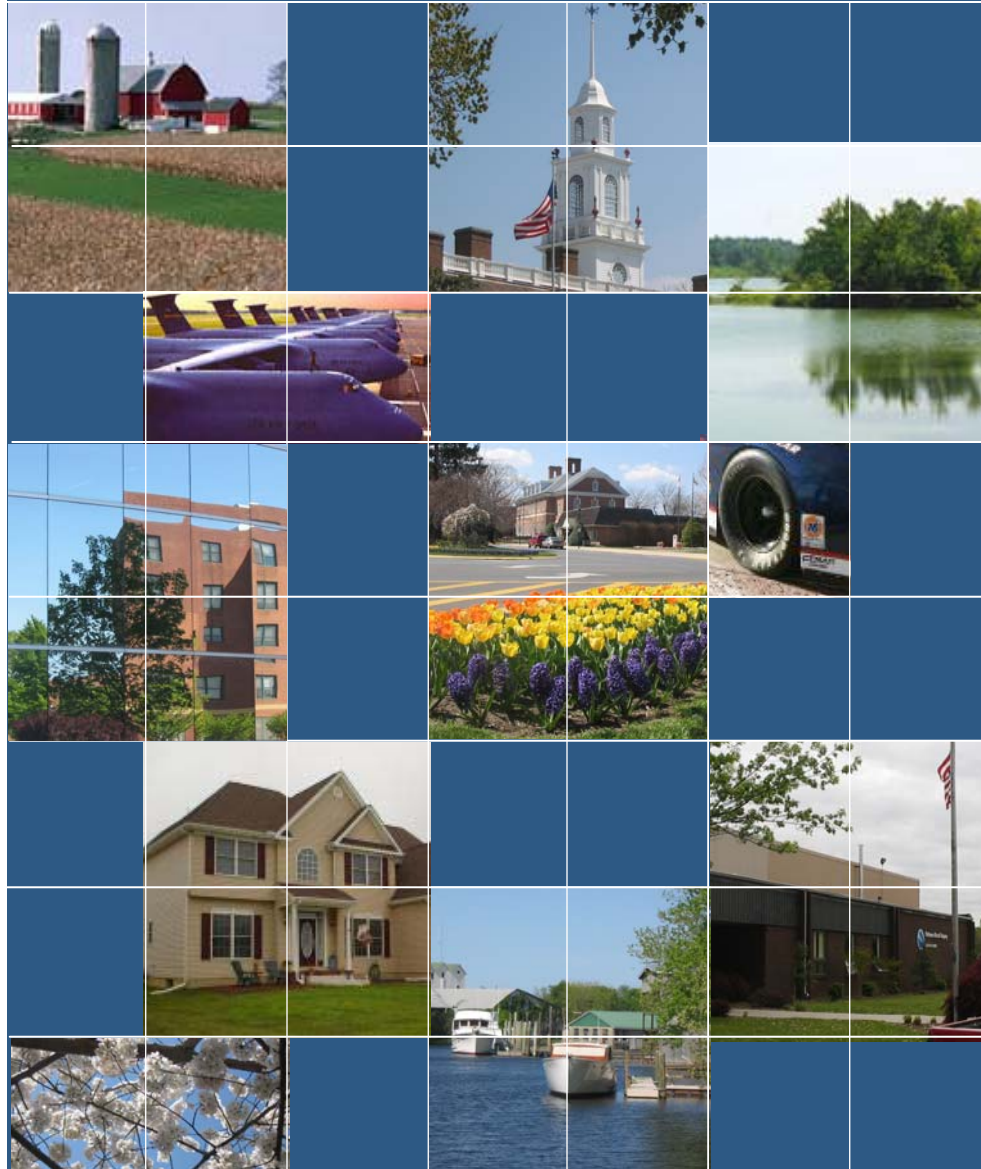


Kent County, Delaware
Economic Development Strategy Initiative
Final Report • October 2006



Camoin Associates • Moran, Stahl & Boyer, LLC • E. M. Pemrick and Company

Executive Summary

1. Executive Summary

1.1 Project Background

In October 2005, the Kent County Levy Court solicited proposals from consultants to develop a Countywide Ten-Year Economic Development Strategy. In addition to updating the strategy completed in 1999, the County's objectives were to provide direction and focus to its economic development efforts and effectively position the County for future growth.

Project Team

Following a nationwide search, the county selected a project team comprised of Camoin Associates and Moran, Stahl & Boyer, LLC to complete the project. Based in Saratoga Springs, New York, Camoin Associates is known for its experience in economic development strategic planning, commercial market analysis, and the design and administration of small business development programs. Moran, Stahl & Boyer, LLC is a nationally-recognized site selection and economic development consulting firm that has assisted clients with identifying and strategically locating corporate headquarters, regional offices, manufacturing operations, data centers and distribution facilities. Both companies have extensive project experience in the mid-Atlantic region. The team was later joined by E.M. Pemrick and Company, a consulting firm established by the departing project manager at Camoin Associates. E.M. Pemrick and Company combines technical expertise in economic development, market analysis, and community planning with a strong commitment to enhancing the vitality and success of client communities.

Key Project Objectives

The objectives of the countywide economic development strategy were to:

- 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, taking into account competition from other mid-Atlantic counties;
- 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 Kent County's goals for economic growth and development.

Establishment of Project Steering Committee

A steering committee consisting of a cross-section of state and county stakeholders was established to oversee the preparation of the economic development strategy, assist with outreach efforts, and provide feedback to the consultant team throughout the term of the engagement.

1.1 Project Background (cont'd)

Project Methodology

The project was structured in three phases with specific questions to be addressed within each phase as noted in Figure 1-1 below. A comprehensive approach to data and information gathering was utilized in order to obtain valuable feedback from stakeholders incorporating diverse perspectives on the economic development issues and opportunities facing Kent County. Specific sources of information incorporated into the project are as follows:

- An analysis of data on Kent County economic trends, labor and industry presence, population characteristics, and a review of recent reports and studies on economic development in Kent County and its municipalities. This included a review of the recent Comprehensive Economic Development Strategy for the State of Delaware issued by the Delaware Economic Development Office (DEDO) and the University of Delaware.
- Extensive interviews with major employers, municipal leaders, educators, local and state economic development officials, chambers of commerce and other stakeholder groups and individuals. The project team also conducted tours of Smyrna, Dover, Milford and Harrington hosted by local officials.
- A web-based survey of Kent County employers was conducted to gather feedback from additional local businesses.
- An inventory and assessment of major business development and expansion sites throughout the county was conducted and a windshield tour conducted to view each site on a first-hand basis.
- A competitive assessment comparing Kent County with several peer counties in the mid-Atlantic region was completed with respect to available resources, incentives offered, and their economic development organizations.

Figure 1-1 Outline of Approach to Economic Development Study

Phase I: Compilation, Assessment and Presentation of Background Information

- What is the current economic situation and recent economic trends within the county?
- How well does the county compete with similar counties within the mid-Atlantic region?
- What is the local stakeholder input on current situation and future opportunities?

Phase II: Assessment of Sites, Infrastructure and Resources for Growth

- What efforts are needed to provide adequate sites and infrastructure for growth?
- What incentives would best stimulate business retention, expansion and attraction?
- How can research at Delaware State University stimulate local economic growth?

Phase III: Develop Economic Development Strategy

- What are the plans, resources and schedule of a marketing plan for economic growth?
- How can we best measure the progress and effectiveness of the marketing efforts?
- How should the county enhance site development and their business growth plan?
- What is the best organizational structure to support economic growth in the county?

1.2 Overview on Kent County's Economy

General Observations

When Kent County is viewed from a high-level perspective, the statistics indicate that the economy is quite healthy with an unusual diversity of employment derived from state government, an Air Force Base, manufacturing, expanding healthcare, strong tourism, several small colleges and universities, and a broad retail base. Population growth is a robust 2% per year and the average unemployment is consistently low. However, if the community is viewed in more detail a different perspective may be derived. Consider the following facts and trends:

- The county has lost 40% of its manufacturing employment over the past 10 years (6,100 to 3,800) due partially to shutdown of facilities as well as from investments in process productivity.
- There is an on-going loss of customer service related positions with Bank of America's 600+ jobs being the most recent.
- Manufacturing employers are finding it harder to attract the level of talent they need that meets certain entrance requirements and wants to work in a factory environment and scheduling that supports a 24/7 operation. There is a competition for labor between manufacturing and construction during the construction season.
- The Air Force Base and State Capital help to sustain the economy but are not growth sectors.
- College education levels of the adult population are significantly lower than national average (18% of residents greater than age 25 have a college degree vs. 26+% as a national average).
- The fastest growing job categories in the county relate to retail, recreation and other service jobs. The economy in general has relied heavily on high school and some unskilled labor and there is a scarcity of knowledge/technology-based jobs. A dilemma is facing the community in that if the college-based jobs are not here, the educated children will not return and without them the education level of the population stays low – making the area unattractive to high skill employers.
- The fastest growing age segment in the county is the 50-64 year olds caused by a substantial influx of retirees or near-retirees from New Jersey, other Mid-Atlantic states and the military.
- Kent Count is a great place for families and retirees but lacks the amenities for young professionals. There is a need for more activities (Civic Center a must), downtown meeting places ("cyber cafes"), and more housing options near downtown areas. Downtown is a rather quiet place after 5:00 for young professionals.
- A significant portion of the available land near the central corridor of the county is being consumed for housing, retail and healthcare facilities. Although each of these segments is important to the overall economic vitality of the county, they cannot displace the value of a broad base of manufacturing and higher end office employers in the county to assure good paying jobs and an expanding tax base.

The county seeks to pursue a balanced economic development strategy that includes attracting new technology and other knowledge-based companies to provide an influx of higher paying jobs that will keep the community competitive and help retain its young professionals. To meet this objective, there are many activities underway but there are other efforts that need to be implemented to position the county's physical and organizational resources for balanced future growth.

1.2 Overview on Kent County’s Economy (cont’d)

Segmentation of the Economy

The Kent County economy is quite diverse with its strengths and weaknesses in comparison to national averages noted below.

Figure 1-2 Comparison of Kent County Economy to National Economy			
Kent County Employment Higher Than National Avg.	Comments	Kent County Employment Lower Than National Avg.	Comments
Arts, Entertainment & Recreation	Casino, NASCAR/horse track, state fairgrounds and other attractions	Media, Telecom, Internet & Publishing	Area served by Wilmington and Philadelphia
Retail Trade	Regional hub for surrounding counties	Professional & Technical Services	Area served by Wilmington and Philadelphia
Federal Government	Dover AFB	Wholesale Trade	Area served by Wilmington and Philadelphia
State Government	State Capital presence	Manufacturing	Employment significant but diluted by other sectors

Population Growth, Labor Resources and Unemployment Rates

- The county underwent its highest level of growth in the 1950’s during the ramp-up of Dover Air Force Base. Growth slowed in the 1960’s though the 1980’s but has been increasing since the 1990’s. Over the past five years growth has been over 2% per year and is projected to continue through 2011 at the same rate. The majority of growth is from individuals that are 50+ years old that are relocating to the county for lower cost of housing and for the overall quality of life.
- Nearly 80% of the labor resources for jobs located in Kent County come from within the county; another 10% come from Sussex County and 6.6% from New Castle County.
- Current manufacturers need high skill levels and individuals that will work shifts in a factory. The strong construction industry presence in the county is adversely impacting supply of manufacturing labor. Working outside and for good wages (although somewhat seasonal and sometime unpredictable) is apparently more attractive than factory work.
- Low education levels and low unemployment make the area less attractive to new employers seeking high quantities of labor and college educated labor.
- Most technical training happens on the job and during spur-of-the-moment shutdown events which makes it difficult for structured training in a classroom environment.
- Unemployment rates are currently approximately 3.5% which is quite low and similar to New Castle and Sussex Counties. Delaware unemployment rates consistently track lower than national averages.

1.3 Benchmarking Peer Counties Within the Mid-Atlantic Region

Four counties were selected to evaluate the competitiveness of peer counties within the mid-Atlantic region and determine the organizational structures and approaches being utilized to enhance employer retention, expansion, and attraction:

- Lehigh County, PA (eastern Pennsylvania)
- Dauphin County, PA (south central Pennsylvania – Harrisburg)
- York County, PA (south central Pennsylvania)
- Cecil County, MD (northeastern Maryland)

These counties range in population from 100,000 to 400,000 (Kent County has a population of approximately 140,000) and have diverse economic structures similar to that of Kent County. For example, Dauphin County is a state capital, Cecil County is adjacent to the Aberdeen Proving Ground in nearby Harford County, and all four counties have manufacturing, agriculture, and tourism as part of their economic base.

- **Target Industries** - The Pennsylvania counties have a well-defined, diversified list of target industries that include financial services, technology-derived businesses and healthcare. Cecil County has not designated any specific target industries.
- **Strategies for Economic Development** - Each of the four counties uses the availability of sites and buildings, significant economic incentives, marketing, business retention and business attraction as part of their strategy. Several counties support small business or have incubators to stimulate local entrepreneurial activity.
- **Organizations Supporting Economic Development** - Although the specific type of organization varies, each county has a well-defined organization with a leadership role in economic development. Dauphin and York Counties are also attached to larger regional economic development organizations.
- **Marketing** - A valuable tool utilized by each of the four counties is the readiness of information. If prospective companies or site selectors must wait for several days for information on available sites and buildings and community details, they may drop the community from the competition.

1.4 Stakeholder Interviews and Employer Survey

- The quality and quantity of labor is a major concern of local employers. In interviews and on the employer survey, they noted shortages of both skilled technicians and professionals. Asked to rate various labor characteristics on a scale of 1 to 5, with 1 meaning “excellent,” survey participants gave an average rating of 3.55 to labor availability and 3.20 to labor quality and work ethic.
- The ability of Kent County manufacturing employers to “get people when we need them” is an ongoing threat to this industry. Employers have found that many people are not comfortable with a production environment and end up leaving for other opportunities. Another problem is competition with the area’s booming construction industry as a source of skilled labor.

1.4 Stakeholder Interviews and Employer Survey (cont'd)

- Recruiting professionals to Kent County is challenging, particularly for businesses in emerging technology industries, for several reasons: the county has a relatively limited technical base, there are often insufficient employment options available for the “trailing spouse,” and the Dover area seems remote to people accustomed to large metropolitan areas with major commercial airports. Companies in the northern half of Kent County, however, have had some success recruiting professionals from the Wilmington area.
- Stakeholder interviews suggest that although the majority of businesses in Kent County have fewer than ten employees, there is a lack of support for small businesses and entrepreneurs by state and local agencies and commercial banks in the county. This is a phenomenon that has probably been influenced by Delaware’s history and long-term dependence on large corporations like Dupont; however, there may be opportunities for entrepreneurship among the increasing number of retirees relocating to the county as well as among graduates of area colleges.
- Feedback obtained through the online survey indicates that employers are generally satisfied with community attitudes towards business, and somewhat less satisfied with the availability of financial incentives. Nevertheless, nearly half the respondents rate Kent County as an excellent or very good place to do business.
- Although Kent County is perceived as having an excellent quality of life and low cost of living, many of those interviewed stated that the area does not have enough to do. There appears to be a need for more activities and places to go, particularly for young professionals, singles and mid-career couples. College students today are, in the words of one educator, “mobile and global.” To retain college graduates and recruit skilled professionals, the county will require additional gathering places, recreational and cultural activities, and venues for entertainment and athletic events, such as the proposed Civic Center.
- Stakeholders believe that the Central Delaware Economic Development Council, Kent County’s lead agency for economic development, could be more effective given additional funding and other resources. The organization needs clear direction and a more professional approach that incorporates regular outreach to local businesses. Asked for their opinions on potential economic development strategies for the organization to pursue, survey respondents were most supportive of business recruitment, marketing, the retention and expansion of existing businesses, and the use of incentives to attract new jobs.

1.5 Assessment of Organizational Resources

- The Central Delaware Economic Development Council (CDEDC) is the economic development agency for Kent County. Established as a public-private partnership between the Kent County Levy Court and the Central Delaware Chamber of Commerce, the CDEDC is staffed by an executive director and a part-time secretary. The organization was evaluated along with the organizations of peer counties within the mid-Atlantic region.

1.5 Assessment of Organizational Resources (cont'd)

- Current economic development efforts in Kent County do not give adequate attention to all of the functions common to most economic development organizations. The CDEDC does not offer financial incentives or access to a revolving loan fund, for example, nor does it have an active business retention program with regularly scheduled visits to local employers.
- Due to the widespread availability of information on the Internet, the CDEDC and the Delaware Economic Development Office are receiving fewer requests for community, demographic, or workforce data than in the past. This makes it more difficult to influence decision-making early in the site selection process and suggests the need for more familiarization trips and other activities to get people exposed to the area.
- The economic development organizations of Lebanon County and Dauphin County, Pennsylvania and Cecil County, Maryland – all relatively close in population to Kent County – have annual operating budgets ranging from approximately \$300,000 to \$850,000, with 4-5 professional-level staff. The CDEDC, in comparison, has an annual budget of about \$100,000.
- In addition to handling common functions such as business recruitment and retention, marketing, site inventory and promotion, and financial incentives, an increasing number of economic development organizations are taking on new responsibilities based on need. This includes, for example, agricultural economic development (helping farmers find new markets for their products), entrepreneurial development (coordinating the delivery of financial and technical assistance to prospective and existing small businesses), and real estate development and management (ownership and marketing of industrial parks).
- In defining the structure of the organization to spearhead economic development in Kent County into the future, a local development corporation (LDC) – a private non-profit corporation with a well-defined purpose – offers the best option. An LDC can make loans directly to for-profit businesses, often using the repayments for ongoing operating support; acquire, develop, and manage property; and conduct fundraising and accept contributions from banks and private businesses without conflict of interest concerns. It also tends to have greater credibility within the business and development community due to the involvement of the private sector. Public sector oversight, however, may be retained in a number of ways.

1.6 Assessment of Physical Resources

Transportation Access

- County has rail access and a good network of highways – but not direct access to an “interstate” SR 1 will need additional interchanges to facilitate traffic flow to employers located within the central corridor and relieve traffic on U.S. Route 13.
- Air access is within 60+ minutes to Philadelphia plus the new Delta Airlines service in Wilmington. There needs to be additional hangar and runway capacity within the county and not rely too heavily on the Dover AFB facility – particularly as security tightens in the future.

Operating Costs and Incentives

- County labor costs are relatively low for the region, particularly in comparison to Wilmington/New Castle County. The low rates may make it attractive for certain companies, but lower wage scales compared to New Castle County will make it harder to attract commuters down from there.
- Average real estate costs are competitive within the region
- Cost of power is escalating and is currently at mid-range for the East Coast
- Incentives are relatively small and unpackaged compared to Pennsylvania but appear to be better than Cecil County, Maryland – the “I-95 competitor”

Utilities

- Water and wastewater – water resources are from groundwater sources and are utilized primary for agriculture. As agriculture operations are reduced the capacity made available can be applied to other development opportunities at the same consumption rates. The county has adequate collection and treatment facilities for the near future. However as flows increase, the single main trunk line and single treatment plant facility may need to be divided into two systems.
- Power cost and availability – power costs are escalating and are now becoming comparable to other Mid-Atlantic locations but still much higher than the Southeast. There appears to be ample capacity that is generated located of available from the grid.
- Telecom – Kent County is located along a major telecom trunk line that serves the State Capital, the Dover AFB and a large segment of the Delmarva Peninsula.

University R&D

- There is substantial university R&D within the region with major activity at the University of Pennsylvania, the University of Maryland, Johns Hopkins University and the University of Delaware.
- Delaware State University (DSU) is in the emerging state of an expanding R&D program. The scale is still very small (\$7+ million budget) when the top 100 research universities are over \$135 million and the top 200 research universities are over \$35 million.
- DSU is aggressively building relationships, enhancing grant writing abilities and constructing facilities that will position them well in the next 5 to 10 years as a force that brings economic development to Kent County

1.6 Assessment of Physical Resources (cont'd)

Industrial and Office Parks and Buildings

- There are a significant number of sites for industrial and office operations in the county – primarily from Dover to Smyrna
- Identification of additional land for industrial/office develop needs to take place in southern Kent County – particularly near Harrington and Milford where there is rail and primary highway access
- The Garrison Oaks land parcel needs to have a master plan and move forward in investing in general site development and in the construction of an initial spec building. The best use of the site is for multiple small to mid-size tenants that are technology and knowledge-based businesses. At 100 acre portion of the site could be set aside for a single tenant.
- There needs to be another major site (~500 acres) identified between Dover and Smyrna for larger tenant options. The County should develop a plan for land acquisition soon before land values escalate too high.

Figure 1-3 Target Industries vs. Local Industrial/Office Parks That Have Available Land or Buildings

Industrial Park	Trad. Mfg.	New Tech. Mfg.	Fin. Service Back Office	Prof. Services	Publishing	Warehousing Operations
Duck Creek Professional Campus ¹		■	■	■	■	
Smyrna Health & Wellness Ctr.				■		
Smyrna Industrial Park	■	■	■	■	■	■
McKee Industrial Park	■					
Former Sara Lee Building	■					■
Enterprise Industrial Park	■		■		■	■
Eden Hill Farm				■		
Creekside Center				■		
Blue Hen Corp. Office Park			■	■		
Garrison Oaks		■		■		
Kent County Aeropark Area	■	■			■	■

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

1.7 Summary of Recommendations

Recommendations for Organizational Plan, Business Growth Plan, Site Development Plan and Marketing Plan are outlined below. Details of each plan are presented in individual sections following the summary.

Implementation of Organizational Plan Recommendations			
Recommendation	Responsible	Funding	Timing
1. Modify organizational structure for the CDEDC to include expanded staffing, appointment of a board of directors and assignment of committees. Meet to refine mission, goals and vision for the organization. Comment: The organization needs to be better positioned to address its challenges.	Temporary committee established to revamp CDEDC	Budget \$10,000 for recruiting staff members	Within 6 mos.
2. Build/expand funding and support network for economic development by engaging the business community and the general public. Comment: Economic development needs to be positioned as a county-wide team effort and not in the hands of a few. Additional funding required to be competitive with other counties in region.	CDEDC	Budget \$5,000 for developing communications and conducting information meetings	On-going
3. Expand/reinforce working relationships with government agencies, educational institutions and other entities. Comment: Strategic relationships with other resources are critical to the effectiveness and success of economic development.	CDEDC	Budget \$2,500 for meeting expenses	On-going

Implementation of Business Growth Plan Recommendations			
Recommendation	Responsible	Funding	Timing
1. Expand outreach program for existing companies through enhanced two-way communications. Comment: The best resources for economic expansion and advocacy are the current employers	CDEDC	Budget \$25,000 for communications and meetings	On-going
2. Entrepreneurial/small business initiative that includes funding sources, incubator-type services for start-ups, training resources, technical support, low cost space, and networking. Comment: This sector of the economy is the fastest area for job growth	CDEDC as coordinator pulling in multiple sources	Multiple loan sources, facility management of low cost space, other business services offered at low rates	Enhanced program within one year
3. Refine incentive programs to include well-defined offerings for training, tax reduction or elimination for specified time periods and a variety of financial support options. Comment: A well-defined program targeted at specific types of jobs and industries will get results.	CDEDC building an advocate network to work with the State of Delaware and DEDO	State of Delaware will be primary source of funding	Assume two years to revamp incentive program

1.7 Summary of Recommendations (cont'd)

Implementation of Site Development Plan Recommendations			
Recommendation	Responsible	Funding	Timing
1. Maintain/market existing back office and customer contact center sites. Comment: It is important that the sites are maintained at nearly “move-in” status to provide a market advantage over other locations.	Maintain: owners, Market: commercial brokers, DEDO & CDEDC	Owners (maintain) and commercial brokers (marketing resources)	On-going
2. Maintain/market existing manufacturing and warehousing sites. Comment: The condition, access to SR 1 and other primary highways, lease/purchase price, and flexibility in available space will be strong factors in marketing the existing manufacturing space.	Maintain: owners, Market: commercial brokers, DEDO & CDEDC	Owners (maintain) and commercial brokers (marketing resources)	On-going
3. Develop Garrison Oaks site. Comment: To stimulate demand for the site from companies of different sizes, this site needs to embark on a development plan and begin construction on the first phase with some speculative construction.	City of Dover with input from CDEDC	Bond and grants	Begin five year process
4. Identify sites for future expansion. Comment: In order to meet future demand for office and industrial parks, it is critical to identify and procure land parcels at current (low) land values.	Kent County with input from CDEDC and municipalities	Kent County	Next 12 months
5. Construct additional interchanges along SR 1. Comment: This will become critical in managing local traffic flow and in attracting commuters from New Castle and Sussex Counties.	State of Delaware	Special bond and/or Realty Transfer Tax	Next 1-2 years
6. Upgrade Delaware AirPark in Cheswold. Comment: Additional private/corporate airport capacity is needed that does not impact Dover AFB and its enhanced security that will continue to tighten.	Delaware River & Bay Authority	Delaware River & Bay Authority	Next 2-3 years
7. Maintain profiles of all available sites within the county (CDEDC should define standards). Comment: Having updated and comprehensive site profiles is an important marketing tool.	CDEDC coordinate with info. provided by owners and commercial brokers	Owners and commercial brokers	On-going program

1.7 Summary of Recommendations (cont'd)

Implementation of Marketing Plan Recommendations			
Recommendation	Responsible	Funding	Timing
1. Develop marketing strategy that includes a refined vision for the county, specific target audiences and enhanced media utilization. Comment: The marketing strategy is critical to building awareness of Kent County to prospective companies and key influence points.	CEDDC	None required	Within 6 months
2. Upgrade web site to have access to a powerful communications tool that is easy to keep updated. Comment: The web site can be a key channel for building county awareness in the marketplace.	CEDDC through outside vendor (possible local)	Budget \$10,000	Within 6 mos. with ongoing update capability
3. Develop general profile of county and resource profiles for target industries in PDF format. Comment: Utilize as attachment to web site and as e-mail attachments.	CEDDC with support from consultant	Budget \$10,000	Within 6 months
4. Refine cooperative marketing initiatives with DEDO, other counties and partners. Comment: Other successful counties have leveraged their marketing efforts with partners	CEDDC	Pooled sources Budget \$20,000 from CEDC	On-going
5. Develop public relations communications programs for both internal and external audiences. Comment: The county has a challenge in building internal support and external awareness of the county's resources.	CEDDC in cooperation with other local organizations	Budget \$10,000	On-going
6. Expand direct selling initiatives with the continuation of on-site familiarization tours, periodic news letters, surveys, etc. Comment: The best allies are those that have seen the county and understand its attributes.	CEDDC	Budget \$25,000	On-going