

TVA ECONOMIC DEVELOPMENT

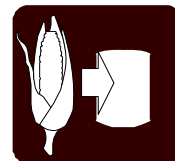
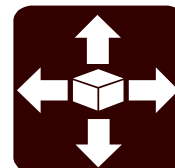
One Source. Seven States.



Economic Development Overview

The University of North Alabama
October 11, 2007

Craig Linhoss



What is Economic Development

Creating wealth in communities

- More jobs & job options
- Increase in tax base
- Stimulation of spin off jobs

Increased pride in communities



Economic Development

TVA Economic Development Functions

- Prepare communities for ED
 - Product
 - Marketing
 - Leadership/salesmanship training
- Provide TVA resources to companies
- Recruit industry



Economic Development



Opportunities for You in E.D.

- Business or Marketing background
- Basic computer, communications, salesmanship skills
- Knowledge of geography and environmental helpful
- Dynamic business, travel, high standard of living



Economic Development



Know Economic Development is Working

- Increased standard of living
- Families have more \$
- Per capita income increases
- Tax base sufficient for improved public services



Economic Development

What do new dollars mean to a community?

- A dollar of “**NEW**” income coming into the community multiplies itself – **HOW?**
- **The Re-spending Effect** – People spend some income outside the community - but most inside. Money spent inside the community is the “multiplier.”
- Goal is to generate “**NEW**” income and “**RETAIN**” as much as possible.



What do new dollars mean to a community?

Dollar Multiplier by Industry

Motor Vehicles	3.69
Chemicals	3.39
Computers/Electronics	3.14
Plastics	2.38
Food Mfg	1.93
Fabricated Metal	1.89
Furniture	1.85
Apparel	1.74
Retail	1.39



Economic Development

How to Attract New Money (OPM)

- Business Recruitment
- Business Expansion and Retention
- Business Creation and Entrepreneurial Development
- Retail Development
- Tourism



Economic Development

Recruitment of New Companies

- Creates excitement in community
- Is extremely competitive
(10,000 – 15,000 economic development organizations compete)
- Technology - global economy makes locating projects more complicated - competitive.



The Internet As Always

- Through the Internet “a community is being looked at without its knowledge”
- A good web site is critical



Internet ...

How site selection consultants and companies are using it



- 85% of site selection searches begin on the Internet
- 46% familiarize themselves with various locations
- 62% gather preliminary location data
- 54% find contact names of economic development staff from web sites

Source: *Development Counselors International Survey 2005*



Process for Recruiting a Company

- Company has a need
- Information Request (RFI/RFP)
- Community response



Recruiting Process – Made the Cut

- The community visit
 - Looking for site/building
 - Thanks for the Marriott



Economic Development

Shovel Ready Site

- Controlled ownership
- Established price/terms
- Zoned appropriately
- Compatible surrounding land use
- Transportation access
- Infrastructure at site or plans with cost estimates
- Environmental and geo-technical studies completed



Economic Development

Speculative Building a Must

- Must meet requirement of project/company
- Brings clients to your community



Economic Development

Site Selection Process

- Time is of the essence
- A process of elimination
- Community must reduce/remove barriers
- The community must “differentiate” from the competition



Challenges for Alabama

- Quality of education
- Quality of workforce (union/non-union)
- Success has caused low unemployment



What are companies looking for?

Site Selection Factors – Area Development 2006

Ranking	Site Selection Factor
1	Labor costs
2	Highway accessibility
3	Corporate tax rates
4	State and local incentives
5	Availability of telecommunication services
6	Tax exemptions
7	Occupancy and construction costs
8	Availability of skilled labor
9	Energy availability and costs
10	Availability of high-speed internet access



Negotiating the Deal

- **Negotiations**

- State/local tax and financial incentives
- Competing against other states
- Takes the longest
- Wins the project



Win the Project - Time to Celebrate

- Announcement
- Ground breaking



Economic Development

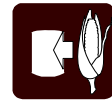
A Community Must Keep Its Industry

- Existing business - vitally important
- They are already committed to community
- It is easier and cheaper to keep an existing customer



Industry Retention and Expansion

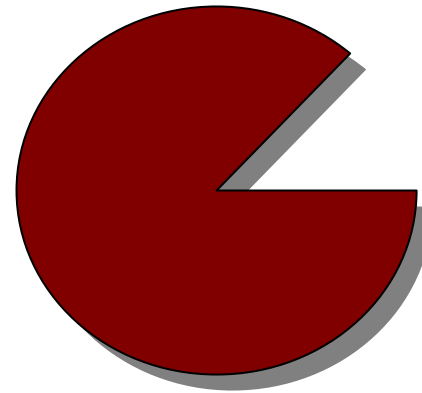
- Potential for entrepreneurial spin-offs
- Existing businesses are best sales people – if treated right
- More likely to hire locally - train local workforce
- Strong “corporate” citizens



Existing Business Jobs Impact

80-20 Rule

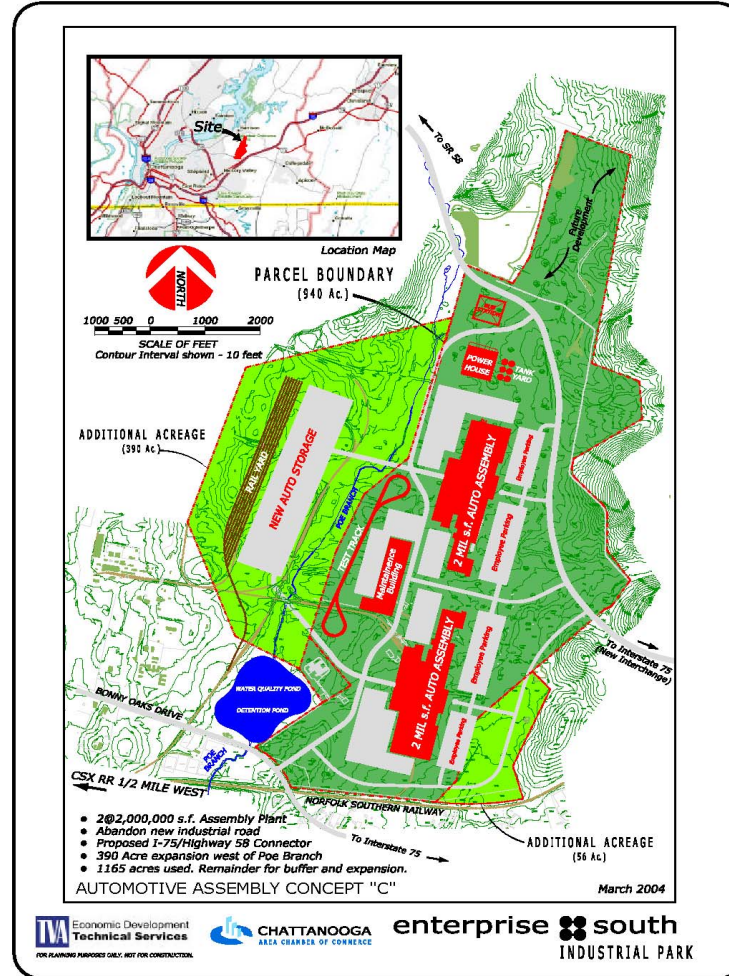
80% of all new
jobs & capital
investments
comes from
existing industry



Engineering Site Planning



Economic Development



Engineering



Virtual Site
Renderings



Economic Development

Research Economic Impact Analysis



Economic Development

	<u>Tenn. Valley*</u>	<u>Sub-Region*</u>	<u>Local Labor Mkt Area*</u>	<u>County</u>
		West Tennessee	3-County area	Gibson
Investment				
Land/Bldg				\$10,000,000
Equipment				\$10,000,000
Total				\$20,000,000
Employment¹				
Plastics Mfg.				200
Employment Multiplier	2.39	2.23	2.07	1.67
Indirect Employment	278	245	214	134
Total Employment	478	445	414	334
Resident Workers				248
Income² (annual)				
Plastics Mfg.				
Average Wage				\$26,000
Payroll				\$5,200,000
Indirect Employment				
Average Wage	\$34,273	\$37,981	\$31,723	\$23,993
Payroll	\$9,527,894	\$9,305,345	\$6,802,018	\$3,204,844
Total Payroll	\$14,727,894	\$14,505,345	\$12,002,018	\$8,404,844
Retail/Services Spending (annual)				
Retail Spending			\$3,304,431	\$2,112,985



Research Economic Impact Analysis



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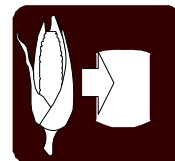
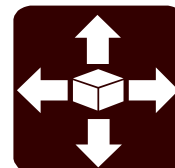
Local Sales Tax Collections (annual)			
	County Tax	State Tax	Total
Gibson	\$47,542	\$147,909	\$195,451
Madison	\$28,908	\$73,583	\$102,491
Carroll	\$3,857	\$9,818	\$13,675
Total	\$80,307	\$231,310	\$311,617

Local Residential Property Tax Revenue			
	(annual)		
Gibson	\$83,986	(county+city collections)	
Madison	\$25,076	(county collections)	
Carroll	\$10,727	(county collections)	
Total	\$119,789		

Local Industrial Property Tax Revenue ³			
	(first year)	(10-year PV)	
Gibson Plastics Mfg.	\$297,000	\$1,730,417	(Trenton city/Gibson Co. taxes)

TVA ECONOMIC DEVELOPMENT

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Thank You