



West Virginia Development Office

WEST VIRGINIA DEPARTMENT OF COMMERCE



The West Virginia Development Office



WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation

The West Virginia Development Office



J. Keith Burdette
Executive Director

The Development Office has four primary divisions:

**Community
Development**

**International
Development**

**Small Business
Development Center**

**Business & Industrial
Development**



The West Virginia Development Office



Mary Jo Thompson
Director

Community Development

This division assists communities by promoting private-sector investment, revitalizing commercial and residential areas, providing public services and facilities, and assisting state and local governments in developing solutions within our communities.



The West Virginia Development Office



Community Development

23 employees who oversee a number of community assistance, revitalization and infrastructure programs, including:

- Appalachian Regional Commission
- Small Cities Block Grant Fund
- Neighborhood Investment Program
- Main Street and ON TRAC Program
- Governor's Community Partnership Grant Program
- Certified Development Community Program
- Economic Infrastructure Bond Fund
- Flex-E-Grant Program
- Land and Water Conservation Fund
- Local Economic Development Grant Program



The West Virginia Development Office



Kristina J. Oliver
Director

Small Business Development Center (SBDC)

- The SBDC is funded in part through a cooperative agreement with the U.S. Small Business Administration and is nationally accredited through America's SBDC network.
- SBDC programs are designed to provide high-quality business technical assistance to promote growth, expansion, and increased productivity for entrepreneurs and small businesses resulting in greater access to capital and increased job creation.



The West Virginia Development Office



Small Business Development Center

- 85% of all businesses in West Virginia have fewer than 20 employees.
- Statewide network of 18 SBDC business coaches.
- Last year, SBDC business coaches assisted 272 long-term clients in starting 66 new businesses, creating and retaining over 250 new jobs and accessing nearly \$20 million in capital for business growth.



The West Virginia Development Office



Small Business Development Center

- SBDC Business coaches offer strategic business plan assistance, which includes finance, cash flow management and human resources.
- The SBDC does not provide grants or loans.



The West Virginia Development Office



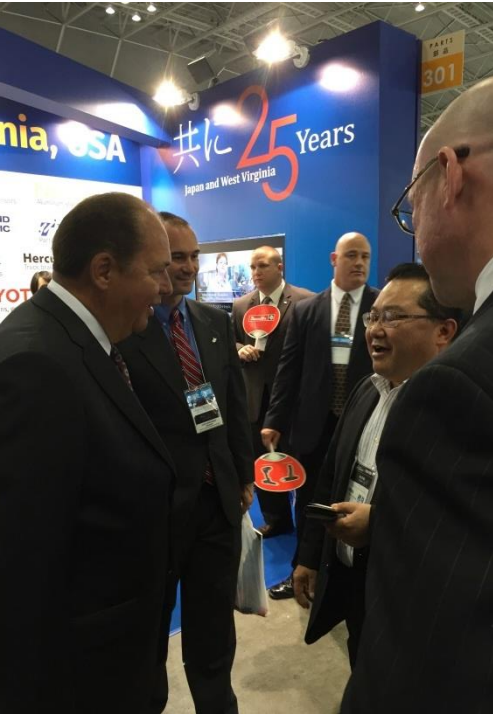
Steve Spence
Director

International Development

- Recruits international investment to West Virginia and helps businesses export their goods and services
- Seven staff members located in West Virginia, Japan and Europe
- International companies employ more than 29,000 West Virginians
- Investment from 26 countries
- West Virginia exports topped \$7.4 billion last year



The West Virginia Development Office



International Development

Our international team:

- Assists West Virginia companies in identifying international market opportunities.
- Organizes trade missions and participation in trade shows throughout Asia, Europe, Latin America and other regions of the world.
- Promotes West Virginia as a location for investment for the automotive, aerospace, chemical, polymer, and metalworking industries, and other sectors.



The West Virginia Development Office



Kris Hopkins
Director

Business & Industrial Development (BID)

- This division supports existing industries and actively promotes new investment in the state.
- Two development teams:
 - Retention & Expansion
 - Business Attraction



The West Virginia Development Office



BID Business Retention & Expansion Team

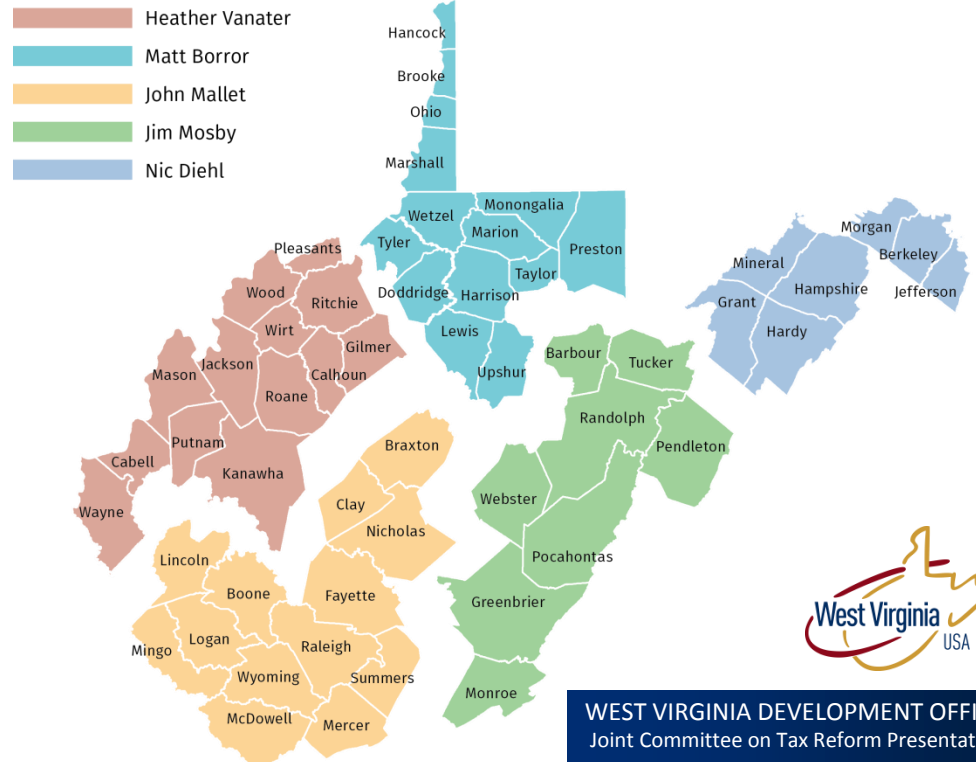
- Primary objective: Help existing West Virginia companies grow their businesses and compete globally.
- Our BID representatives:
 - Visit targeted existing companies to build professional relationships with leadership
 - Identify opportunities and constraints to position WV for expansion opportunities
 - Act as liaison to other areas of state and local government
 - Communicate advantages of doing business in WV
 - Work with local development authorities, local governments, etc.



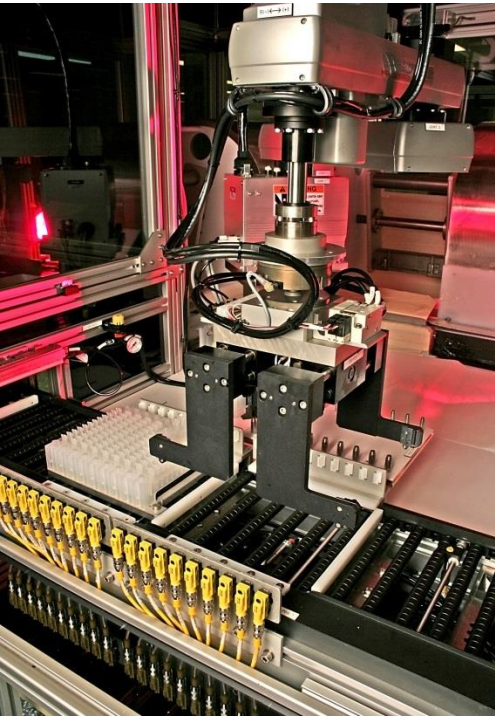
The West Virginia Development Office

BID Business Retention & Expansion Team

- 5 team members
- This year, they have conducted 506 company visits and assisted with 25 company expansions.



The West Virginia Development Office



BID Business Attraction Team

- 5 team members
- Primary objective: Attract new businesses to West Virginia to diversify the economy.
- Our BID representatives coordinate state assistance, such as:
 - Loan programs
 - Labor force recruitment
 - Employee training programs
 - Tax credits
 - Site selection assistance
- They've assisted with five new recruitments this year. Those recruitments will create approx. 1,000 new jobs.



The West Virginia Development Office



Size Comparison of Domestic Investment Development Teams

- West Virginia – 5 employees
- City of Richmond – 11 employees
- City of Charlotte – 11 employees
- City of Cleveland – 14 employees
- City of Pittsburgh – 16 employees
- City of Columbus – 19 employees
- Maryland – 45 employees
- Kentucky – 58 employees
- Virginia – 73 employees



Success in Recent Years



Success in Recent Years



Under the Tomblin administration, the Development Office has worked with clients who have invested over \$9.2 billion in West Virginia.



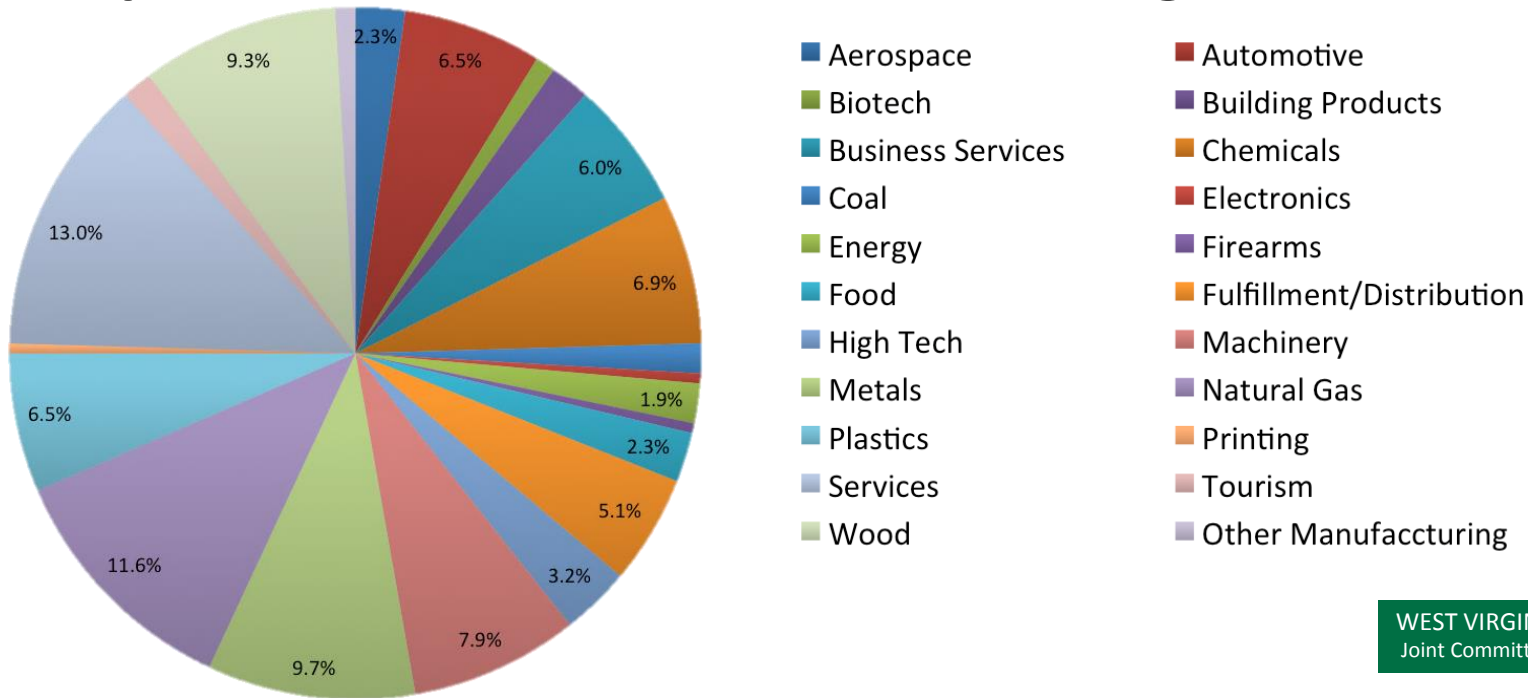
Success in Recent Years

Those investments include 216 projects in over 40 counties.



Success in Recent Years

The projects span 22 industries and have led to improved diversification of West Virginia's economy.



Success in Recent Years



Projects include new investments and expansions from companies of all sizes.



Success in Recent Years

The list features global giants including:



Success in Recent Years

Small and mid-sized companies including:



Success in Recent Years

And international companies including:



Success in Recent Years

These companies have created jobs for nearly 12,000 hard-working West Virginians.



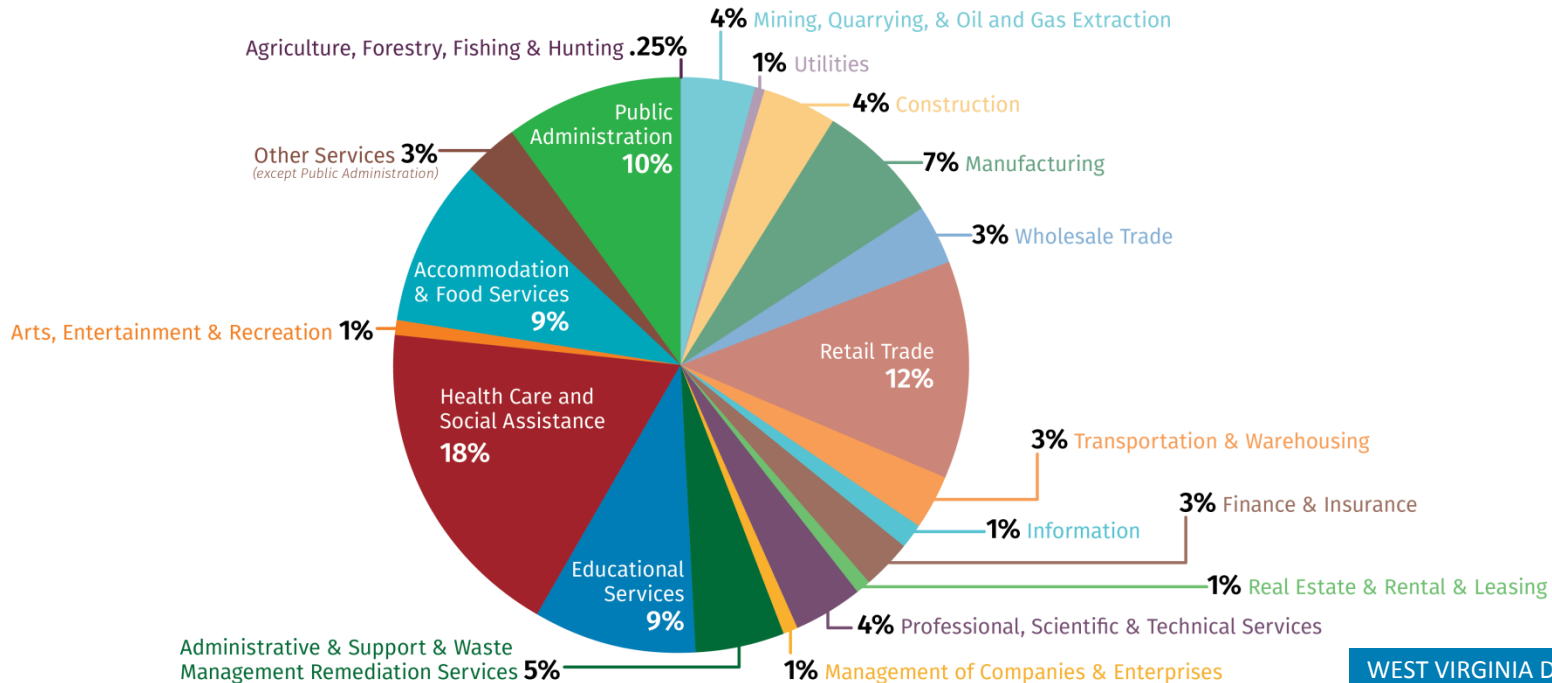
State of Business in West Virginia



WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation

Business by the Numbers

West Virginia Jobs By Industry



Source: WorkForce West Virginia

Targeted Industries for Growth

- Aerospace
- Automotive
- Biometrics
- Building Products
- Business Services
- Chemicals
- Fulfillment & Distribution
- Plastics
- Other Manufacturing and Related Services



West Virginia Advantages



Strategic Geographic Location

- West Virginia is within overnight trucking distance of half the U.S. population and a third of the Canadian market.
- Hot spots near interstates, particularly the I-81 corridor.



West Virginia Advantages



Pro-Business Tax Climate

- Over the course of the past decade, the corporate tax rate has been reduced from 9% to 6.5%.
- The Business Franchise Tax has been eliminated.
- No new business tax increases in over 20 years.



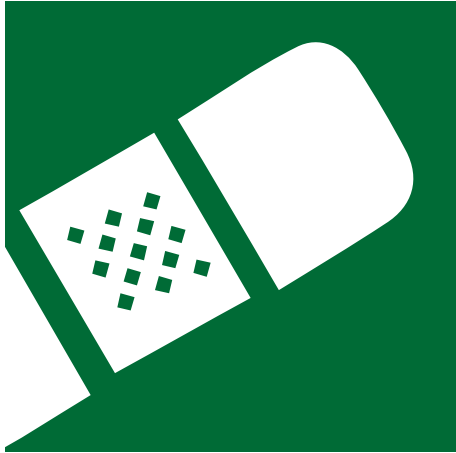
West Virginia Advantages



Recognition of Pro-Business Tax Climate

- The 2015 State Business Tax Climate Index shows West Virginia is:
 - 21st best overall business taxes
 - 17th best corporate taxes

West Virginia Advantages



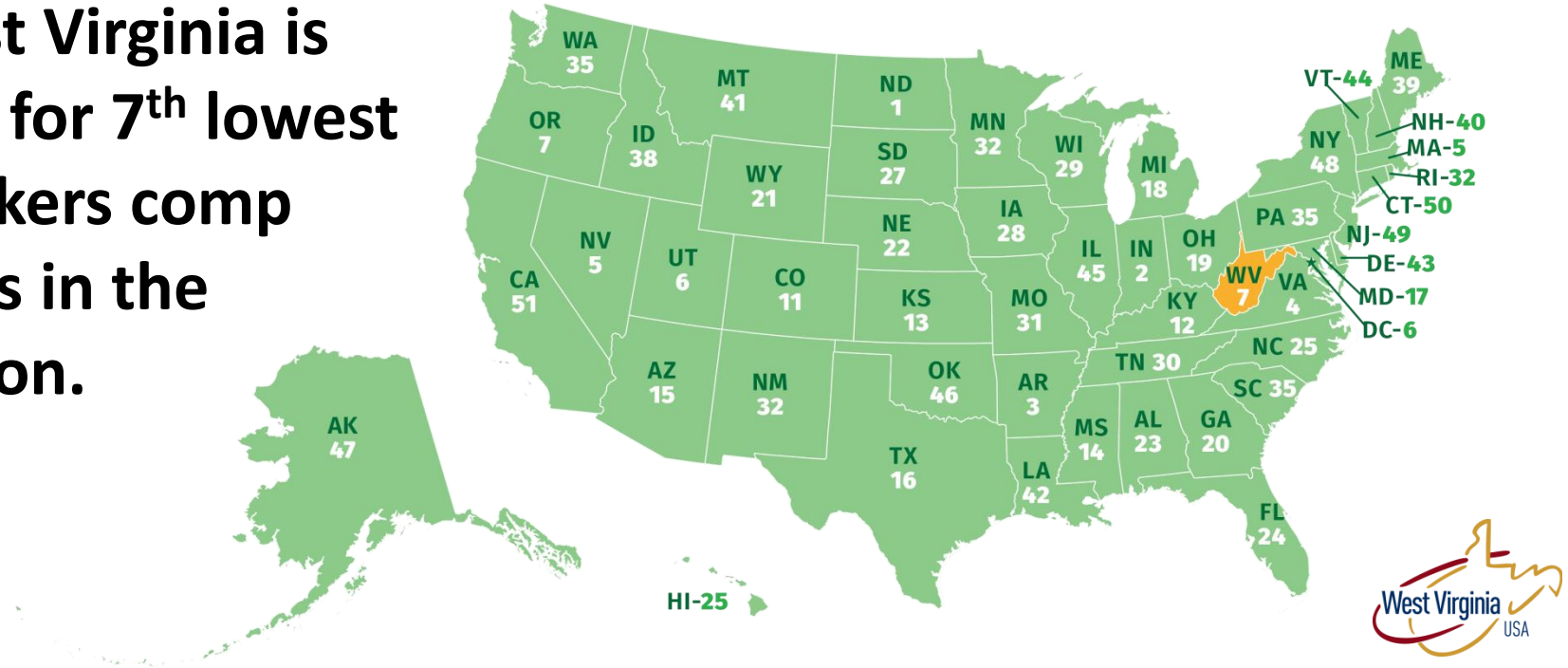
Privatization of Workers Comp

- Employers have saved millions since the state privatized the workers compensation fund in 2006.
- Rates continue to be reduced.



West Virginia Advantages

West Virginia is tied for 7th lowest workers comp rates in the nation.

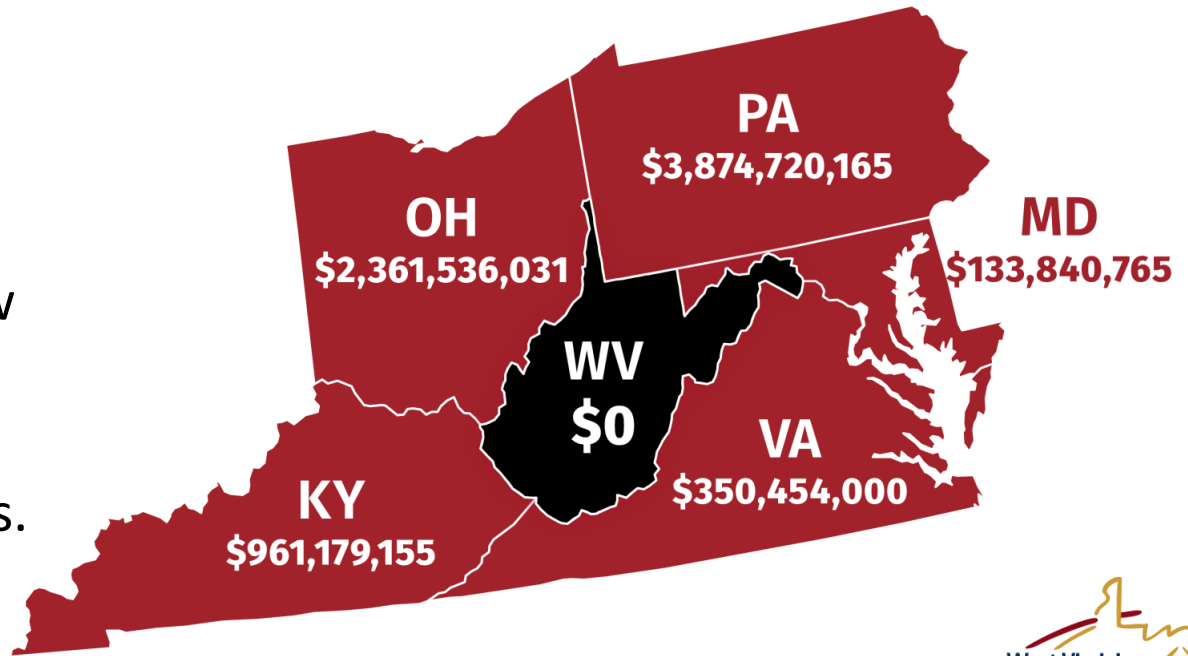


Source: 2014 Oregon Workers' Compensation Premium Rate Ranking Summary

West Virginia Advantages

Fiscal Stability

- West Virginia was one of only 18 states that did not have to borrow federal funds to pay unemployment compensation benefits.
- All of our neighboring states borrowed money.



Source: U.S. Department of Labor, Employment and Training Administration, 2015.

West Virginia Advantages



Fiscal Stability

- West Virginia has strong cash reserves.
- Fitch credit rating AA+ for general debt obligation and overall stable outlook.



West Virginia Advantages



Dependable Workforce

- World-class workforce with turnover rate generally below national average, particularly in the manufacturing industry.

Source: U.S. Census Bureau, Center for Economic Studies, LEHD



WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation

West Virginia Advantages



Low Electricity Rates

- Commercial electricity rates are more than 33% below the national average.

Source: U.S. Energy Information Administration. May 2015



West Virginia Advantages



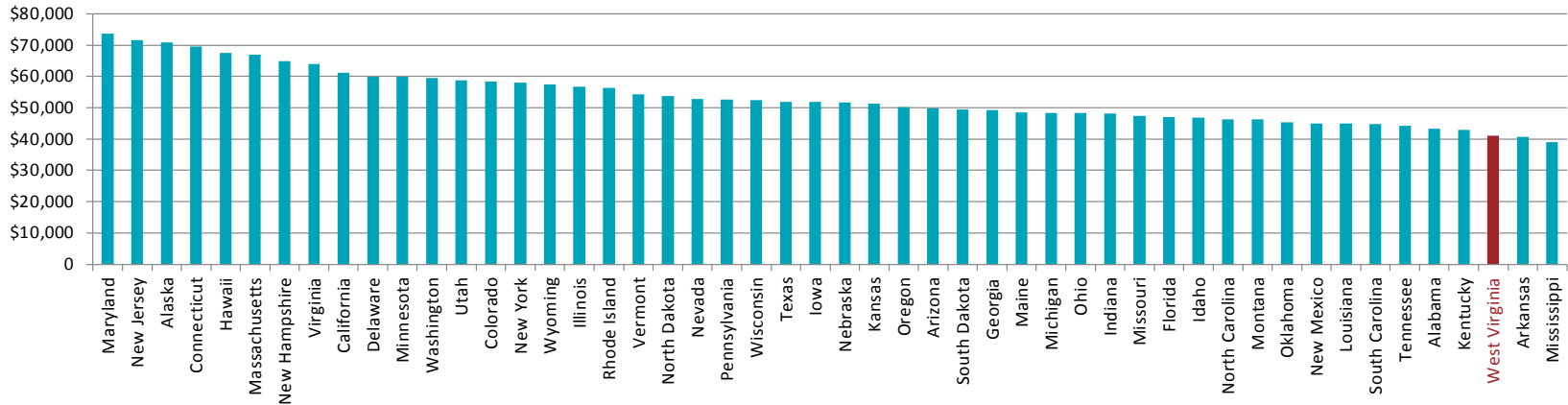
Great Place To Live

- Low cost of living: 14% lower than national average, with safe communities and unparalleled outdoor recreation opportunities.
- West Virginia is ranked the 3rd best place in the U.S. to retire.



Occupational Wage Rates

Median household income



Source: U.S. Census Bureau, 2013

Development Office Assistance



Development Office Assistance

Three Primary Areas of Assistance We Provide



- Building and site search, visits
- Demographics, research
- Single point of contact



- Job training
- Candidate search
- Funding



- Loans
- Incentives





Location Services

DEVELOPMENT OFFICE ASSISTANCE

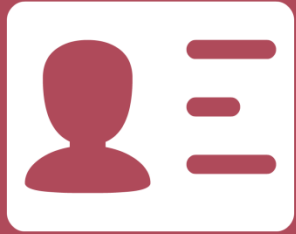


WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation



- Once we have an opportunity, site selection is the critical first step.
 - Incentives will not make a bad site good.
 - Decisions are often based on population, geography, and access to markets. Large, flat sites with established infrastructure are at a premium in West Virginia
- Very competitive process
- Companies often start out with 100+ sites.





Workforce Training

DEVELOPMENT OFFICE ASSISTANCE



WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation



Governor's Guaranteed Workforce Program

- Customizable training program coordinated by WVDO
- Companies must create 10 new jobs within a 12-month period
- Up to \$2,000 per job to offset training costs
- Available on ongoing basis:
 - New and existing companies
 - 138 projects w/ 2,000 employees trained in FY 2014
- Limited only by annual budget





Community and Technical Colleges

- We facilitate relationships with companies and the CTCs to create programs to develop skilled, trained, desired workforce.
- Certificate/Associate programs
- Innovative Advanced Technology Centers:
 - South Charleston: 55,000 sq. ft., \$15M facility
 - Fairmont: 60,000 sq. ft., \$17.6M facility
- We have helped create customized training programs for companies such as Macy's and Gestamp, and have already begun discussions with P&G.





Assistance Through WorkForce West Virginia

- Help identify labor pool
- Screen applicants to create qualified pool for interviews
 - Hino Motors: 4,000 candidates for 80 openings
 - Gestamp: 1,000 candidates for 100 openings
 - Macy's: 3,700 candidates for 400 openings
 - Toyota: 25,000 candidates for 400 openings
- Conduct interviews and testing, if desired





Financial Assistance

DEVELOPMENT OFFICE ASSISTANCE



WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation



Financing Through The West Virginia Economic Development Authority

Direct Loan Program

- Loans from \$50,000 to \$10 million
- Borrower must create or retain at least one WV job for every \$15,000 of participation
- Financing up to 45% for fixed assets: land, buildings, and equipment
- No working capital loans or refinancing of existing debt

Loan Insurance Program

- Will insure up to 80% of conventional bank loan for up to four years.





Tax Assistance

- 3 primary taxes companies pay
 - Corporate Net Income Tax
 - Property Tax
 - Sales Tax
- We have the ability to help offset all three to some degree.





Tax Assistance

- Corporate Net Income Tax
 - We can offset this tax in two ways:
 - Manufacturing Investment Credit – this credit can offset up to 60% of corporate net income tax based on qualified investment in eligible manufacturing property.
 - Economic Opportunity Credit – depending on the number of jobs created, this credit can offset up to 100% of taxes for up to 13 years.





Tax Assistance

- Property Tax
 - We can offset this tax in two ways:
 - PILOT (payment in lieu of tax agreements): negotiated on the county level to offset property taxes.
 - Five for Ten Program – 5% property valuation on new investment for 10 years. Special program for large-scale manufacturing investment that allows for extension of time that the 5% valuation can be applied.





Tax Assistance

- Sales Tax
 - We can offset this tax in two ways:
 - Manufacturing Sales Tax Exemption – purchases of materials and equipment purchased for direct use in manufacturing are exempt from the 6% state sales and use tax.
 - Sales Tax Exemption for Certain Warehouse and Distribution Centers – purchase of certain tangible personal property in qualified warehouse and distribution centers may be exempt from the consumer sales and service tax.





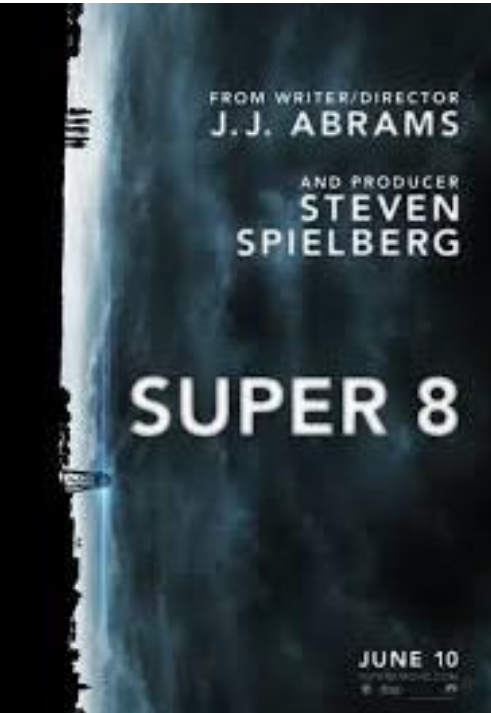
Tax Assistance

- The West Virginia Film Industry Investment Act is our only transferable tax credit.
- Competitive tool used to recruit film industry business to the state.
- Credit for up to 31% of in-state spending.
- Funded at \$5 million annually.



Tax Assistance

- Recent West Virginia film and television:
 - Super 8
 - The Making of the Mob
 - The World Wars
 - The Men Who Built America
 - American Genius

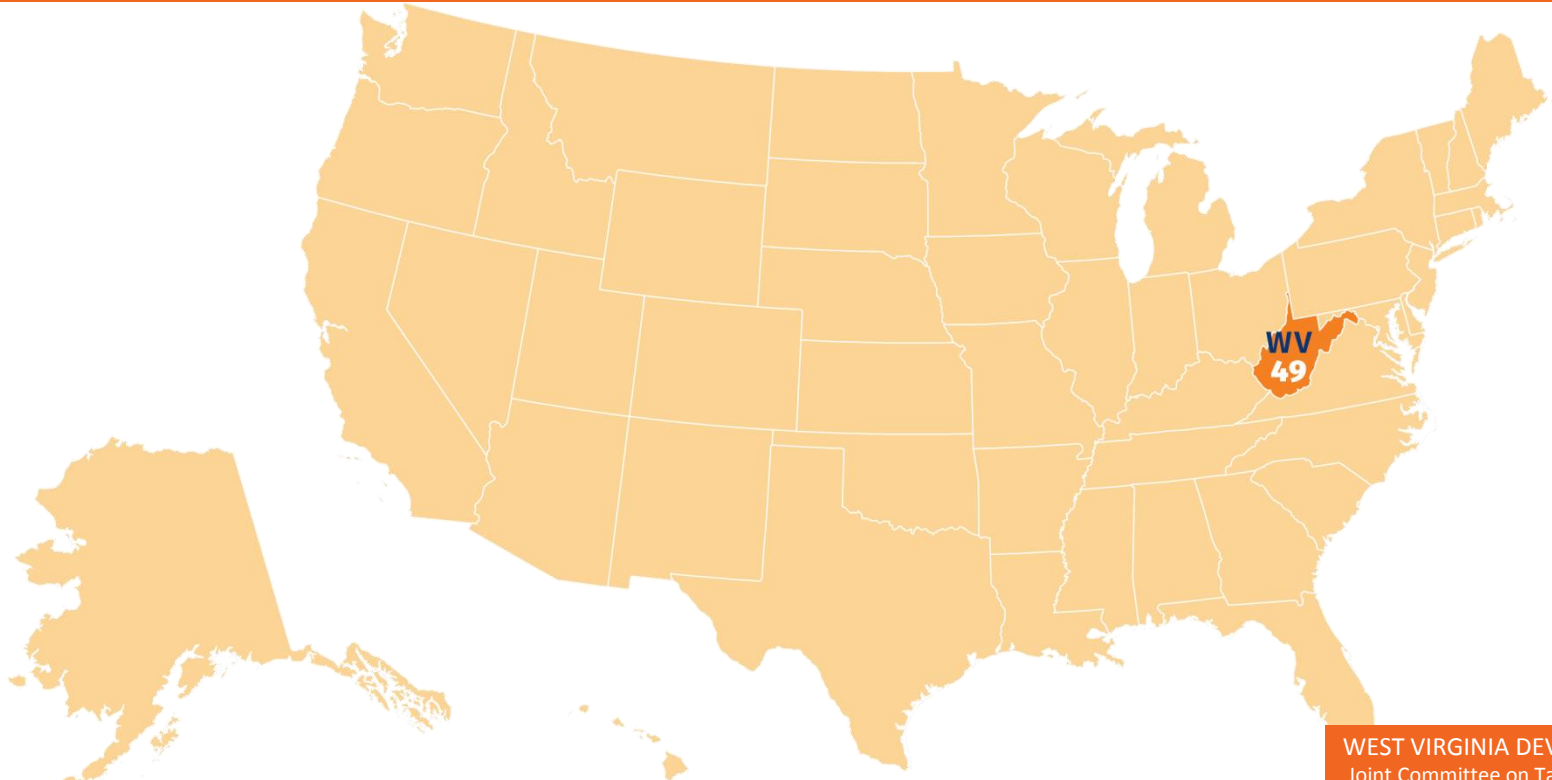


West Virginia compared to larger states

- **Disadvantage:** We don't have the resources many larger states do. And we don't write checks.
- **Advantage:** Being a smaller state makes us more nimble, responsive and better equipped to solve problems. This has proven to be a deciding factor in many deals.



CNBC's America's Top States for Business

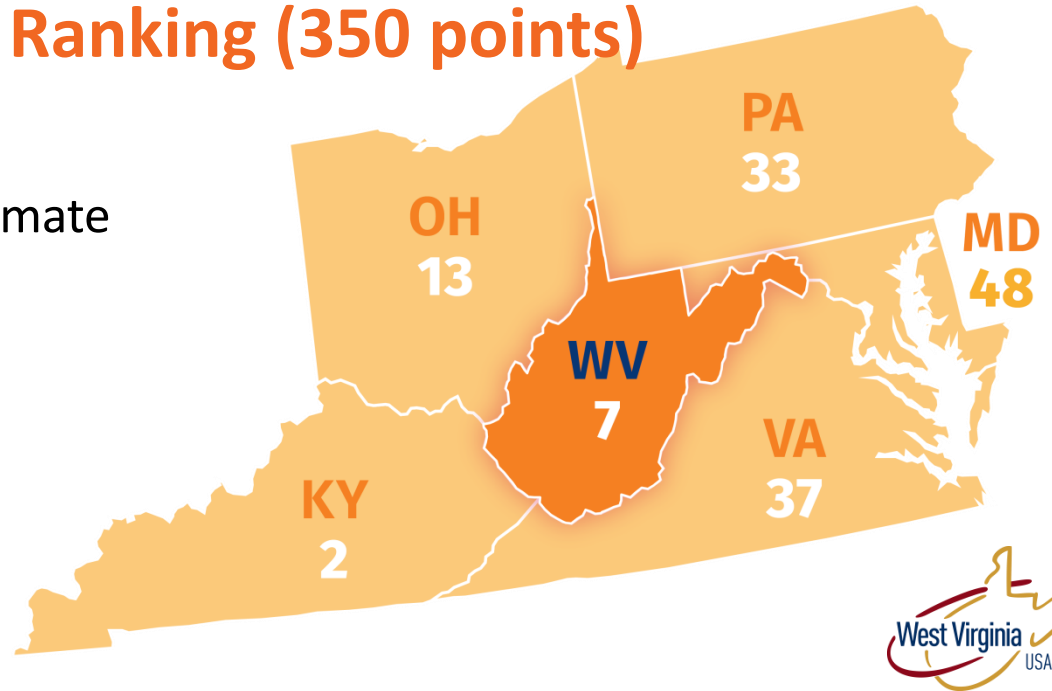


WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation

CNBC's America's Top States for Business

Cost of Doing Business Ranking (350 points)

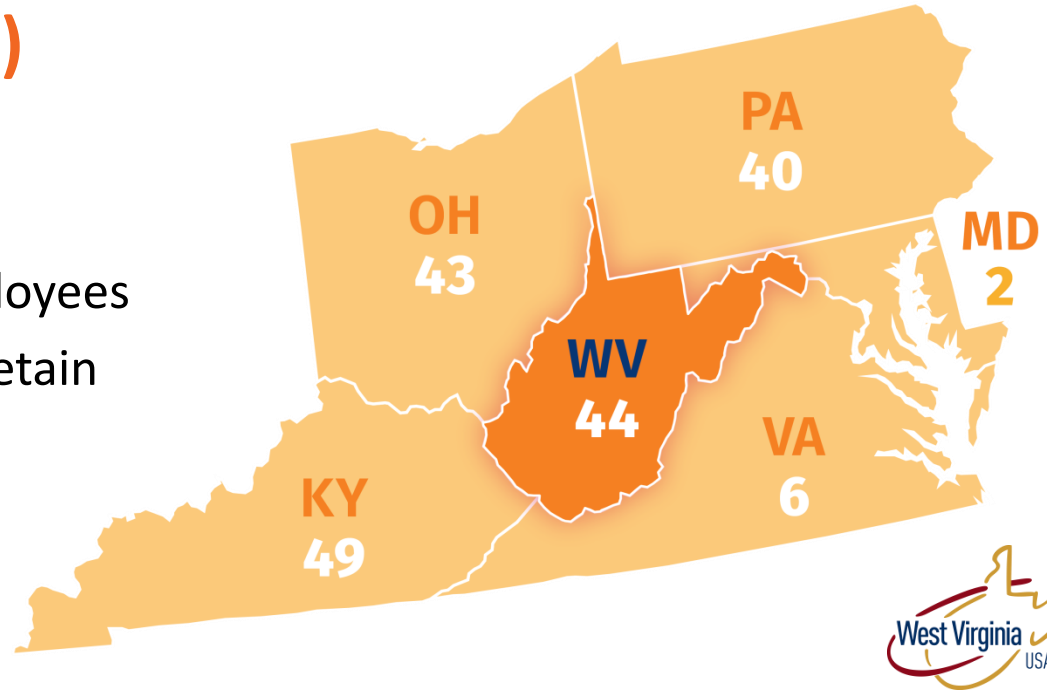
- Factors include:
 - Competitiveness of tax climate
 - Sponsored initiatives
 - Utility costs
 - Cost of wages
 - Rental costs for office & industrial spaces



CNBC's America's Top States for Business

Workforce (350 points)

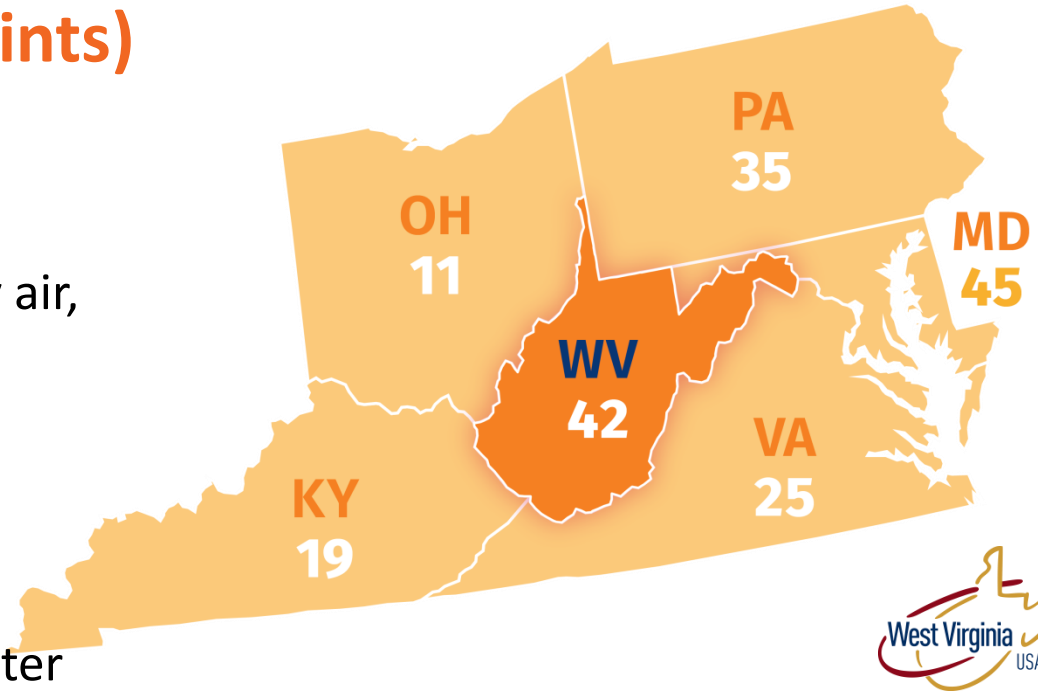
- Factors include:
 - Educational level
 - Number of available employees
 - Demonstrated ability to retain college-educated workers
 - Productivity
 - Worker training program
 - Union membership



CNBC's America's Top States for Business

Infrastructure (350 points)

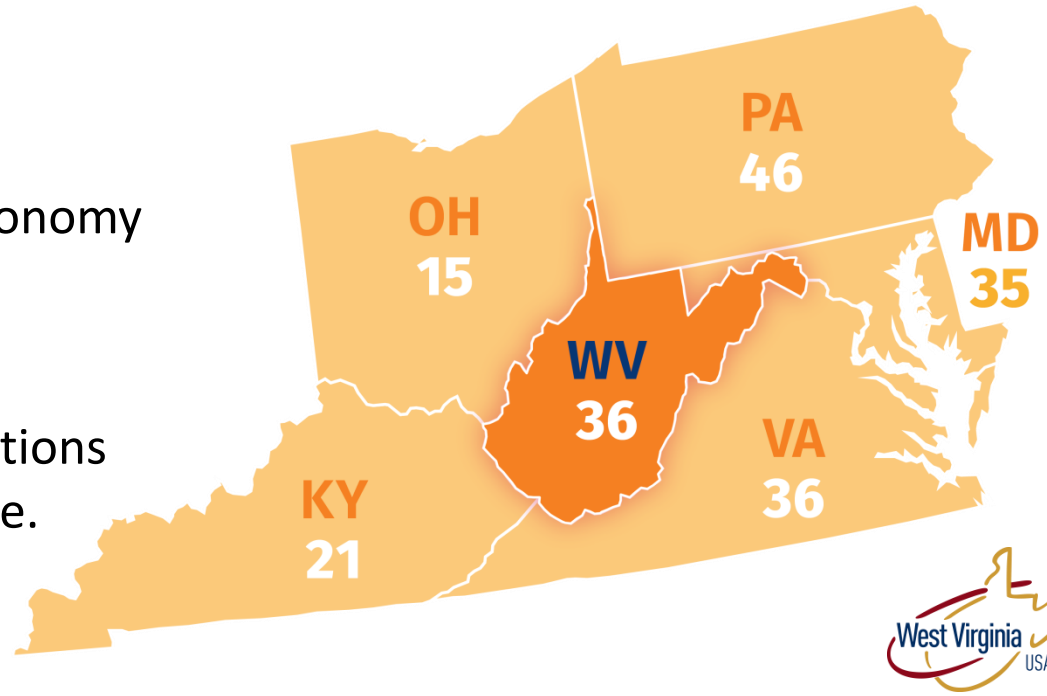
- Factors include:
 - Access to transportation
 - Value of goods shipped by air, water, rail & roads
 - Availability of air travel
 - Quality of roads & bridges
 - Commute time
 - Supply of safe drinking water



CNBC's America's Top States for Business

Economy (340 points)

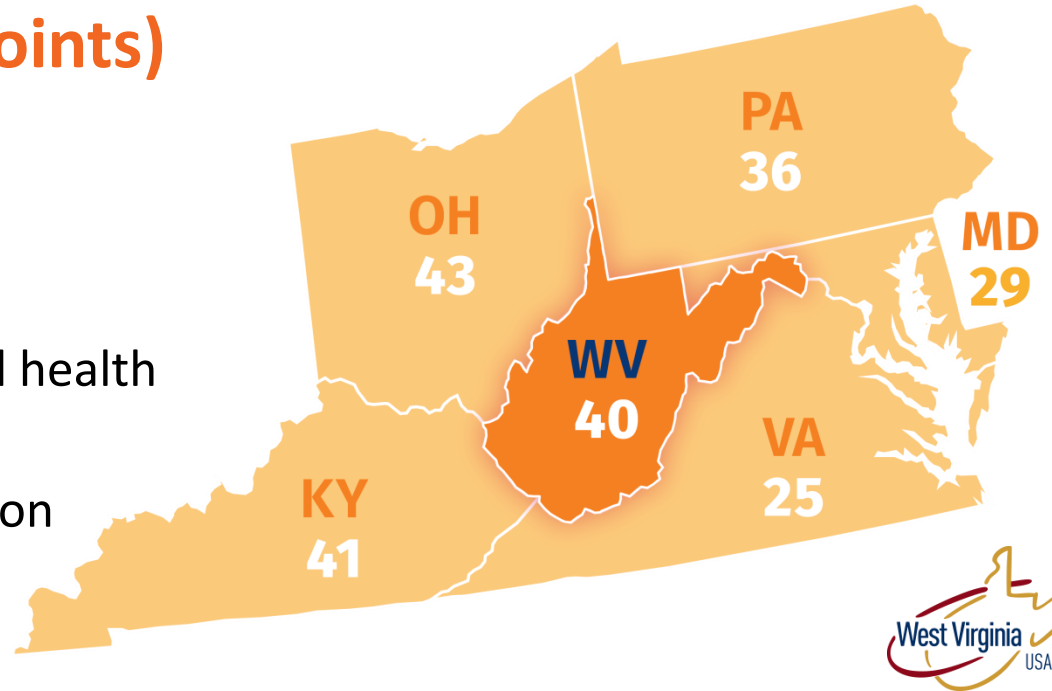
- Factors include:
 - Strength & diversity of economy
 - Job growth and creation
 - State's fiscal health
 - Number of major corporations headquartered in the state.



CNBC's America's Top States for Business

Quality of Life (325 points)

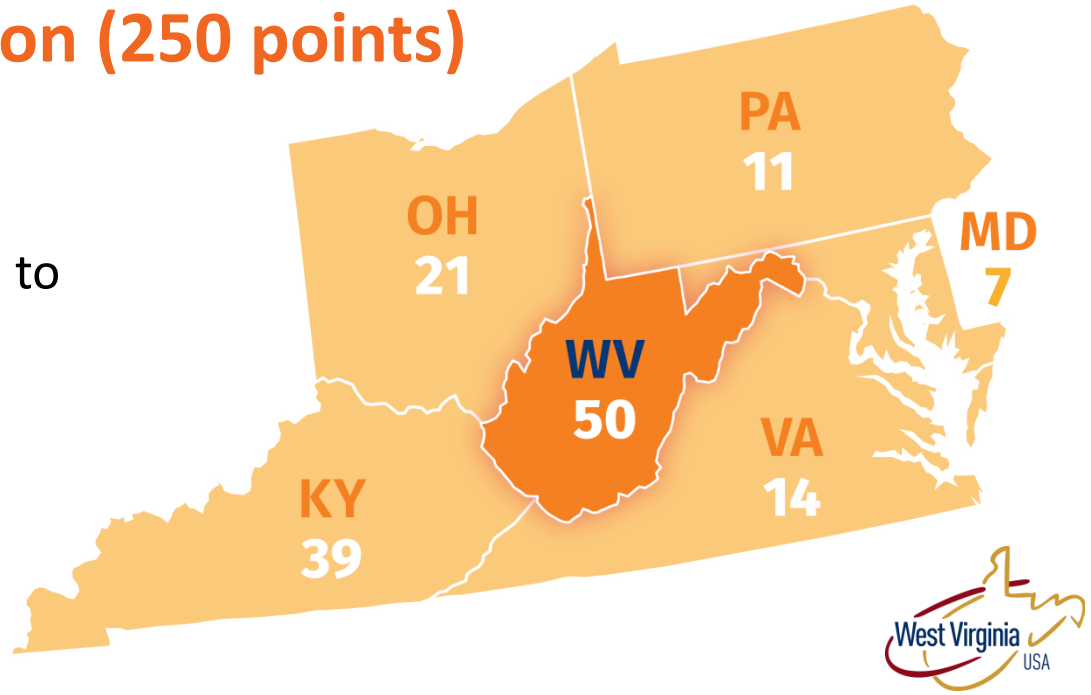
- Factors include:
 - Crime rates
 - Inclusiveness of the state
 - Quality of health care and health insurance coverage
 - Overall health of population
 - Local attractions
 - Environmental quality



CNBC's America's Top States for Business

Technology & Innovation (250 points)

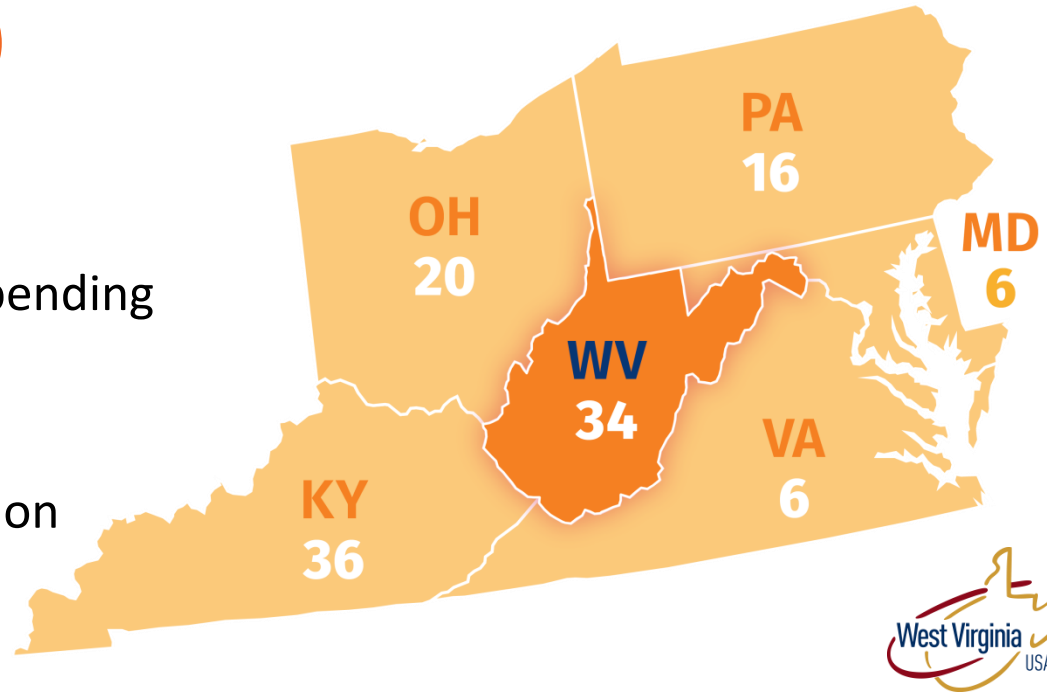
- Factors include:
 - Support for innovation
 - Number of patents issued to their residents
 - Record of high-tech business formation
 - Federal health, science and agricultural grants to the state



CNBC's America's Top States for Business

Education (200 points)

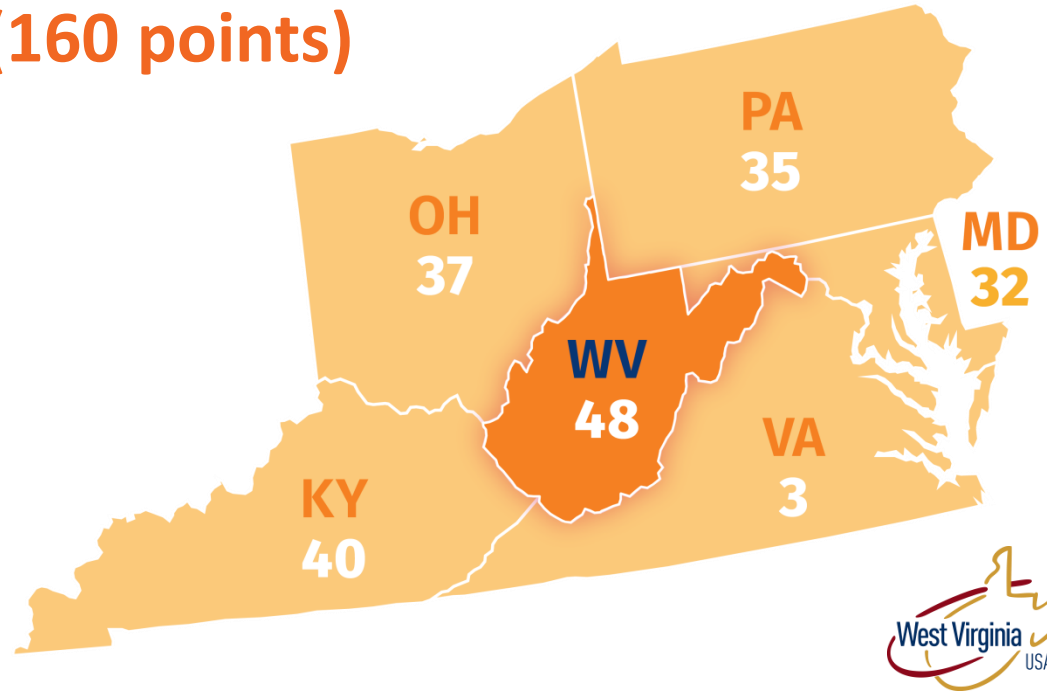
- Factors include:
 - K-12 test scores
 - Class size and per pupil spending
 - Digital & lifelong learning opportunities
 - Number of higher education institutions
 - Long-term trends in higher education funding



CNBC's America's Top States for Business

Business Friendliness (160 points)

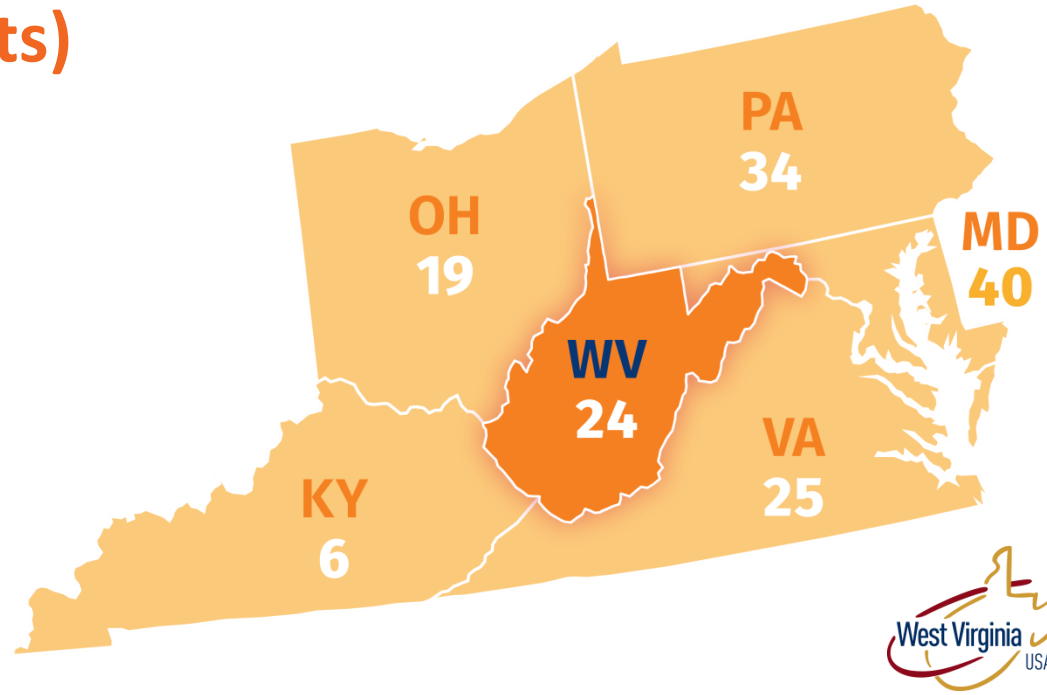
- Factors include:
 - Regulatory history
 - Litigation history



CNBC's America's Top States for Business

Cost of Living (75 points)

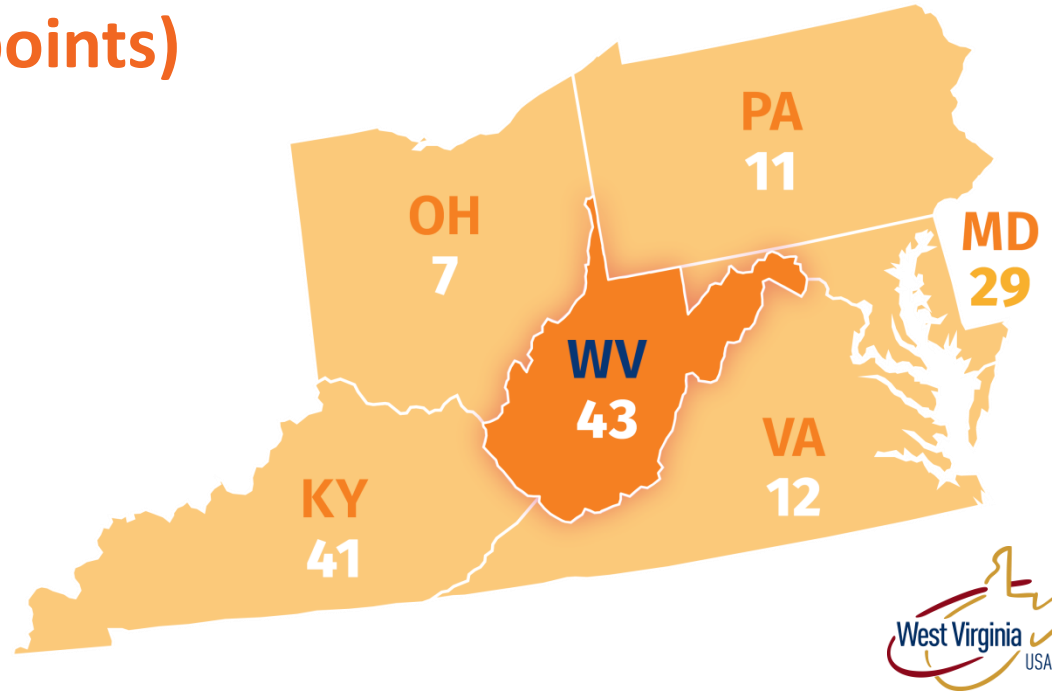
- Factors include:
 - Housing costs
 - Food costs
 - Energy costs



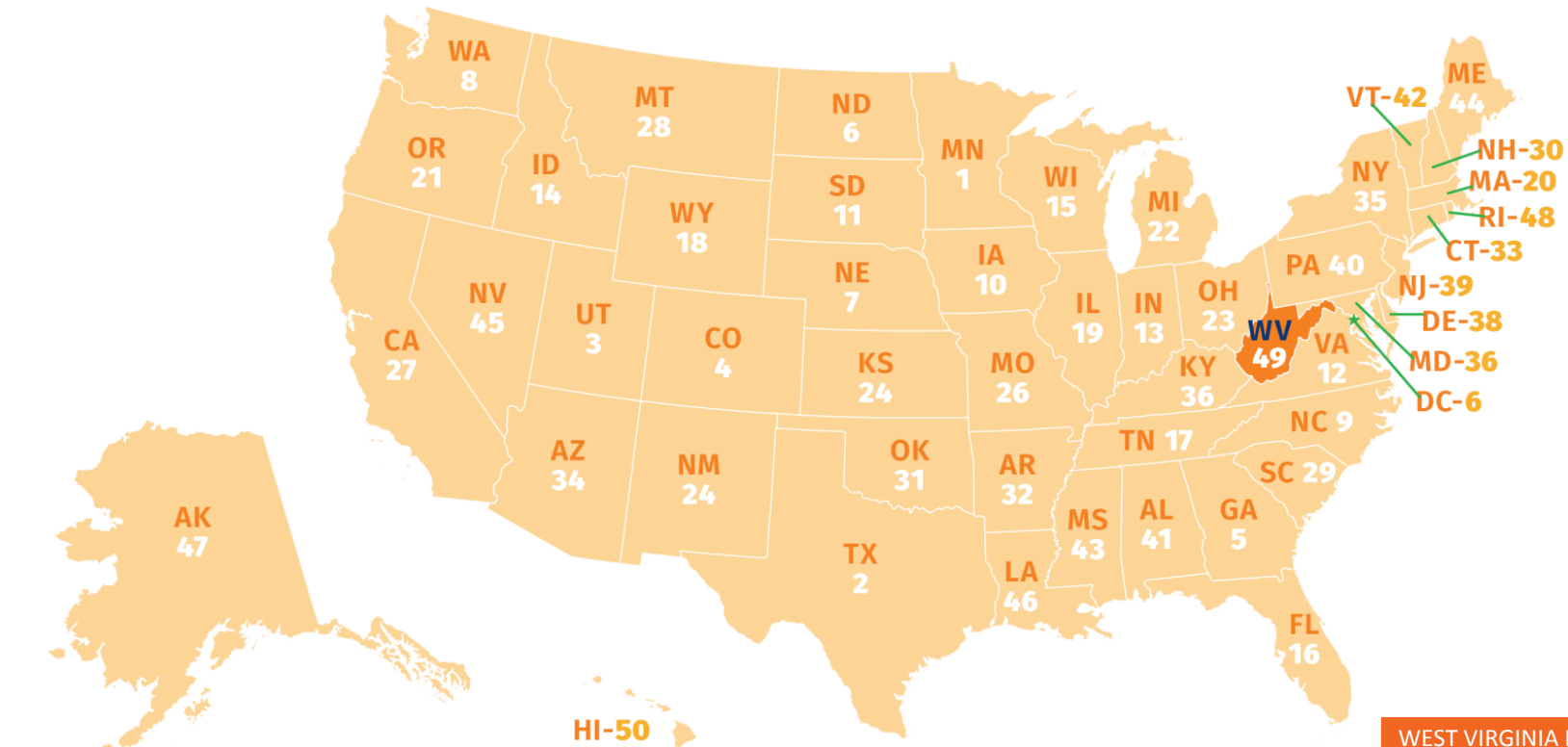
CNBC's America's Top States for Business

Access to Capital (75 points)

- Factors include:
 - Financing options for large and small companies



CNBC's America's Top States for Business



WEST VIRGINIA DEVELOPMENT OFFICE
Joint Committee on Tax Reform Presentation

CNBC's America's Top States for Business

Conclusions

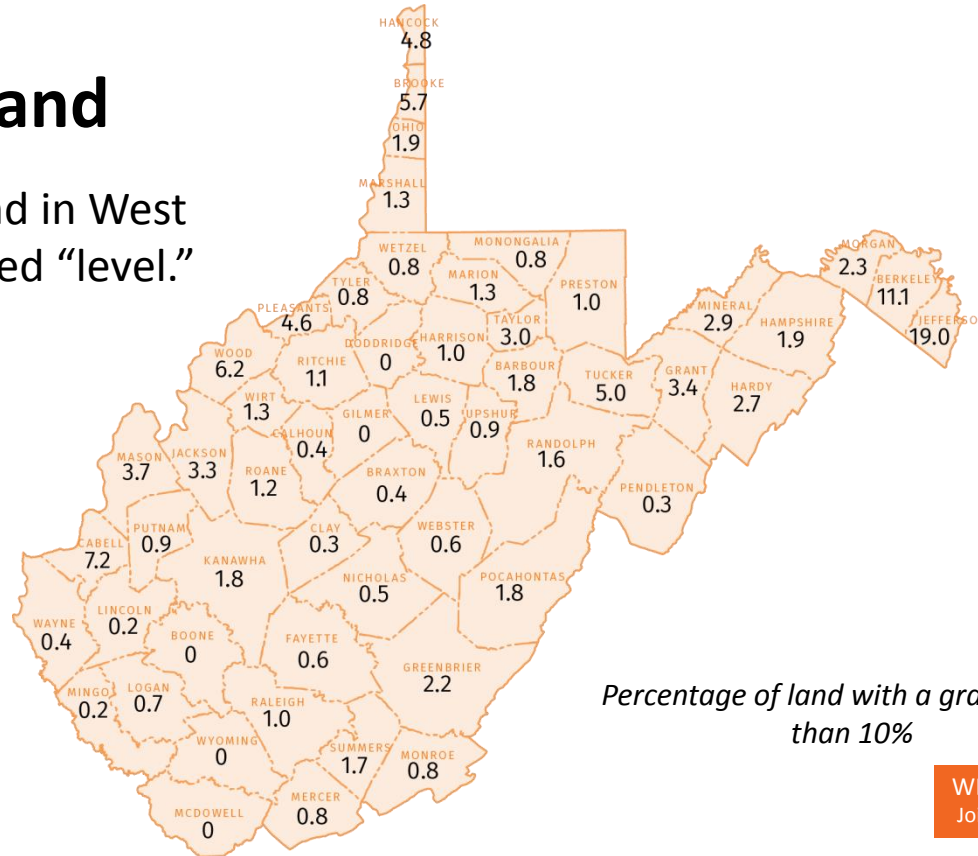
- Studies are all somewhat subjective and arbitrary. Some important factors aren't included in this particular study.
- We are competitive on taxes and business costs.
- Companies aren't simply making decisions based on these broad-based rankings. We don't lose deals over these rankings; we lose them over the availability of sites.
- We must balance our desire to be competitive on costs with the need to have an exceptionally trained and educated workforce.



Site Availability

Lack of Flat Land

Less than 3% of land in West Virginia is considered “level.”



Percentage of land with a grade of less than 10%



Conclusions



Conclusions



1. We have a positive story to tell about West Virginia.
2. The Administration and the Legislature are working to address critical challenges.
3. We are attracting new investments and jobs to our state at record levels.

