



## **Working Group Final Report**

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# **BUSINESS RECRUITMENT**

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### **Co-Chairs:**

Brad Hall

External Affairs Manager, AEP Kentucky Power Company, Pikeville

Rodney Hitch

Economic Development Manager, East Kentucky Power Cooperative, Winchester

### **Charge:**

To address emerging opportunities in Eastern Kentucky for regional business attraction and retention, in an effort to expand workforce demand, as coal industry re-structuring continues.

*Final report, as presented by the Working Group*

# **Business Recruitment Retention, & Expansion**

## **SOAR Committee Report & Recommendations**

**Co-Chairs:**

**Brad Hall, AEP Kentucky Power**

**Rodney Hitch, East Kentucky Power**

**September 15, 2014**

# Business Recruitment, Retention, & Expansion

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## **Introduction**

The SOAR Business Recruitment, Retention, and Expansion Committee is made up of 18 economic and community development professionals across eastern Kentucky. The committee conducted 6 listening sessions and interacted with 100 individuals in order to gather the information for this report. This report, with its recommendations, is both a road map and a call to action for setting the stage for a new and vibrant economy for the SOAR Region.

The focus of this committee is on the creation and retention of primary jobs in the region. In order to achieve this overarching goal, we must focus on identifying and resolving major gaps in our ability to practice the science of economic development. The committee's recommendations are focused on setting the stage for creating and enhancing this economic development capacity.

Many of the ideas and suggestions mentioned in this report are not new or completely innovative, but collectively offer a path forward using the attributes of the region for holistic strength to build a better economy. The workgroup strived to strike the balance between not being limited to ideas and funding methods of the past, and understanding the reality of the stress that the local, state, and national levels of government are facing in funding initiatives and government supported programs. However, our session participants and committee members believe that the funding we have available must be strategically invested in order to create success in business recruitment, retention and expansion efforts. We also believe that we must create ways to form strategic public / private partnerships in order to achieve the necessary results.

The recommendations you see here represent a call to arms. The theme is to use what we have in order to build competitive advantages in the region that can compete and win in our present economy and the economy of the future. You will see that we attempt to engage existing organizations, road map and evaluate what we currently have, and do a better job aligning resources from local, state, regional and national service providers. Simply put, we have to be better, smarter, and more nimble and build a new economy based on our proud past.

Our group throughout this process heard time after time the call to action for this region to feel better about itself. Perception of a place dictates its ability to set the stage for growth. If we don't embrace who we are and present a proud image to the outside world, how can we ask and think we can compete in it? One comment that was made in a listening session was, "Imagine if we could have the same passion for our region as we have for basketball."

The cornerstone of the committee's recommendations is growth and development through collaboration. Partnership with strategic incentives can position the SOAR region for significant growth. By developing a holistic road map aligned with the other SOAR workgroups, we could fundamentally set the stage for a new day in the SOAR Region. It has been a pleasure and a calling for the members of this

work group to meet, collaborate, and chart a path forward for the SOAR Region. Our committee is honored to have the trust in leading this important path forward.

We know this is not the beginning nor is this the end of this process. We have presented this document for your review and consideration. We take ownership not in the words, but in the call to action it represents. Please consider us a resource and team to help move this region forward. We know with the help, guidance and leadership of the other workgroups, we can make the SOAR Region a more prosperous place. This is our call to action.

## **Committee Roster**

The SOAR Business Recruitment Committee is made up of the following committee members:

<b>First Name</b>	<b>Last Name</b>	<b>Organization</b>	<b>Title</b>
Jennifer	Bergman	East Kentucky Concentrated Employment Program	JobSite Services Director
Bruce	Carpenter	Corbin Economic Development Agency	Executive Director
David	Estepp	Big Sandy Rural Electric Cooperative	President/CEO
Tim	Gibbs	Ashland Alliance	President/CEO
Hal	Goode	Kentucky Association of Economic Development	Executive Director
Brad	Hall	AEP Kentucky Power Company	External Affairs Manager
Bart	Hardin	Senate President Stivers Office	Staff Representative
Bob	Helton	RJ Corman Railroad Group	Economic Development Manager
Rodney	Hitch	East Kentucky Power Cooperative	Manager, Economic Development
Judy	Keltner	Lake Cumberland Area Development District	Community and Economic Dev.
Dan	Mosley	Bank of Harlan	Loan Officer
Hollie	Phillips	Appalachian Regional Healthcare	VP, Corporate Strategy
Glenn	Ross	MSE	President
Nickie	Smith	Boyd County Economic Development / East Park	Economic Development Manager
Brett	Traver	Southeast Kentucky Economic Development	CEO
Joan	Ward	Kentucky Cabinet for Economic Development	Economic Development Specialist
Rich	Prewitt	Cumberland Valley RECC	Director Member Services
Norma	Taylor	CMI Consulting	VP Business Development

## **Meetings & Minutes**

### **Somerset Listening Session – Center for Rural Development, April 24, 2014**

Co-Facilitators: Brad Hall and Rodney Hitch

Attendance Roster: 17

Bart Hardin, Nathan Hall, Haley McCoy, Ken Russell, Paul Dole, Christa White, Tonita Goodwin, Joan Ward, Glen Ross, Dwendolyn Chester, April Combs, Bruce Carpenter, Jennifer Bergman, Judy Keltner, Rodney Kull, Brad Hall, and Rodney Hitch

Brief summary:

The group met during the East Kentucky Leadership event. There was much discussion and the group was open to discussion, debating ideas, and voicing their opinions. Many ideas were generated and much discussion took place. The Co-Chairs discussed the charge of the working group to provide 3-5 main ideas or action items that could be executed by the SOAR effort for Business Attraction/Recruitment. Below are the top ten ideas that were discussed. As the working group progress through the effort, they will refine these ideas and narrow down the recommended action items.

Top ten ideas collected during the session:

1. Regional Economic Development Organizations
  - a. The organizations must be run like a business
  - b. Marketing our communities and properties
2. Asset Mapping / Inventory of Properties
3. Implement a Regional Database of Properties
4. Educating Local Elected Officials on Economic Development
5. Industrial Property Improvements (Industrial Parks)
6. Exporting Opportunities for Growth
7. Supply Chain Prospecting
8. Government Contracts to Increase Business Opportunities
9. Establish a Link between Education and Economic Development
10. State Economic Development Incentives should be tied to Regional Economic Development Organizations

### **City of Pikeville Listening Session -- Fire Station Training Center, June 24, 2014**

Co-Facilitators: Brad Hall and Rodney Hitch

Attendance Roster: 8

Bennie Garland, Denise Thomas, Elizabeth Coley, Nancy Carolyn Taylor, Chris Anderson, Anthony Wright, Brad Hall, and Rodney Hitch

#### Brief summary:

This was the second meeting with the Business Recruitment working group. The main focus of this first meeting was to get acquainted with what Business Recruitment is and what the working group hopes to achieve. The meeting ended with a list of ideas to take forward to the next meeting.

#### Meeting Notes:

- We discussed that there needs to be a one-stop shop for people to get information about what all starting a business entails. –Data Clearinghouse
- This initiative can't focus on county lines; it has to be a regional effort. Every working group needs the other to succeed for this to be a success.
- The region is on the radar as an automotive corridor.
- We have to focus on the region's assets and pinpoint our resources and market it.
- Transportation to most of the Eastern Kentucky region needs additional access and funding to do so.
- Discussion of micro and revolving loans.
- Create an incentive package to attract businesses.

#### Big Ideas to recommend to the SOAR Executive Committee:

1. Modernization of government/county consolidation
2. Regional Economic Development Organizations
3. Infrastructure Needs Assessment
  - a. Focused on economic development
  - b. Bond issue for infrastructure
4. Data Clearinghouse

#### Paintsville Listening Session -- Ramada Inn, June 26, 2014

Attendance Roster: 14

Nancy Taylor, Eddie McGuire, Justin Prater, Michelle Spriggs, Regina Becknell, Denise Preece, Lori Ulrich, Laurie Morgan, Joyce Wilcox, Lonnie Campbell, Willie Owens, Fran Jarrell, Brad Hall and Rodney Hitch

#### Brief summary:

This was the third Business Recruitment listening session. The goal of this meeting, like the previous, was to ultimately come up with 3 to 6 main ideas to take into consideration for proposal to the executive committee chairs.

#### Meeting Notes:

- Create enhanced incentive package for Eastern KY and market it to national and global companies.

- For example: Enhanced tax incentives, possibly free water/sewer, free natural gas, etc.
- Market these incentives by contacting desirable companies and showing what the Eastern Kentucky region has to offer
- Kellogg's located in Eastern Kentucky was used as an example of a large company that has located in part because of a free natural gas incentive
- Business clusters that are focused on one industry
  - For example: Eastern Kentucky may not be able to attract a large factories or companies right away. What Eastern Kentucky can do is attract business clusters focused on making certain parts or producing smaller products that would then be sent to the larger factory and/or company (supplier plants)
- Creation of business services team
  - A regional and local team that routinely checks in on businesses and companies to evaluate or respond to issues of retention and possible expansion needs. Essentially, a team that can accommodate regional business's wants and needs. A team they can go to when they have questions, wants, or needs.
- Connect resources for local businesses
  - A resource database where all businesses can easily access a wide range of financial support information.
  - Serve as a resource to answer general questions businesses may have
  - Create a blog within the database where dialogue can take place to discuss issues and help get them resolved As soon as possible
- Create regional economic development organizations
- Create a market from within
  - Utilize the resources we already have
- Agriculture- utilize old mining land
  - Use the former mine land to grow hemp, ginseng, etc.

#### Big Ideas to recommend to the SOAR Executive Committee:

1. Regional Economic Development Organizations
2. Formal Incentive package
3. Business retention and expansion program
4. Natural resource opportunity
5. Regional database of properties and information

#### Harlan Listening Session – Harlan Center, August 14, 2014

Attendance Roster: 23

Kevin Halpin, Greg Drury, Ryan Watts, Teresa Kittridge, Jonathan Pope, Jeremy Williams, Donna Pace, Chris Thompson, Anne Hensley, Sarah Hobbs, Rich Prewitt, Kateena Haynes, Aimee Blanton, Dan Mosley, April Leisge, Paul Dole, Henry Hughes, Leo Miller, Joan Ward, Ken Cirda, Donell Busroe



Brad Hall, and Rodney Hitch

Brief summary:

This listening session had a good mix of participants and held a discussion of a variety of approaches and questions of how to best address business recruitment and retention for the SOAR region. The top opportunities identified were: a regional Economic Development Consultant, Looking at tax incentives that are unique to Appalachia Kentucky, developing programs for business retention and expansion and Infrastructure analysis.

Meeting Notes:

- We need to work with what we have, our land, our people, the mountains and tourism.
- We are humble people, but we have to change our mindset that we are beautiful and that this part of Kentucky has not prospered.
- Miners are a strong workers and workforce is a top priority for prospective employers.
- Tax breaks, credits and incentives to recruit and grow companies.
- Need to improve wireless and broadband infrastructure to attract and support businesses in the region.
- Combat brain drain – discussed what youth need to stay here and how to improve education and get youth more involved in community organizations.
- Regionalism - how do we best work together in Partnerships, Economic development efforts and having a good analysis of our assets. Talked about KY United as a good model, ADD districts, formation of a region wide collaborative effort and the natural geographic challenges to overcome.
- Rail- retain/expand/infrastructure - How can we better utilize freight services with rail?
- Discussed the need to have better infrastructure in roads for transport and have better analysis and information about the infrastructure and capacity in communities and our region.
- Workforce training, the opportunity to expand On-Job-Training, and to look at (KCTS Trains) Kentucky Trains for Incumbent worker training.
- Discussed the process of how to become a Work Ready Community.
- Local Business support/retention/expansion. Gave an example of Alltech – investing because of SOAR.
- Economic Development Site Consultant for region as an idea for SOAR.
- Strategic Mining as economic development potential – would need support with permit process and bonding costs. Can result in getting the coal out and open roads – but discussed EPA being an obstacle.

The group wrapped up the discussion in how SOAR can be a resource, but local people need to do the work. The working groups are meeting to make recommendations to the Executive Board on September 23rd. The group closed with identifying the top four opportunities.

Big Ideas to recommend to the SOAR Executive Committee:

1. Regional Economic Development Site Consultant
2. Tax Incentives unique to Appalachia Kentucky
3. Business retention and expansion program
4. Infrastructure analysis

Hazard Listening Session – KY Career Center, August 14, 2014

Co-Facilitators: Brad Hall and Rodney Hitch

Attendee Roster: 10

Peter Hille, Louise Vasher, Justin Prater, Bob Helton, Trish Adams, Liz Jones, Jack Duff, Brian Fields, Brad Hall, and Rodney Hitch

Brief summary:

This fifth meeting focused on **business recruitment**, specifically looking at how to bring investment to Eastern KY communities. There were four big ideas that stemmed from this meeting.

Meeting Notes:

- The group discussed that **there needs to be Industrial Park Targeted Marketing. Targeting marketing is something that other regions do that eastern Kentucky currently does not do well.**
- **In order to do this targeted marketing, county lines need to be blurred. Counties must recognize that development in one county benefits neighboring counties. In order to be successful, eastern Kentucky must work together as a region.**
- There is a need for space for entrepreneurs. A space for both mentorship opportunities, and to help grow new businesses.
- Communities need to have a thought process for what is going to be attractive to business. Currently, nothing is in place to resolve issues that prevent our industrial parks from being attractive to new businesses, (removing Fatal Flaws).
- Education is a must. We need to invest in schools. We are behind other parts of the country in these efforts.
- Continued Care for Retirement Communities, (CCRC), as a business idea. These do not currently exist for the elderly of eastern Kentucky. This is a profitable industry, and there is room for growth in this area.
- **High need for a central location for business recruitment. If an entrepreneur or new business wants to find a retail space, who do they call? Who does business prospects call in eastern Kentucky?**

Big Ideas to recommend to the SOAR Executive Committee:

1. Needs to be infrastructure improvements to Industrial Parks in order to make it easier for businesses to access and transport goods and services.
2. Needs to be investment in the workforce. Eastern Kentucky needs to advertise its existing workforce as well as invest in its schools to in order to stay competitive and support the next generation of workers.
3. Needs to be target marketing to specific industries in an effort keep eastern Kentucky on business prospect lists as a place for business investment.
4. Need for an inventory of available buildings/locations for new businesses to utilize.
5. Needs to be more support for business retention and expansion.

### Ashland Listening Session – Ashland Fire Station, August 15, 2014

Co-Facilitators: Brad Hall and Rodney Hitch

Attendance Roster: 17

Tim Gibbs, Glenda R. Woods, Jerri Williams, Tiffany Jobe, Del Borden, Everett Phillips, Tim Hughes, Howard Elam, Bob Helton, Julie Ball Hambrick, Andrew Jones, Natalie Heighton, Kevin Bourne, Michael Walker, Laura Ford Hall, Brad Hall, and Rodney Hitch

Brief Summary:

The purpose of the meeting was to identify 4 suggestions that the subcommittee on Business Recruitment could take to SOAR's Executive Committee.

Meeting Notes:

Meeting began with a brief overview of the SOAR Business Recruitment subcommittee and its goals: bringing in, expanding, and retaining businesses that can help SOAR improve quality of life in Appalachia.

Brad Hall noted that, with regards to business retention, it was "cheaper to keep the customers you have than to get new ones," emphasizing the need to keep businesses up to date and interested.

Attention was turned to one of the largest challenges facing Appalachia: how to diversify the economy in order to bring in jobs lost by the recession and the flight of coal jobs. Tim Gibbs noted that eastern Kentucky counties are in competition for jobs with others domestically and internationally, and must be able to compete with over 14,000 municipalities.

Tim stated that in order to compete, the state and counties must have a competitive advantage of some form. As they are now, many counties will need to have infrastructure and workforce improvements just to be on a level playing field with other areas. Economic, human capital, tax, and other incentives must

be put forth to make Appalachia stand out. An expansion of existing programs, such as the Promise Zone, could be useful in developing incentives.

Brad pointed out that state level incentive packages are good, but that many counties lack their own formalized incentive packages, preferring to create them as a situation arises. It would be better for them to make packages transparent and readily available for companies to see. Tim noted that not every county has personnel devoted to creating and accurately explaining packages on demand, and that SOAR could assist in that role and represent several counties.

Counties also must be more willing to put themselves forward, and seek out opportunities to attract businesses, grants, and any other assistance that state and federal programs can provide. SOAR, for example, can only help the people and places that reach out to them, and give them an avenue to invest. If there are no officials devoted to economic development, a county may not receive the help it needs.

One challenge many SOAR groups face is making counties and local politicians see that benefits cross borders. Workers will often travel several hours for a good opportunity, and the money earned in one area may very likely be spent in another, in stores, diners, fairs, events, and other businesses.

Coordinated efforts are only possible if leaders understand that, as the saying goes, what is good for the goose is good for the gander. Businesses often look beyond borders to see how many people live within a number of miles from a site. Furthermore, adopted policies must be able to survive a change in leadership, or be rendered ineffective by politicians operating on a shorter, election-cycle time scale.

Brad and Rodney Hitch spoke briefly on incentive packages that exist elsewhere. New York State very openly advertised that it would waive taxes for incoming businesses, and the state of Texas cut an \$8 million check for Toyota. It is also not unheard of for cities to simply give away buildings to businesses. Competition is aggressive, and requires an effective response.

Site selectors that help decide where a company will expand or relocate often move very quickly and consider a large number of potential locations. There is a critical need in every county to have information on infrastructure, environmental impact, biological surveys, and other information and certifications important to site selectors ready to go. Certification programs exist that can collect information and present it quickly. Failure to respond to selectors quickly with result in eastern Kentucky sites being overlooked.

Officials also must be willing to talk about diversifying the economy, and moving away from coal. Many in attendance felt that, while important, coal profits often left the region, to benefit people miles away, while the environmental and health damage remained.

Brad stated that these efforts can't rely entirely on the government. There are plenty of opportunities for public and private partnerships, such as the ones that exist at Morehead State's Space Science Center. Regional colleges can apply their research to fuel private growth, and students can develop the skills to grow the resulting businesses.

Several attendees stated that Kentucky has a great resource in hard-working, ethical employees, but that they are often rough around the edges, or are too humble to effectively list their skills and accomplishments for a potential employer. A little resume and interview training may go a long way. Expanding training and internship programs can also help build skill bases. Another critical need is to keep the best and brightest students and employees in the region, highlighting their opportunities here instead of watching them take their skills and knowledge elsewhere.

Many also said that eastern Kentucky has great potential for tourism, but that it has to be seen as one part of a solution, not a savior in and of itself. Picturesque mountains and lakes, traditional music and art, and friendly people are points of emphasis that may bring new eyes into Appalachia. While many residents have immense pride in their homes, there is a need to address the negative vibes and lack of hope that plague many citizens of Appalachia.

SOAR needs to tap into the pride and beauty of the region, and advertise the highlights, both here and abroad. Even if SOAR is mentioned in the New York Times, people in Pike County may not know about it. Locals must be aware of projects and the benefits they may provide. It is important to engage local news sources to ensure that stories hit home. It is also important to specifically engage students, and encourage them to develop SOAR programs and clubs

#### Big Ideas to recommend to the SOAR Executive Committee:

1. Begin branding and rebranding Eastern Kentucky to highlight the region's advantages, dispel negative view people may have of the region, and tap into the pride locals have for their home
2. Expand regional asset and infrastructure analysis to identify areas that meet the needs of companies and have that information on hand to deliver to fast-moving site selectors
3. Create public/private partnerships in order to bring the potential developed by local programs and university research into the business world
4. Formalize incentive packages to help counties create a competitive advantage that will make them competitive with other areas here and abroad

## **Working Group Recommendations**

### **Recommendation #1**

#### ***Third Party Analysis***

The Business Recruitment Committee feels it is vitally important to have a complete understanding of the region's assets and gaps for business recruitment, retention, and expansion. The practice of Economic Development is a science and an art. As with all things, science and methods evolve. Therefore, we must have a complete understanding of the methods, tools, and assets that are needed today to be successful in business recruitment, retention, and expansion for eastern Kentucky. Many people in the region and throughout the United States have a negative view of eastern Kentucky. A third party analysis can provide us with the non-biased data that will illustrate why and how the opportunity exists for the success of business recruitment and expansion in eastern Kentucky.

It was discussed in many of our sessions how in January 2013, AEP Kentucky Power commissioned a reputable economic development site consultant to complete an S.W.O.T. analysis (Strengths, Weaknesses, Opportunities, and Threats) for an 8 county region of eastern Kentucky. The analysis included: Floyd, Knott, Johnson, Lawrence, Letcher, Magoffin, Martin, and Pike counties. In addition, a focus was put on evaluating all of the multi-county industrial parks within that footprint and including Perry and Boyd counties. The properties included: East Park, Honey Branch, Coalfields, Marion Branch, Gateway, and several other potential properties for industrial development. The results of the S.W.O.T. analysis explained the vast potential for industrial development in the region. The consultants sited ample potential properties, excellent support services in and around the population centers, and a good potential labor pool. However, in order to capitalize on these opportunities, two overall recommendations were made. The first recommendation is a vital need for fully funded and dedicated regional economic development organizations. The organization must include a professionally trained staff and the necessary resources to practice business recruitment, retention, and expansion. The second recommendation is to create and provide "shovel ready" properties that have excess capacities of utilities (water, sewer, data, and electricity), proper road access, and free of any other "fatal flaws" to business prospects. We have attached the S.W.O.T. analysis (*Appendix A*) for your review. We have also provided a Corporate Profile (*Appendix B*) of the consultants that were commissioned for the analysis. The consultant is InSite Consulting, LLC of Greer, South Carolina.

Participants and committee members also discussed the second initiative that began in September of 2013, as AEP Kentucky Power commissioned the same economic development site consultant, InSite Consulting, for a Phase II study. This study provided full evaluation of the properties viewed in the S.W.O.T. analysis. From these evaluations, they were asked to prioritize the properties based on their opportunity to win projects and to identify all of the "fatal flaws" that would need to be overcome in order to position these properties for success in business recruitment. The Phase II study (*Appendix C*) has been included to illustrate the strategic investments that will need to be made in these properties in

order to position them for success. It was recognized during many sessions that the study acted as a catalyst for the City of Pikeville and the Marion Branch Industrial Property owned by the City of Pikeville. The City has made several key decisions based on the study that has now resulted in the investment of Alltech in the Marion Branch Industrial property.

Therefore, our committee believes it is of great importance to duplicate and expand the third party analysis for the entire SOAR territory. This data and the recommendations from the consultants will allow for the creation of strategies for success. Most of the investments required for successful business recruitment are capital intensive projects. Thus, we must make strategic decisions that will provide the best return on investment. We do not want vacant properties that are missed opportunities for the region. We believe our properties are vacant for a reason. That reason is that we have not fully invested in these properties and the properties are not currently “shovel ready”. The consultants are the decision makers in the process of business recruitment and expansion, and this process will provide us with the strategy the decision makers see as the steps for success.

Participants stated that many studies have been done on the region with mixed implementation and results. The committee feels it is important that the results of these studies be taken seriously and strongly enforced for implementation. Session participants and committee members agree SOAR should be the organization to hold the region and its stakeholders accountable for these results.

#### Year 1 Activity:

Issue a Request for Proposal for the following studies and execute a contract with a professional consultant:

- *Site Map of Existing Resources and Alignment of Resources*  
This study would evaluate all of the existing agencies in the region that are practicing business recruitment and/or that provide a support service for business recruitment. The study would then provide recommendations on how to align those resources for success and provide recommendations on how to overcome any identified gap in those resources.
- *Properties Inventory and Recommended Improvements (Fatal Flaws)*  
This study would evaluate all of the potential properties in the region. This study will identify all of the necessary data points for each site, identify any potential fatal flaws, provide a plan for correcting those fatal flaws, and prepare a marketing plan for each property. Finally, based on the information collected, the study would prioritize those necessary investments for the best return on investment.
- *Workforce Inventory and Needs Assessment for Training (Skills Gap)*  
This study would create an inventory of the trained workforce in the region, identify potential skills gaps and opportunities for training, and provide some insight as to what industries can be recruited based on the skillsets that exist in the region.
- *Target Industries Analysis*

This study will provide the necessary data to allow the region's marketing efforts to be focused on industries in which we have the assets for success. The study will look at properties, natural resources, modes of transportation, workforce, infrastructure, and many other factors to determine the industries that we could most likely be successful in recruiting. This data saves time and money while increasing your likelihood of success by allowing a focused approach vs. a shotgun approach to business recruitment.

- ***Branding / Marketing***

Our committee and session participants believe that a Regional Brand and Marketing Strategy will be another key to SOAR's success. We also identify that this concept will benefit the efforts of many other committees within SOAR. We recommend a consultant be used to create a regional brand that all of eastern Kentucky can support. This brand will raise the credibility of our region with outsiders and create pride from within. This brand will provide the opportunity for us to eliminate the stereotypes and set a new expectation for the region, while raising our profile so prospects will begin to identify the existence of eastern Kentucky as a player in business recruitment.

Budgetary Ask: \$500,000 -- this number based on the study covering the entire region of SOAR. The cost may be able to be mitigated by carving out strategic areas for success.

Year 2-3 Activity:

Based on the results of the Year 1 studies, there may be a need for more detailed consultant activity such as:

- A consultant led project focused on a specific property to walk it through the process of being "shovel ready".
- Property Site Certification – Once fatal flaws are identified and corrected, a strong marketing position is to certify the property with a reputable site consultant.

Budgetary Ask: \$100,000 per property to cover consulting fees and necessary engineering and geotechnical studies.

Year 5-10 Activity:

We recommend a reassessment of the region's position. A consultant may be needed to reevaluate processes, properties, and professionals to determine if a "tweaking" of the assets needs to be made. As explained at the beginning of this recommendation, processes and expectations of prospects change. We must reevaluate to insure that we are meeting their expectations. A reassessment of the region's position will insure that we are doing just that.

Budgetary Ask: \$250,000 based on the size of the SOAR region.

The committee feels it is important to issue a Request for Proposal (RFP) as soon as possible to identify the potential professionals needed to start the analysis process as soon as possible.



## **Recommendation #2**

### **Creation of New/Existing Regional Capacity for Economic Development**

The Business Recruitment, Retention and Expansion Committee clearly heard at all of our community listening sessions, the strong desire for SOAR to form, fund and provide long term support for Regional Economic Development Organizations.

History has proven that without leadership, sufficient resources and qualified professionals even the best laid plans will probably fail. Participants agreed in all session locations that most areas of eastern Kentucky do not have the resources to sufficiently fund a local economic development professional and supportive organization. With local, state and federal resources continuing to be stretched thin and many areas of past support being eliminated, it was recommended SOAR formulate regional organizations to build a strong and united foundation for eastern Kentucky's economic development success.

It was noted that while eastern Kentucky has made great strides to improve and overcome many past challenges which hindered growth and a diverse economy, much still remains to be done to compete in regional, national and global economic development arenas. Improvements are still very much needed with transportation access, infrastructure, properties, incentives, workforce, education and quality of life amenities. Eastern Kentucky offers a wide range of wonderful diversity and cultures with the terrain many times defining areas that can partner in beneficial cooperation and stable opportunities. Session participants and committee members agree that only a few office locations across the large SOAR region cannot successfully build the partnerships and important relationships needed across such a wide range of amenities, local cultures and differences.

Discussed was the recently commissioned economic development S.W.O.T. analysis (Strengths, Weaknesses, Opportunities, and Threats) performed by a site consulting firm hired by AEP Kentucky Power for an 8 county region of eastern Kentucky. The consultants cited ample potential properties, excellent support services and very good labor pool. The first recommendation made by the firm identified a vital need for fully funded and dedicated regional economic development organizations with professionally trained staff and necessary resources to practice business recruitment, retention, and expansion.

During our listening sessions, participants identified many organizations already working to support the region such as Kentucky Cabinet for Economic Development (KCED), Kentucky Area Development Districts (KYADD), Kentucky Highlands, Southeast Kentucky Economic Development (SKED), Mountain Association of Economic Development (MACED), Small Business Development Centers (SBC) and local economic and industrial development entities. While it was agreed they all appear to work very hard, the majority struggle with resources and staff to provide a focused and competitive economic development program for most areas of eastern Kentucky.

After many suggestions on the specifics of how regional organizations will be formed, the general consensus was that rather than create a new entity, we can explore how to enhance and better align existing organizations and institutions that strengthen their efforts.

It was recommended from participants and committee members that a regional economic development specialist could possibly be located in each of eastern Kentucky's Area Development District offices. With a stronger relationship between the KYADD and KCED, this economic professional could improve a collaborative regional network while managing the duties of regional marketing of amenities, business and industrial parks, financial resources, project needs with expansions and investments, leadership training and retention of existing regional businesses.

Listening session participants recommended these offices work closely with local and regional officials, legislators, chambers of commerce, economic development councils, industrial authorities, utilities, financial institutions and state organizations like Kentucky Association of Economic Development (KAED), Kentucky United, Kentucky Manufacturers Association (KMA), workforce, and education providers.

The session participants presented a desire for these offices to work closely to improve broader initiatives including an improved entrepreneurial ecosystem to better coordinate resources for eastern Kentucky business startups and expansions. To work with SKED, MACED, Kentucky Highlands and the Small Business Development Centers in the eastern Kentucky Technical Assistance Providers Network. Also there was a desire to enhance education and support for entrepreneurship in the Public School System, Workforce Development Cabinet, Colleges, Universities and Community and Technical College System.

#### Year 1 Activity:

- Create a sub-committee of the business recruitment, retention and expansion committee to develop and coordinate the initiative to fund, locate and staff regional economic development organizations.
- Bring together KCED, KYADD, economic development related organizations, elected officials, workforce and financial resources that operate in eastern Kentucky with the common goal to identify and support the best locations of regional economic development organizations.
- State and Federal Executive Branch and Legislative Branch support to secure sufficient funding for 2 year budget cycle that will sufficiently fund operation of the Regional Economic Development Organizations.

Budgetary Request: \$600,000 per year - While the exact amount is unknown, the projected amount is conservative at \$125,000 to open each of the 5 regional office locations per year. The amount funds the salary of 5 experienced economic development specialists, office expenses, travel, marketing, economic memberships, etc. that's minimally required to be an effective organization. The date to actually begin spending budgeted amount depends on the timeframe required to develop a supported structure, determine best locations and hire professional staff.

#### Year 2-3 Activity:

- Based on the successful implementation of the Year 1 recommendations, all regional office locations will be opened and operational with staff and initiatives underway.
- Evaluation of the effectiveness and regional support the office has for staff and operations. We recommend a 3<sup>rd</sup> year reassessment from the state and region's economic development leadership on progress being made to improve the region's economic development capabilities and success. We must continue to reevaluate and improve to insure the work performed is meeting the SOAR initiative and regional citizen's expectations.
- Work with SOAR Business Recruitment Committee and SOAR Executive Committee to determine 5 – 10 year work plan and potential budget implications.

Budgetary Request: \$675,000 per year - While the exact budgeted amount required will be clarified during year two, we project a conservative \$135,000 per year to operate each of the 5 regional office locations per year. The amount funds the salary and benefits of each of the 5 experienced economic development specialists, office expenses, increased travel, marketing, economic memberships, etc. that are minimally required to be an effective organization.

#### Year 5-10 Activity:

- Implement the approved 5-10 year work plan
- We recommend a full reassessment of the regional offices from the state and region's economic development leadership on the office and staff effectiveness and progress made to improve the region's economic development capabilities and success. We must continue to reevaluate and improve to insure the offices and work performed is meeting the SOAR initiative and regional citizen's expectations.

Budgetary Request: \$700,000 per year to slightly increase staff compensation and enhance programs that successfully implement regional initiatives improving eastern Kentucky's economic development success. We project a conservative \$140,000 per year to operate each of the 5 regional office locations per year. The amount funds the salary and benefits of each of the 5 experienced economic development specialists, office expenses, increased travel, marketing, economic memberships, etc. that are minimally required to be an effective organization.

### Recommendation #3

#### **Competitive Advantage Unique to Eastern Kentucky**

When we look at the current ability of the SOAR region to be successful in the very competitive realm of Business Recruitment, it is clear that the majority, if not all, of the region is at a disadvantage. As one of our community members stated at our Ashland Listening Session, “We have a lot of work to do just to be even with the rest of the Nation. We need something that not only gets us even, but sets us apart and creates a unique competitive advantage for our target industries.” Our committee believes that we have several opportunities in which we can do just that, create a competitive advantage unique to eastern Kentucky.

The two forms of competitive advantage are lower cost and differentiation. The goal is to identify and/or create and market the competitive advantages of eastern Kentucky.

#### Lower Cost

There are areas where Kentucky and eastern Kentucky have an inherent advantage from a cost perspective. Utilities are a primary advantage. Kentucky currently has some of the lowest electrical cost east of the Mississippi River. Labor cost is another area where the region could provide a competitive advantage. However, it is important to realize the pitfalls of being seen as the location for low-wage job creation.

A way to provide a lower cost structure to new and expanding industry locating in the region is through enhanced incentives. These incentives could be realized from a Federal, State or local level. From a Federal level, many areas of eastern Kentucky have the advantage of being a designated Promise Zone, HUB Zone and others. From the State level, it could be additional tax relief through the Kentucky Business Investment (KBI) Program, job training grants, deal closing grants, etc. To be a true advantage, the advantage designed must be specific to eastern Kentucky. An example could be the creation of a deal closing fund using a set-aside of the Coal Severance Funds.

It will take local leadership to determine the local competitive cost advantage. Tools such as tax increment financing, CDBG Grants, and revolving loan funds are available in many areas. However, these do not necessarily provide a competitive advantage.

One area communities can provide a cost advantage is through their municipal utilities. These utilities could provide a reduced rate to major industries creating jobs. Another example is the Kellogg’s location in Pike County. The company was provided four gas wells to provide their own natural gas for operations. This creates a competitive advantage for the company to employ people throughout the region. Finding a way to replicate this type of opportunity can provide a true competitive advantage for business recruitment.

### Differentiation

Eastern Kentucky is a unique region of the United States, and we can use this uniqueness to differentiate the region as a place to do business. These areas can be grouped around our natural resources and finding the right niche markets.

- **Natural Resources**  
This can include natural gas, wood, water, human capital and, yes, coal.
- **Niche Markets**  
This is an area where you can bring the natural resources and lower cost together to find the types of businesses that would benefit the most from lower cost and/or natural resources. For example, Kellogg's saw a competitive advantage by having access to their own natural gas wells. Bakeries, glass manufacturers and other large natural gas users would benefit from a similar opportunity. Similarly, a large water user could see a competitive advantage in having discounted access to water. Human capital can be a competitive advantage in two ways. Low-cost labor is one advantage. Another is to offer a workforce that has a particular skillset. The current dislocated miners with welding skills are finding work in other states. Being able to quantify a workforce with a particular skillset could create an opportunity to market towards some specific industries.

### Year 1 Activity:

- Tailor a specific state incentive to eastern Kentucky. Perhaps designate eastern Kentucky as a specific area where Kentucky Business Investment (KBI) incentives can be sold by the approved company. This would allow the company to load the incentive on the front end.
- Create a cash program to close deals in eastern Kentucky that works in conjunction and above the current Economic Development Bond Program.
- Work with eastern Kentucky communities and Industrial Development Authorities (IDA) to develop their own incentive programs to reduce costs for new company location. For example, Economic Development Cabinet staff could work with utility experts and community utility companies to develop opportunities to offer discounted, water, sewer and natural gas. Possible free tap fees to connect services to those utilities as well.

### Year 2-3 Activity:

- Develop a niche marketing campaign based on the strengths identified in the proposed third party analysis.
- Create a Federal incentive specific to eastern Kentucky that would allow for tax credits for a locating or expanding business.
- Economic Freedom Zones could create a very unique advantage. This has been suggested by Senator Rand Paul and it would create areas of reduced taxes for economic distressed areas.

These reduced taxes encourage businesses to invest in areas that otherwise may not have been considered.

- Acquire mineral rights at designated industrial parks in an effort to provide discounted and/or free resources such as natural gas in an effort to duplicate the success of the Kellogg's plant in Pike County.

Year 5-10 Activity:

- Reassess the incentive packages to insure that they continue to provide a competitive advantage. If not, tweak the programs to stay ahead of the competition.

## Recommendation #4

### **Infrastructure Improvements**

The Business Attraction Committee recognizes there are working committees devoted to Infrastructure and broadband under the SOAR initiative. However, this committee and session participants felt that infrastructure is a vital component of the business attraction/retention effort in the region and also needs to be identified in our findings.

While significant improvements have been made over many decades to the access and infrastructure in eastern Kentucky, much still remains to be done. Our committee and majority of session participants consider continuing large scale improvements to eastern Kentucky's infrastructure a high priority.

Improving the Infrastructure of the SOAR region has been a major undertaking for over 100 years, recognizing the successful work of many elected officials, ARC, and private sector who have made significant changes providing services to the region.

We also know that for this region to be competitive in economic development, a robust infrastructure must in place for today's economy and of tomorrow. We have identified several building blocks that must be addressed and in place for the region to have the ability to compete and win in the regional, national, and even international economy. Our recommendations are grounded with the premise that for too long we have been fighting to "get even" on our infrastructure with the rest of the nation. We are seeking to change this prospective and build a system that gives us a competitive advantage in the competition of the new economy.

To compete in the global arena of successful economic development with recruitment, retention and expansions, we must improve our capabilities in communications, access, transportation, energy, water, wastewater, solid waste disposal and available properties. Clearly there is a requirement by site selection professionals that you have high level infrastructure just to be considered. We believe SOAR must provide the highest levels of quality and abundant infrastructure to just get us up to the baseline so we can be competitive.

It was recommended during our sessions that the region's infrastructure be inventoried and analyzed to identify current gaps in capacity and identify areas where improvements are needed for current sustainability and future success. To tackle such a broad subject matter, a detailed study used to evaluate the current state of the infrastructure sectors of: communications, energy, transportation, water, and wastewater. In addition, our regional industrial parks should be reviewed and gaps or flaws should be identified and plans of action to improve their position developed.

Session participants want an infrastructure that includes high speed internet connectivity, capacity and quality for a wide range of companies, particularly industries that collect and analyze vast amounts of data. A key component to any modern economy is high speed broadband, and it is vital that we have, not just adequate, but substantial systems of communications.

We understand the complexity to balance public policy and private investment in the development of a system that doesn't just get us even with our competition, but gives us an advantage where speed in excess of 100mbps are now needed for today's global business community.

Fiber-optic technology is receiving increased attention at the local, state, and federal government levels and is considered the next frontier in global communications infrastructure. The majority of this region does not have access to fiber technology and current market forces make it very difficult to roll out high-speed internet access on a large scale. Our committee and participants are proud of the teamwork from Congressman Rogers and Governor Beshear to improve this crucial infrastructure with recommended funding proposals for a \$100 million investment in building a new fiber-optic network that will begin in eastern Kentucky and graduate across our entire commonwealth.

All listening sessions discussed the crucial need to improve our region's surface and air transportation systems to efficiently move people and products throughout eastern Kentucky and beyond. This includes roadway networks, bridges, public transit systems, and railroads. People and companies rely on this network for personal, public and shipping transportation to points in and outside of the region.

To provide efficient and effective freight movement throughout any region in the country, an integrated, multimodal transportation network is essential and must be made to strengthen connections between these modes of transportation in order to take advantage of the region's existing assets.

Our region has made substantial progress in opening the flow of goods and services to market, the job however is incomplete in perception with many key sections of highway. The perception of the highway system in our SOAR region is that of limited access and lack of Interstate Highway System level transportation. It's true we lack a robust Interstate connection, but it is not true that we lack four lane high-speed connectors that link our region to the commonly accepted interstate.

This committee commends efforts already underway to improve and expand the four lane Mountain Parkway and major connections. We must also create or brand the four lane highway system in the SOAR area as major industrial connectors and build awareness of the existing connectivity. We must work to expand existing three and four lanes to interstate level quality.

Our workforce predominantly uses personal automobiles for employment of the region. Conditions of roads and bridges vary across the region, it will be a challenge to find the right balance between maintaining the existing road network and providing additional capacity. Funding levels must be secured to keep up with an ever expanding and improved roadway network.

A strong public transportation network gives commuters an important alternative method of traveling to work and can take pressure off overburdened roadways in the region. Kentucky ranks last among its seven neighboring states in total and per capita investment in public transportation. This makes it very challenging for mass transit in the BEAM region to link employers and employees, especially with large job sites located in sparsely populated areas. More reliance on vanpools or mass transit could better serve low-density areas throughout the region.



We commend Congressman Rogers and Governor Beshear for efforts to secure funding for significant improvements of the Mountain Parkway and major connecting roadways.

The committee supports efforts to increase reliance on rail, water, and air freight movement through better intermodal connectivity that would reduce the burden on the region's roadways. Just as the economies of the 19<sup>th</sup> and 20<sup>th</sup> centuries were linked to the development of rail, our modern economy can be driven by this efficient method of transportation. With Kentucky's abundant list and networks of major rail carriers, we are seeking to integrate all major systems of transportation to build on Kentucky's position as a major transportation provider. Linking these together as an efficient seamless transportation network could be a major driver in our economic policy.

The freight rail system is extensive and well established, with a variety of rail companies providing local, regional, and national service. However, in order to meet the growing needs of existing and new manufacturing facilities, extensive infrastructure improvement such as new passing tracks and rail replacement will be necessary.

The preservation of right-of-ways is very important to current and future rail success. The efforts of SOAR must be considered by the railroad companies to not hastily remove current infrastructure that is irreplaceable for only short term financial benefit and can cause long term harm to eastern Kentucky's success.

Based on fuel efficiency and cargo capacity, movement by waterways is arguably the most efficient transportation mode. The Ohio River, a major waterway for freight movement, runs through the northern part of the region. The major ports of the region currently have adequate, if not excess, capacity for freight transport. The port facilities are positioned to grow in size and capability as demand increases in the future. The expansion of the Panama Canal has the potential to open up new markets for the region's ports and manufacturers.

In an increasingly global economy, it's very important people, executives and companies in the region have easy access and connections to major airports. General aviation serves as a building block for the new economy. The region is served by four commercial passenger airports – Bluegrass Airport in Lexington, Tri State Airport in Huntington, West Virginia, Louisville International Airport and Cincinnati/Northern Kentucky Airport. Several general aviation airports that principally serve corporate aircraft are also accessible. Together, the region's primary airports have service to eight of the nation's top ten international gateways, which allow quick connections to major global destinations. We do have service gaps domestically, including the lack of nonstop service in some locations. It is our committee's recommendation we support and encourage regional commercial air services where economy of scale is present and build on the aviation system as a private sector solution to business travel.

As economic development practitioners, we realized clean and abundant water are fundamental building blocks for development. As the country as a whole has grown and developed, access to water has become an issue in the western areas of the United States. We are now seeing trains of water being

shipped from Kansas to Texas for production in the oil and gas industry. Kentucky is blessed with a competitive advantage of both quantity and quality of water. We must build a stronger distribution system for residential and commercial use in eastern KY and use access to clean, plentiful water as a competitive advantage in economic development. It is necessary to have a minimum excess water capacity of 250,000 gallons per day for an industrial property to be in the market. In order to provide a true competitive advantage, industrial properties should have 1,000,000 gallons per day of excess water capacity. These same excess capacity numbers hold true for wastewater as well.

Many session participants recommended the region's solid waste infrastructure – namely municipal landfills – must also be studied to insure sufficient capacity for the future.

Last but certainly not least, our committee strongly agrees on the need to improve our current fleet of Business and Industrial Park properties across eastern Kentucky. It was discussed in many of our sessions AEP Kentucky Power's commissioning of a reputable economic development site consultant to complete an S.W.O.T. analysis (Strengths, Weaknesses, Opportunities, and Threats) for an 8 county region of eastern Kentucky (*see Appendix A*). Focus was put on evaluating all of the multi-county industrial parks within that footprint. The results of the S.W.O.T. analysis explained the vast potential for industrial development in the region. The consultants sited ample potential properties, excellent support services in and around the population centers, and a good potential labor pool. However, in order to capitalize on these opportunities, two overall recommendations were made. The first recommendation is a vital need for fully funded and dedicated regional economic development organizations, including professionally trained staff and the necessary resources to practice business recruitment, retention, and expansion. The second recommendation is to create and provide "shovel ready" properties that have excess capacities of utilities (water, sewer, data, and electricity), proper road access, and free of any other "fatal flaws" to business prospects. A phase two study provided full evaluation of the properties viewed in the S.W.O.T. analysis (*see Appendix B*). From these evaluations, they were asked to prioritize the properties based on their opportunity to win projects and to identify all of the "fatal flaws" that would need to be overcome in order to position these properties for success in business recruitment. The Phase II study illustrated the strategic investments that will need to be made in these properties in order to position them for success.

Therefore, our committee believes it is of great importance to duplicate and expand this type of analysis for the entire SOAR territory. This data and the recommendations from the consultants will allow for the creation of strategies for success. Most of the investments required for successful business recruitment are capital intensive projects. Thus, we must make strategic decisions that will provide the best return on investment. We do not want vacant properties that are missed opportunities for the region. We believe our properties are vacant for a reason. That reason is that we have not fully invested in these properties and the properties are not currently "shovel ready". The companies and site selection consultants are the decision makers in the process of business recruitment and expansion, and this process will provide us with the strategy the decision makers require as the steps for success.

In conclusion, our committee supports developing a strong infrastructure for the region to be competitive and “seize the moment for success.” These systems do not exist within jurisdictional vacuums. The movement of goods and people goes well beyond individual cities and counties moving by various modes along its journey. Coordination must improve between federal, state, regional, and local jurisdictions; between different sectors of infrastructure; and between public and private entities. Efforts like this must continue to improve over the long term to develop a detailed inventory of regional assets that compete in a “world class manor” for current, new and expanding economic development opportunities.

#### Years 1- 5 Activities and Budget:

*This committee will not attempt to list firm timeframes and budget cost estimates to these recommendations as they may conflict with the SOAR Infrastructure Committees work and responsibilities. We are however making suggested timeframes the committee may want to consider.*

#### Transportation:

- Improve four lane Mountain Parkway to Prestonsburg with connections to crucial route extensions allowing better access to main interstate systems like I-64 and I-75.
- Create or brand the four lane highway system in the SOAR area as major industrial connectors, build awareness of the existing connectivity, and address the short coming in existing systems.
- Work to expand existing four lanes highways to interstate level road systems.

#### Communications: Dark Fiber

- Enact State Legislation that encourages public/private collaboration in the development of a management approach to increasing high speed internet in the SOAR region in both middle mile and last mile pipeline.
- Completion of the Dark Fiber pipeline currently underway and addressing the areas that have limited connectivity have current expansion.
- Lead the central Appalachian region in speed and connectivity in high speed internet access with balanced provider approach.

#### Rail/Water:

- Coordinate/facilitate transportation providers into a Soar Region/State policy for Economic Development to create a competitive advantage using transportation systems to link existing companies to markets domestically and internationally. In addition, use this platform as a recruitment tool in positioning Kentucky as a global player in trade and manufacturing.
- Additionally, the preservation of right-of-ways is very important to current and future rail success. The efforts of SOAR must be considered by the railroad companies to not hastily remove current infrastructure that is irreplaceable for only short term financial benefit and can cause long term harm to eastern Kentucky’s success.

- Explore and build connections of our waterways in relationship to expanded foreign trade including expansion of the use of Foreign Trade Zones and subzones to gain markets and position for recruitment of business and industry
- Encourage the creation of Trans load facilities to better link rail to truck to barge transportation systems in SOAR region (Kentucky is within 8 hours of 60% of population and 51% of manufacturing of US).

#### Air:

- Seek coordination of private sector flight service for existing general aviation airports to feed commercial aviation networks.
- Continue the development of Pikeville/Somerset commercial air service and build an enhanced regional network for coverage and private sector solution to business travel for SOAR Region.

#### Water/Wastewater and Landfills:

- Abundant supply of high-quality water, pressure and long term capacity must be made available for manufacturing. Development sites in rural parts of the region will require additional investment for increasing water quality standards and the installation for adequate or replacement of aging infrastructure.
- Evaluate the region's solid waste infrastructure and municipal landfills to insure sufficient capacity for the future.

#### Business and Industrial Park properties:

- The analysis for the infrastructure in our business and industrial parks and priority recommendations is part of our Recommendation #1 -- Third Party Analysis.
- Industrial properties must have excess capacities of water and wastewater. The committee's goal would be for each property to have 1,000,000 gallons per day of excess capacity at each industrial property.
- Some industrial properties can create some excess water/wastewater capacities quickly through simple pumping station upgrades or other small investments. These should be identified and upgraded as soon as possible. Coalfields industrial park in Hazard is an example of this. Coalfields can quickly add 276,000 gallons per day of excess sewer capacity for only \$90,000. The property currently has a very minimal amount of excess sewer capacity.

## Recommendation #5

### **Establish Permanent Economic Development Funding**

The SOAR region has for too long acted as a disadvantaged commodity in the regional, state, and national competition for economic development. What dedicated funding sources that have been allocated have either been used to “get even” with other areas or regions in terms of infrastructure or, at worst, used for activities which were not driven by outcome based economic development. Our work group heard from each and every listening session that we needed to develop unique tools to give a competitive advantage to this area. This is one of the main points that the recommendations below seek to accomplish.

If you look across the SOAR region, there are a very limited number of fully funded economic development organizations. The majority of the economic development organizations that exist, are volunteer organizations with private funding and part-time employees. It is the opinion of this committee and its many session participants that a permanent, strategic, dedicated, and deliberate economic development funding mechanism be designed and implemented. Without this funding, eastern Kentucky will continue to limp forward with little or no success in business recruitment, retention, and expansion. In addition, we must create and implement unique programs that creates a competitive advantage with this funding mechanism that truly creates an environment that will be attractive to industry.

While Kentucky offers many competitive tax and training incentives that are effective in high growth areas of eastern Kentucky must have much more. If a company chooses to invest in the SOAR region with its challenges of access, transportation, communications, infrastructure, etc., the company must be given enhanced incentives. These incentives will offer tremendous benefit for locating and or expanding in the eastern Kentucky region. These unique incentives can be created with the utilization of the permanent funding and strategic tax reductions.

#### *Regional Industrial Park Model:*

We must reevaluate and build on the foundation of the Regional Industrial Park Model with continued support, and address inherent potential weakness of political motivated appointees without economic or industrial development experience. In addition, we must provide adequate funding for the operation of these sites in the competitive field of recruitment and expansion.

It is the recommendation of our committee and many of the session attendees that the current funding model for these parks at \$12,000 per year is far too low. A permanent funding mechanism must be put in place with minimum funding levels of \$75,000 to 100,000 per property per year. This funding is for contract management in conjunction with the area development districts that currently oversee management of the parks with mixed success. In addition, the funding is for maintenance, marketing, and potential upgrades necessary for success.

We also recommend that guidelines for these funds be established with a deadline for use. If those funds are not used by a certain time, they can be reallocated to other parks that are ready to utilize those funds for success.

#### *Tax Free Zones:*

Listening session participants discussed many ideas including Tax Free Zones. We recommend that we structure these zones in the SOAR region to reward new investment, expansions and employment. A model for this type of incentive is already being widely promoted and used in New York State. New York offers zero taxes for 10 years with no business, corporate, sales, property, state or local taxes. In addition, they offer no franchise fees and no income tax for the company or its employees for ten full years of savings. To participate in this tax incentive program, a company must relocate to or expand within New York State tax free zones, align with a college or university's academic mission, create new jobs, and contribute to the economic development of the local community. This is for new investment only, so the region and state is not losing anything as you don't have the jobs or investment now. The benefit is employment and the turning of income and investment dollars by those employees and company spending back into the region. The employees are spending regionally on homes, cars, groceries, gas, education, etc. After 10 years, the incentives end, and the company and employees begin to pay their local and state tax payments. A program like this would create a true competitive advantage in a region that has greatly struggled to diversify.

#### *Closing Fund:*

The committee and many session participants recommend the creation of a Closing Fund for economic development projects in the SOAR region. This "close the deal funding" has the ability to level the playing field in areas where we may have additional costs that are attributed to conducting or building in the SOAR region. Examples of this could be the cost of site work on land that had been strip-mined, infrastructure improvement that could be close but not on site. Or this could just be the needed piece to entice the project to our region. Funds like this are being used in states like Texas and it is giving them a competitive edge like no other. An example of this is Kentucky's most recent loss of Toyota America's Headquarters in Northern Kentucky. The Texas closing fund was a deciding factor in their decision to move their headquarters to Texas.

A good source for a Closing Fund would likely be coal severance funds, economic development funds or other legislated directed funds to create a cash incentive closing fund. This would give the SOAR region extra leverage to encourage project investment into eastern Kentucky. Prospects today are very interested in this cash upfront option to reduce their cost to locate or expand.

#### *Endowment Fund:*

The committee and its participants recommend the creation of an endowment fund for economic development. This fund needs to be protected from the political infighting of the 40-50 SOAR counties

so as to stand the test of time from administration changes. We saw the results of a visionary decision to create an endowment fund like this at the SOAR opening session from Iron Range Resources and Rehabilitation Board in Minnesota. Imagine the resources we would be able to leverage if Kentucky had done this when the Coal Severance Funding tax was established. Our committee believes it is never too late to start and we must start now.

*Foster Lending and Incentives:*

The committee and its participants recommends that we build a private/public partnership model to foster lending and incentives for home grown economic development. There are several models of private sector partnerships for economic development in states such as Texas, Florida, and South Carolina that could provide insight to this changing method of private sector support and buy-in for collaboration.

*Coal Severance Funds:*

Another idea discussed at length is insuring the coal severance tax fund dollars generated in eastern Kentucky are only spent in eastern Kentucky. In the past, these funds have been spent outside the region for a variety of quality of life projects that did not help the counties that produced the taxes or the SOAR region. We believe a reevaluation is necessary of the “off the top” items from these funds and consider adding an “off the top” item specific to economic development funding and establishing the economic development closing fund.

*Determine how to leverage other key funding for the region:*

We discussed at great length during our listening sessions potential available funding sources for our much needed business recruitment, retention, and expansion initiatives. It is the recommendation of our committee that a “meeting of the minds” be hosted by the Chairs of SOAR, Congressman Rogers, and Governor Beshear with the heads all of potential funding agencies. That list should include but not be limited to: Appalachian Regional Commission (ARC), Economic Development Authority (EDA), Abandoned Mine Lands (AML), County Judges, City Mayors, and any other potential agencies that can offer potential funding for the SOAR initiative. Specific discussions must be had on how to fund SOAR, regional economic development organizations, industrial property infrastructure improvements, and unique incentives.

*Immediate Funding:*

Session participants and committee members discussed the need for large capital intensive investments needed for Business Recruitment, Retention, and Expansion efforts. In those discussions, we decided that an immediate funding mechanism be created to fund some immediate projects that could result in quick results. This fund could come from various sources and be administered by SOAR or the Cabinet for Economic Development. The money should be utilized for quick gains in business attraction or expansion. These projects can be quickly identified through local economic development agents.

#### Year 1 Activity:

- Create and establish an immediate pool of money to be overseen and administered by the SOAR organization. Ideally this would be a large pool of money from multiple funding agencies that would be a catalyst to the business attraction, retention, and expansion efforts. The money will be used for “low hanging fruit projects” that can achieve some quick success and kick start our regional economic development organizations.
- Introduce legislation to dedicate 3-5% of Coal Severance funds toward dedicated funding for economic development and a percentage of this for marketing the regional industrial sites in the SOAR region. Ideally, this would be an “off the top” item.
- Create a permanent funding mechanism for the regional industrial parks with minimum funding levels of \$75,000 to 100,000 per property per year. This funding is for contract management in conjunction with the area development districts that currently oversee management of the parks with mixed success. In addition, the funding is for maintenance, marketing, and potential upgrades necessary for success.
- Introduce legislation to dedicate at least 1% of Coal Severance Funds to a regional endowment fund to be overseen and administered by the SOAR organization. This program could be created similarly to the Iron Range program in Minnesota.
- Organize a “meeting of the minds” to be hosted by the Chairs of SOAR, Congressman Rogers and Governor Beshear, with the heads all of potential funding agencies. That list should include but not be limited to: Appalachian Regional Commission (ARC), Economic Development Authority (EDA), Abandoned Mine Lands (AML), County Judges, City Mayors, State funding agencies and any other potential agencies that can offer potential funding for the SOAR initiative. Specific discussions must be had on how to fund SOAR, regional economic development organizations, industrial property infrastructure improvements, and unique incentives.

#### Year 2-3 Activity:

- Create public/private partnerships for investment capital funding for existing new business expansion in the SOAR region.
- Establish the SOAR region as a tax free zone similar to the New York State program. The program should offer zero taxes for 10 years with no business, corporate, sales, property, state or local taxes. In addition, the program should offer no franchise fees and no income tax for the company or its employees for ten full years of savings. To participate in this tax incentive program, a company must relocate to or expand within the SOAR designated tax free zone, align with a college or university's academic mission, create new jobs, and contribute to the economic development of the local community. This program would only be for new investment, so the region and state is not losing anything as you don't have those jobs or the investment now.
- Establish a Closing Fund program specific to the SOAR region to be overseen and administered by the SOAR organization. Ideally the program would have an annual funding mechanism from the state and other potential funding agencies.



- Have established relationships with multiple funding agencies to fully fund all SOAR and economic development initiatives with long-term funding agreements in place.

Year 5-10 Activity:

- Reevaluate the SOAR regional funding position for business recruitment, retention, and expansion. Insure that relationships with multiple funding agencies are still in good standing and that the long term funding arrangement are solid for the future.
- Evaluate and report the success of the strategic investments to our funding agencies.
- Development of a long term endowment for regional advancement in economic development that has components of leadership development in the field of economic development, along with sustainable funding for current operation and targeted sectors of growth within the SOAR region.