

Economic Development
Annual Report
2008



Gary R. Wilson
Director
Economic Development & Tourism

Executive Summary

Business recruitment and investment in Caroline outstripped most communities in Virginia in 2008 by dollar value in spite of a national recession that has crippled business growth and threatened to place the economy in a steep recession. Indeed, most economic indicators show the economy at their lowest points since 1946, the largest industrial manufacturers are at the point of bankruptcy, and most financial institutions are deeply in debt and unable to extend credit. Business recruitment has been difficult as a result of these factors.

Caroline unemployment, however, has managed to remain in check at 5.1% by the time of this report. Average weekly wages have advanced by 9% from the first quarter of 2007 to 2008, an extremely large advance that has placed Caroline ahead of both Fredericksburg and Spotsylvania in earnings. Moreover, though all counties are experiencing painful budget deficits, Caroline's are less pronounced due to the budget relying upon a balanced economy rather than a retail based revenue stream.

The County has two new restaurants coming on line, and the new Arby's is the first new chain restaurant investment in over ten years—in part due to the Visitor Center investment location. An increase in retail investment in the current economic climate is an encouraging sign of healthy local conditions.

Unsettled international finance markets have placed some projects on hold until 2009. Still, the department is working to recruit a number of firms as of this report.

An extremely positive initiative in 2008 was the Thompson Rail Project. Thompson Rail has the potential to be a multi-billion dollar investment with a twenty year build-out. It is imperative that this project be nurtured to allow its full potential to be realized.

Working with Congress has proven successful in develop funding sources for vital studies required to advance the project. Future activity should focus on the stimulus package of the new administration to begin a station construction project. Commonwealth resources have suffered due to severe budget cutting, but not before the VDOT plan for the site was completed and delivered. VDRPT also studied the site at their own expense and notes the project as feasible and worthy of inclusion in the Commonwealth Rail Plan.

By continuing a proactive posture, the Department hopes to succeed in expanding the County's tax and employment base in 2009 against the national trend.

Recruitments and Investments

Business recruitment and investment in Caroline outstripped most communities in Virginia in 2008 by dollar value in spite of a national recession that has crippled business growth and threatened to reverse the economic growth attained in recent years. Indeed, most economic indicators show the economy at their lowest points since 1946 or even 1932, the largest industrial manufacturers are at the point of bankruptcy, and most financial institutions are unable to extend credit. It is within this context that the Department's operations have advanced the County's development mission. Projects of note are as follows:

Dominion Virginia Power is completing their build out of their peak power station in Cedon. The fifth generator has a value of \$65 Million and will be operational in November 2009.

Virginia Natural Gas is installing a compressor station at Cedon valued at \$21.24 Million. This project should be operational in late 2009.

Arby's restaurant has opened on Rt. 207. This is one of the first new restaurant investments based on a national chain in many years. Such an investment suggests that the local economy at the interchange still has drawing power in this economy; based on projected traffic and assisted by the Visitor Center attraction.

Iverson's restaurant is the outgrowth of a successful start in Carmel Church moving to a more attractive building and location in Ladysmith. This is an estimated \$750,000 investment.

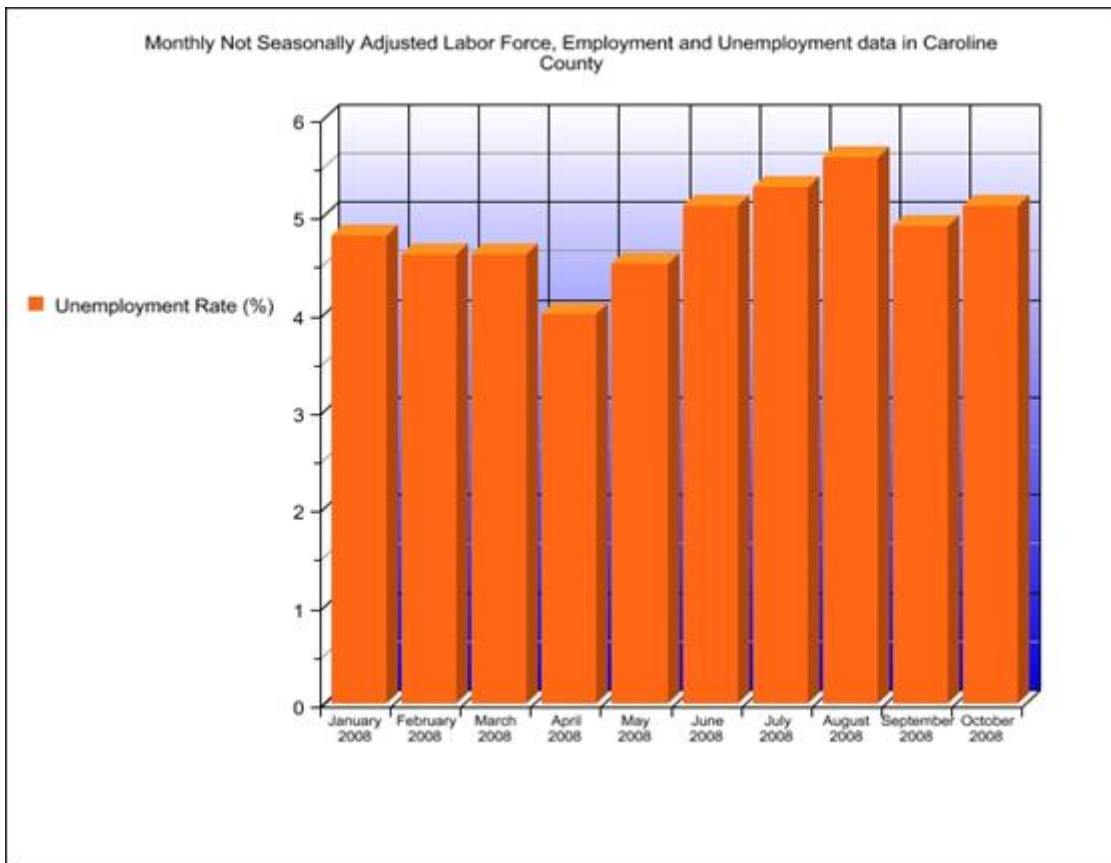
Caroline County Gift Shop is an independent retail shop serviced by staff, created by the Department of Economic Development and Tourism and operated through the legal entity of a 501 c 4 non profit corporation. It is a new business recognized by the Commissioner of Revenue.

Pending Projects are still in the Department's recruitment pipeline. It is encouraging that even in difficult times, businesses can maintain focus on expansion and relocation to Caroline even if they must slow their pace to evaluate the changing national economic conditions.

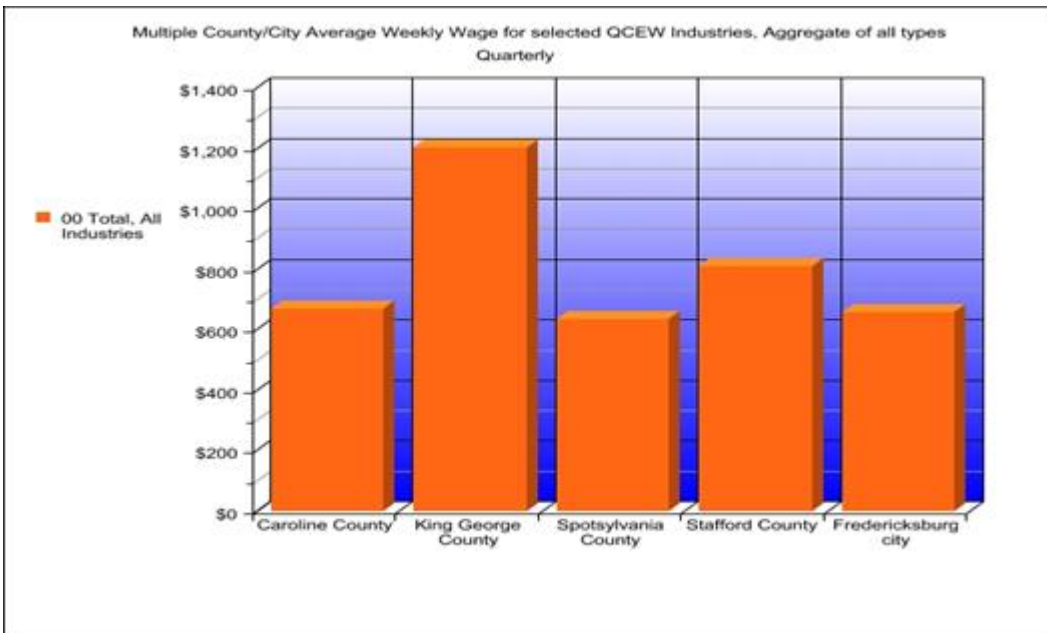
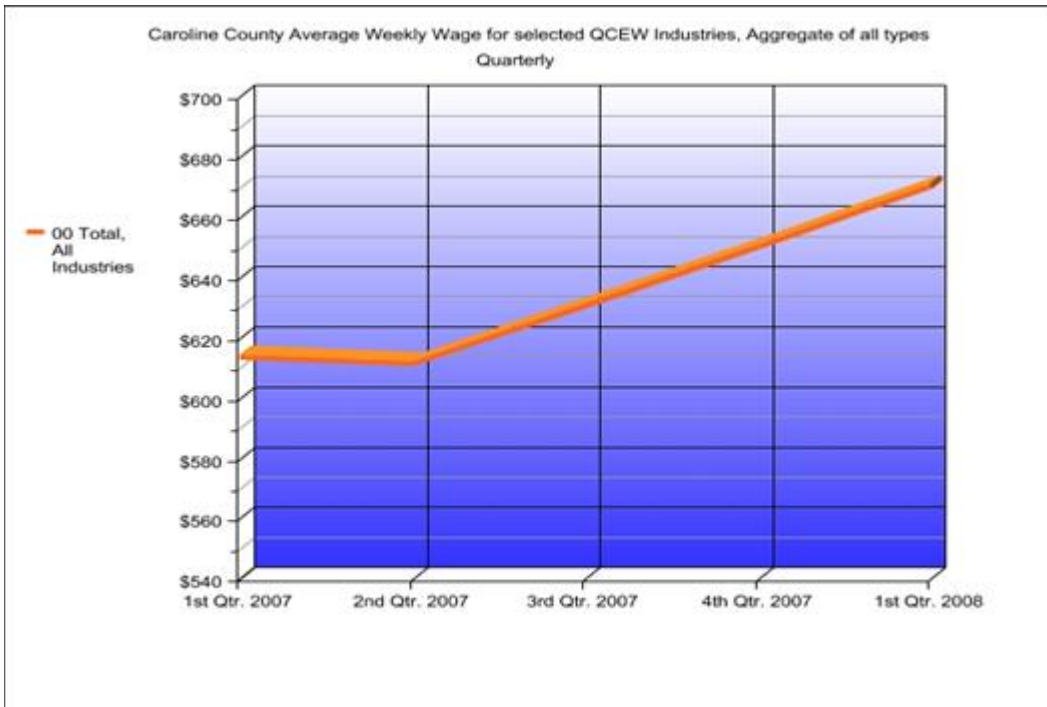
Employment and Wages

Caroline's unemployment (5.1%, October) and wages (up 9%) have avoided the direct shock of the failure of the national economy which is now claiming an unemployment rate of 6.7% for the US, with expected unemployment to crest 10% in 2009. Some areas of the country have been particularly hard hit and the Midwest is poised for Depression level unemployment should the auto manufacturing industry be allowed to fail.

Caroline's manufacturing base has been impacted, but recent recruitments and expansions have kept the employment levels growing through much of the year (Labor Force over 14,000) and unemployment in check. As the national economy continues to weaken, Caroline cannot expect to avoid greater unemployment in the current economy.



Caroline's Weekly Average Wage Surpassed Fredericksburg and Spotsylvania's in the first quarter of 2008—the latest reporting period available. Caroline's \$670.00 a week is a part of a long term growth trend in wages that demonstrate that Caroline is able to recruit well paying firms that benefit its citizens as well as its businesses.



In the regional context, Caroline's growing wages suggest the County is highly competitive among other communities for good jobs. **Growth in Average Weekly Wages is a major Caroline success story.**

Among the factors that have kept Caroline employment competitive in 2008 was a successful Value City retention negotiation that preserved 95 jobs. Even so, the threat of job loss for this sector remains real. There is a limit as to what can be done to retain firms when conditions that effect them are international in scope. Should Caroline suffer business closings, the Department has shown the ability to replace firms in existing structures with little delay.

Administrative Accomplishments

Along with business recruitment and business retention activities, the Department acts in many areas that assist the overall success of Caroline County programs, and directly with local firms to keep the County business base as strong as possible.

The Department organized a **Capitol Hill Visit** on September 18 to bring the concerns and opportunities of the County to the Virginia delegation in order to advance County goals.

The Department assisted the State Fair of Virginia with various issues pertaining to their operations and projected opening in September 2009. Among the understandings established: the Fair would lease advertising space in the County Visitor Center; the Fair will make its events calendar known to the Center so Caroline can market those events; the Fair will make available to the County Store items for sale related to their special events; and, Caroline County Store will be an Advanced Ticket Seller for the Fair, benefitting from enhanced traffic to the Center. Planning for the Grand Opening will start in earnest early in 2009.

The Department **hosted the Business Service Event, *Entrepreneurial Express*** which resulted the participation of about thirty businesses and aspiring business people. Two business concepts emerged from the event have advanced to the consultation stage with State representatives of the program.

The Department administered **TEA-21 Grants** and submitted the TEA-21 Courthouse Grant.

The Department's activities were recognized by two consecutive Six-month Goal **Efficiency Awards**. Though having a very small staff, the department has consistently achieved this recognition so that over half of efficiency awards since the program's inception that could have been awarded to seven departments have gone to the Department of Economic Development & Tourism. Contributing to this work output has been the Employee of the Year, Mrs. Ruby, Department Administrative Assistant.

Caroline has been **marketing** successfully in spite of few resources to project the Caroline message to a wider business investment audience. Advertising in *Foreign Affairs* has drawn international recognition; a broker meeting in Richmond has made direct contact with important site location decision makers; direct mail has exceeded 1800 pieces. Department activity and publicity has resulted in 3,927 web hits for the Economic Development site; 7,654 at LoopNet.com for advertised county property. **Total in bound web hits: 11,581.**

Caroline Business Contacts are important to maintain a strong business base. Successful: 50 contacts with existing businesses; have contacted and met with residential developers; contractor's directory is updated—hundreds of businesses; business appreciation event at Mattaponi Springs: 100. *Entrepreneurial Express* for 30+ businesses. 1700 direct mailings with Commission of Revenue for e-advertising; Round table: 60; Gala: 100; mass emails: 1656; Regular mailings: 502. **Approximate Business Outreach Contacts: 4,189.** Conversations with County landowners and realtors are constant occurrences.

Tourism

The County Tourism program has elevated itself to a new level by Department achievements in 2008. Few communities can boast of comparable successes that Caroline has enjoyed in recent years. The last calendar year is remarkable for the outcome of many previous years work and preparation:

The Successful Completion of Visitor Center has resulted in the “best visitor center operated by a Virginia County.” At seven thousand square feet and housing government offices, the building was constructed and outfitted with no General Fund money. Due to soils problems, some indebtedness is expected on the project, but that amount will be paid by tourists and revenues from operations. More encouraging still, some of the debt previously reported will not be realized as staff was able to save and roll over an additional \$59,000

from the previous Fiscal Year, and other costs were reduced significantly. The Visitor Center has enjoyed a very positive public response and excellent media coverage that has included the Freelance Star and NBC News in Richmond. Papers as far away as Harrisonburg, Virginia have run this story of the Center's opening. The center also enjoys the most striking display in almost any Visitor Center anywhere.

Completion of the Whale Display has resulted in the effect hoped for by staff when planning the project. The public is enthusiastic about the whale and the County having such a unique display. A number of visitors have remarked they drive by the whale at night to view the display. Others have said that Caroline now has a focal point and a place to bring out of town guests. Staff is planning to develop brochures that will meet the stated need of the public to take away information and image of the center and its displays. Funding for the whale project is theoretically completed by money in hand and pledges made. However, staff remains active to herd the final pledges into the Finance Department to close the books on this project. The County Visitor Center is also unique in that it has partnered with a world class museum to bring the natural history wonders of Caroline to the public.

Scientists at the **Virginia Museum of Natural History** have stated that the whale display advised by County staff is now considered the most visually pleasing, yet still authentic, mounting of any whale display known in the field of paleontology. Even scientist at the Smithsonian have expressed admiration for the project.

Lease of Retail Space for Revenue has allowed the creation of a **Caroline County store** that has the potential to develop as a revenue generation entity for the Tourism program. Once again, the Department has taken a strong step in developing its own revenue stream by acting entrepreneurially. **Hiring of an experienced Tourism Manager** and travel councilors with Transient Occupancy Tax funding is allowing the Tourism program to develop into the public service and revenue generator as programmed. Staff believes there may be more innovative ways to derive revenue from the Center's marketing potential in the coming year.

Served-Funded Several Community Events such as the Harvest Festival, July 4th, Port Royal, County Fair, Frog Level and Garden Week.

The Department Staffed the Museum Exploratory Committee in its work to determine the site and feasibility of the project. Staff has been tasked to also assist in the development of the committee into a 501 (c)(3) charitable, non-profit organization.

**Impact of the Tourism Program on the Local Economy:
Travel Economic Impact in Virginia: Preliminary 2007**

2007 (preliminary)	Expenditures	Payroll	Employment	State Tax Receipts	Local Tax Receipts
CAROLINE	\$70.21 Million	\$9.78Million	560	\$3.44Million	\$1.61 Million

Awards

- **“Excellent” for Community Profile Brochure**--Southern Economic Development Council which shows that Caroline can produce marketing material that is better than any in the entire South.
- **One of the Five Best Communities in America** for Aerospace investment—*Expansion Solutions* Magazine which was based on the County’s past performance and attention to marketing the advantages the County possesses in transportation infrastructure and location.

Supplemental: A Comparison of Regional Economic Development Funding

Data Derived from published budgets, FY 2009-2010

Caroline: \$200,000

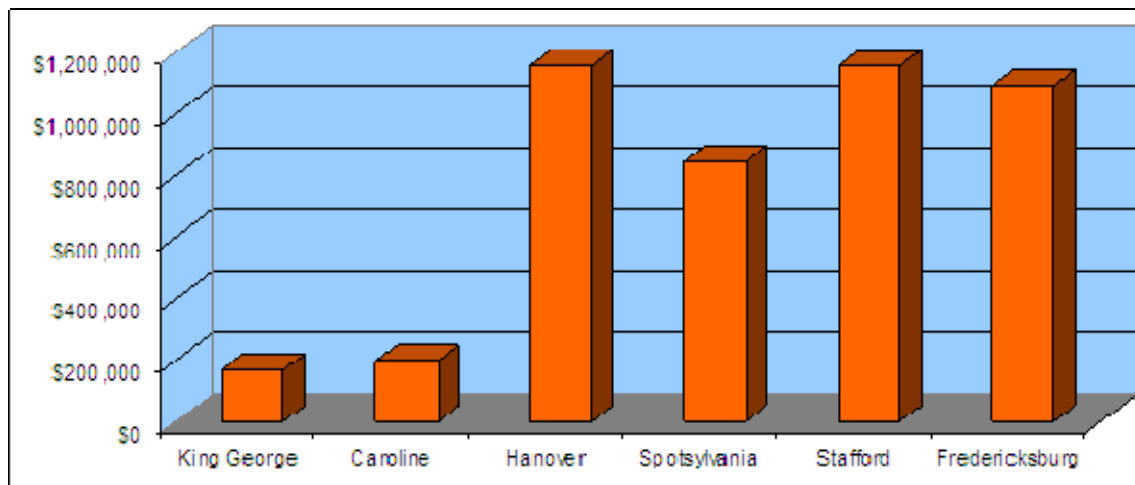
King George: \$167,424 (this is primarily the director's salary and benefits)

Hanover: \$1,157,729

Spotsylvania: \$847,133

Stafford: \$1,157,075

Fredericksburg: \$1,091,586



In spite of the large disparity in the funding of the Regional economic development departments, Caroline has consistently surpassed the other communities in the region in higher paying industrial recruitment.

In 2008, over \$86 Million was announced in industrial investment while another \$2.8 Million Visitor Center came on line and \$600,000 in transportation grants were used or secured. The value to expense ratio for the Department in 2008 is approximately, 447: 1. If the industrial values are removed and only cash and real estate are computed, the ratio is, 17: 1.

Caroline's knows how to work within a tight budget, market aggressively without typical funding, and make "its own luck" by creating programs and projects that can result in business investment.