

## **Message from the Director**

During Fiscal Year 2005, the Delaware Economic Development Office applied a concentrated focus on its central mission: To be responsible for attracting new investors and businesses to the State; promoting the expansion of existing industry; assisting small and minority-owned businesses; promoting and developing tourism; and creating new and improved employment opportunities for all citizens of the State.

DEDO was initially created to emulate the private sector. Therefore, it is germane at the very core of the agency to be able to compete effectively and competitively in the global market. This is essential for our residents, our workforce, our businesses and our economy.

In order to support Delaware's existing businesses and to effectively recruit new companies to the state, DEDO has become more market driven with promotion and sales at the core of the organization.

As we push forward with this aggressive approach, we are very fortunate to already possess a strong and vibrant economic foundation in the state of Delaware.

The state has been working proactively through the outstanding leadership of Governor Ruth Ann Minner to create a new vision that will germinate fresh economic development opportunities for rising industries and develop and maintain programs that will help our existing legacy companies remain viable and competitive in the global economy.

We have already seen fruitful results from Governor Minner's New Economy Initiative. The Competitiveness Fund has expanded Delaware's manufacturing base, impacted hundreds of jobs and infused the addition of millions of dollars into Delaware's Gross State Product. To date, the Competitiveness Fund has helped Procter & Gamble's Dover Wipes facility, Dogfish Head Brewery's Milton operation, PATS Aircraft in Georgetown, Craig Technologies in Seaford and Delaware Metals and Printpack, both located in New Castle County.

The state has also launched successful initiatives to jump-start Delaware's future businesses. Technology Based Seed Funds are helping to foster fast-growing small businesses in technology fields such as biotechnology, advanced materials, clean energy and information technology where salaries are significantly higher than in many other industries.

Complimenting the Technology Based Seed Fund is the Emerging Technology Center. The Emerging Technology Center will identify, cultivate and foster technology based entrepreneurs located throughout the state by providing a network that will support technology-based start-up companies' needs in areas such as technology transfer and by linking these entrepreneurs to an existing network of business expertise, services and investors.

This year, Delaware companies will continue to benefit from research grants through the Clean Energy Center Partnership that will support the work and research being done at the University of Delaware and Delaware State University. These grants will promote research and development in tomorrow's energy resources such as wind, photo voltaics, fuel cells and renewable sources. A result of the R&D will be small business formations from spin-offs and applications of the R&D.

There is no doubt that our economy is resilient. However, we have to realize that our economy is transforming. Our demographics, small land mass and desirable location for families to move to creates both opportunities and concerns. That leaves us with two choices. We can react. Or, we can craft a plan now that ensures a strong economic future.

To this point, DEDO has launched the first statewide approach to a comprehensive economic development strategy. This blueprint will expand business opportunities, attract private sector investment and in turn, create businesses and related jobs that fit the character of the community and add sustainable value to Delaware's economy. Currently, a collaborative process involving residents, community and civic groups, private industry, academia and state and municipal governments from all three counties are providing their valuable input and ideas in formulating this statewide economic development plan. This is expected to be completed by May 2006.

The Delaware Economic Development Office is committed to supporting and stimulating all businesses in the state, including those that fall into our targeted clusters. These include auto manufacturing, chemistry and advanced materials, financial services and insurance, life science and biotechnology and tourism. DEDO's approach to supporting the entire eco-system that sustains an industry continues to flourish, as you will see from the many successful examples in the following pages.

Finally, Delaware remains well positioned as illustrated in many national rankings.

Recent reports from the FDIC stated Delaware's employment growth has outpaced the U.S. rate for the past two years.

Delaware continues to maintain the highest possible rating with all three nationally recognized rating agencies since the spring of 2000. Delaware is one of only six states currently holding these top ratings.

In addition to our state's predictable business regulatory and tax structure, Delaware's preeminent legal system continues to put us at a competitive advantage. In fact, Delaware's legal system ranked number one in the nation for the fourth consecutive year according to an annual survey by the U.S. Chamber of Commerce.

*Highlights from Delaware's Clusters*

### *Auto Manufacturing:*

Despite rising gasoline prices and fierce competition from import and domestic car producers, Delaware's automotive manufacturing sector remains a significant contributor to the State's economy.

Newark continues to be the only location in the U.S. where DaimlerChrysler's Dodge Durango is produced. Production of the Dodge Durango increased by more the 41 percent over the previous year (2003 to 2004, which includes the 2005 model year) to 160,703 vehicles. Launched in August, the 2006 model year Durango will feature new engine technology to improve fuel economy by 20 percent. DEDO is proactively working with DaimlerChrysler to attract Durango suppliers that are outside of the region to Delaware.

General Motors new Pontiac Solstice has been well received by the public. The company received more than 10,000 orders for the two-seater sports car since its launch in August. Two sister vehicles based on the same Kappa platform as the Pontiac Solstice, the Saturn Sky and the yet unnamed Opel Roadster, will also be produced at General Motors' Wilmington Boxwood Assembly plant. DEDO helped to ensure the successful launch of the Pontiac Solstice by providing workforce training assistance and by facilitating the relocation of suppliers to Delaware.

In Fiscal Year 2005, three new suppliers were recruited to Delaware, including Plastic Omnium Auto Exterior, Product Action International and Walker International Transportation. Collectively, these three companies added 100 new jobs to Delaware's workforce.

In February, members of the Delaware Automotive Cluster Alliance met with Governor Minner to discuss the group's "Initial Assessment and Status of Delaware Automotive Cluster Report." The strength of the Delaware Automotive Cluster Alliance and the support of the Governor resulted in a 25 percent reduction of the gross receipt tax for the two auto manufacturing plants. This change occurred within one year of the Alliance's first meeting.

The Alliance continues to move forward with its strategic plan which focuses on business retention, recruitment, collaboration, networking and training. DEDO will work with the Alliance to develop unified workforce training, attract additional suppliers and optimize the business climate to ensure auto manufacturing remains competitive in the global market.

### *Chemistry*

In June, Hercules, one of Delaware's legacy chemistry companies, announced the company would invest \$15 million into its Wilmington research and development facility and consolidate an R&D operation in the Netherlands to Delaware. In addition, Hercules

recommitted to retain its headquarter's positions in Delaware. The company also donated intellectual property to the Emerging Technology Center, which is part of the Governor's New Economy Initiative.

Ciba Specialty Chemicals recently expanded its Newport manufacturing plant and is developing the site as its NAFTA business and manufacturing headquarters for its Coating Effect Business Segment. Ciba will invest an estimated \$30 million into the plant over the next several years.

DEDO also worked with IMS, Inc., and helped the company find funding and a new Delaware location for its business. IMS was previously looking in Maryland for an alternative location to move its business.

Paris-based Air Liquidé announced in July the company's intent to open a technology development center which would employ 119 scientists in the Glasgow Business Park. Targeted completion date for the facility is August 2006. Air Liquidé MEDAL, a subsidiary located in Newport, recently spent several million dollars to upgrade its facility and also revamped an annexed building to expand office and R&D space. MEDAL recently purchased the assets from a company based in Massachusetts and moved equipment to DE. As a result, 15-18 new jobs were created.

In addition to Air Liquide, INEOS Films, Inc. (previously EVC Films) expanded its U.S. presence by opening its North American headquarters in Delaware in the previous VPI Mirrex site.

DuPont Dow Elastomers, the joint venture between DuPont and The Dow Chemical Company, was dissolved in July. The Delaware manufacturing and headquarters sites became a wholly owned subsidiary of the DuPont Company and will be called DuPont Performance Elastomers. All jobs within this group appear to be staying in DE with some potential for growth. DuPont has also constructed an acid recovery plant as part of the Valero refinery system. This site will employ around 20 new hires. The Edge Moor facility is adding new process capability which will result in the addition of 10-12 new operators.

NORAMCO, Inc. also recently completed a \$3 million office building expansion and the company has continued to show a commitment to its Wilmington facility.

During fiscal year 2005, Premcor was sold to Valero. The new owners are continuing to invest millions of dollars into upgrading the facility.

The Chemistry Cluster, now known as the Delaware Chemistry and Advanced Materials Alliance, continues to be proactive in achieving industry success with action teams to increase networking; idea sharing; lobbying with a single voice; entrepreneurial activity; and educating the public and improving perception. Networking events were held in June and September and the group looks to continue this forum to promote The Alliance as well as provide relevant topics of discussion.

### *Financial Services and Insurance*

Although the financial services and insurance industry continues to consolidate and seek cost efficiencies, Delaware remains a highly-prized destination for the industry.

AIG is in the process of moving its entire staff from its Pennsylvania office into its Wilmington offices, which is expected to add hundreds of new jobs to Delaware's workforce.

Juniper Bank, which was acquired by Barclays, plans to expand its Wilmington headquarters. This represents a \$6 million capital investment by the company and the addition of more than 700 new jobs. ING Direct also continues to expand its presence at the Wilmington Riverfront.

In light of the acquisition of Delaware's largest private employer, DEDO is leading the transition team taskforce to spearhead the efforts following the acquisition of MBNA by Bank of America. In September, Bruce Hammonds, the new President and CEO of Bank of America Card Services, announced that the key members of his new leadership team were MBNA top executives.

The previous finance Cluster Leader organized three meetings of the industry from September 2004 through February 2005.

Since the realignment at DEDO, growth areas for the cluster have been identified including captive insurance, holding companies, limited purpose trusts, asset protection trusts, hedge funds, asset management companies, and intellectual property management companies.

For example, the Delaware Captive Insurance Association formed in order to promote captive insurance companies under HB 218 and is working with industry members and DEDO to attract new business.

Finally, Citizens Bank continues to partner with the state of Delaware, through an extended and expanded agreement that is expected to provide millions of dollars in grants and low-interest loans to Delaware companies. Citizens Bank will continue to provide low-interest loans for the Competitiveness Fund and the Technology Based Seed Fund. Additionally, Citizens Bank has expanded its partnership to include the loan program through the state's strategic fund.

### *Life Science and Biotechnology*

In June, DuPont announced a recommitment to the state of Delaware through an \$80 million capital investment into its Experimental Station Laboratory in Wilmington through a partnership with the State. In addition, DuPont will also donate intellectual property to the Emerging Technology Center and create a new biotechnology program for high school students that will ensure the next generation of scientists in the state of Delaware.

Delaware's thriving biotechnology cluster was in the international spotlight this June during the Biotechnology Industry Organization's conference in Philadelphia. This preeminent event attracted more than 18,000 attendees from across the globe. More than a dozen Delaware companies from all three counties were represented at this conference. Delaware, along with the Commonwealth of Pennsylvania and the state of New Jersey, hosted this event.

Delaware's biotech cluster was recognized in the Battelle Study this year, which ranked the state as the leading location for biotech businesses and for having the highest concentration of bio-based businesses in key categories. These categories include agriculture, feedstock and chemicals; drugs and pharmaceuticals; medical devices and equipment and research and testing.

### *Tourism*

The Delaware Tourism Office recently gathered members of the tourism industry to begin planning a new blueprint for growth.

Today, the Tourism Office is focusing on attracting businesses related to tourism instead of the office's historic approach to tourism development which centered on marketing and advertising. This latter effort will continue through DEDO's marketing and communications unit.

Another initiative the tourism office is spearheading: developing a major event for Delaware with a statewide focus that will attract visitors.

This year, AAA Mid-Atlantic opened an operations center in Newark and its new headquarters at the Wilmington Riverfront. Both locations will account for more than 1,000 new jobs and \$100 million annually to Delaware's economy.

The Delaware Film Office has recently made strides in attracting film crews to the area. In May, the office launched a Creative Services Directory which details Delaware businesses involved in film. Since the publication of this directory, Delaware has been the site for a major feature film, "Failure to Launch," by Paramount Pictures, a segment of "Dr. Know" for the Discovery Health Channel, an independent film entitled "Purity," and an upcoming 12-hour series on the American Revolution by the History Channel.

This year, the Delaware Economic Development Office awarded more than \$140,000 in grant money to help with the advertising and promotional efforts of 10 tourism organizations in the State. Five non-profit tourism groups received more than \$115,000 in matching grant funds for marketing initiatives.

Direct grants totaling more than \$25,000 were awarded to five tourism attractions and organizations. These tourism entities will use the funds to create Web sites, brochures and booklets that will be used as promotional and educational material.

Delaware's latest edition of the travel guide was also unveiled this year, which is the major marketing piece distributed from the Delaware Tourism Office. More than 200,000 issues of the travel guide were printed and will be sent to potential visitors throughout the U.S. and abroad.

DEDO continues to work with representatives from Sussex and Kent counties to locate a permanent site for Punkin Chunkin.

Finally, the Delaware Tourism Office recently gathered members of the tourism industry to begin planning a new blueprint for growth. Some tourism development opportunities identified by the DTO include: additional development at the Wilmington Riverfront and the New Castle County Airport; additional lodging in all three counties to service future business travel and convention needs; destination retail opportunities such as Main Street programs and lifestyle shopping centers; outdoor retail and sporting goods stores; sports tourism opportunities and further tourism product development opportunities.

#### *Centers of Excellence Capital Resources*

DEDO has a dedicated team to support all of our industry clusters and to provide financial assistance, advice and review of viability through its Capital Resources Center, which will offer assistance in the full range of financial tools such as seed-stage equity investments, low interest loans, tax exempt bond financing, and performance, relocation and Brownfield development grants.

Capital Resources available to qualified companies include the Delaware Strategic Fund, the Competitiveness Fund, the Venture Capital Investment, the Technology-Based Seed Fund, and the Clean Energy Performance Grants program. In addition, Capital Resources also manages DEDO's tax exempt bond issues, the Clean Energy Center Partnership with the University of Delaware and Delaware State University, and the VO<sub>x</sub> and NOC emissions reduction credit bank.

Capital Resources specifically supports Delaware's small businesses, including technology-based businesses through a low-interest loan program, a newly launched quasi-equity investment program, and Small Business Innovative Research (SBIR) Bridge Grants. During Fiscal Year 2005, six companies received a total of \$400,000 in

SBIR grants. These companies include ANP Technologies, Elsicon, Inc., CARA Plastics, Nassau Stern Company, Inc., Accudyne and EM Photonics, Inc.

Delaware Strategic Fund loans awarded included \$1,096,800 in New Castle County and \$285,000 in Sussex County for a total of \$1,381,800. Delaware Strategic Fund grants awarded included \$19,192,000 in New Castle County, \$1,200,000 in Kent County, \$3,900,000 in Sussex County, and \$2,095,900 in multi-county projects for a total of \$26,387,900. The total amount awarded from the Delaware Strategic Fund in Fiscal Year 2005 was \$27,769,700.

Competitiveness Fund loans awarded included \$204,000 in New Castle County and \$1,227,550 in Sussex County for a total \$1,431,550. Competitiveness Fund grants awarded included \$2,918,250 in New Castle County, \$1,795,000 in Kent County, and \$200,000 in Sussex County for a total of \$4,913,250. The total amount awarded from the Competitiveness Fund in Fiscal Year 2005 was \$6,344,800.

Companies that received Competitiveness Fund awards include Procter & Gamble's Dover Wipes, Delaware Metals, PATS Aircraft, Dogfish Head Brewery and Craig Technologies.

DEDO also awarded \$800,000 from Clean Energy Performance Grants program in New Castle County. Therefore, the total amount awarded by DEDO in Fiscal Year 2005 was \$34,114,500.

DEDO expanded the partnership with Citizens Bank that was originally created in Fiscal Year 2004 to match key components of Governor Minner's New Economy Initiative including the Competitiveness Fund and the Technology-Based Seed Fund programs. Citizens Bank has contributed an additional \$5 million above its Fiscal Year 2004 commitment of \$14.5 million and will match financial assistance awards from the Delaware Strategic Fund as well as the Competitiveness Fund and the Technology-Based Seed Fund.

DEDO launched the Technology Based Seed Fund program to foster high-wage, fast-growing small businesses in technology fields such as biotechnology, advanced materials, clean energy, information technology, and new chemical applications. Announcements on the first cycle of funding for this innovative program will be announced later this year.

#### *Industry Research and Analysis*

The Industry Research and Analysis Center continues to supply critical data to DEDO. During Fiscal Year 2005, this unit provided expert data and analysis for customized proposals for potential company recruitment and expansions to Delaware.

One major new project conducted by the Industry Research and Analysis Center was an in-house conversion study that measured the impact that advertising had on attracting visitors to Delaware. A letter and postage-paid survey response card were mailed to more than 19,000 individuals who vacationed in Delaware. Highlights on the findings

included that 50 percent of those who responded to the survey visited Delaware in 2004 and 36 percent of these visitors stayed for two to three days. The survey also showed that the Delaware Tourism Office was investing its money well when it came to advertising in national publications. Results of the study showed a 24:1 return on investment for each dollar spent on advertising.

The center also provides Delaware businesses and constituents data reflecting industry trends, opportunities and state comparisons on costs of living and tax climates.

This past year, the industry research and analysis unit conducted the economic impact analysis for a number of projects. Some of these projects included the economic impact of the proposed New Castle County Military Base realignment and the impact that NASCAR weekend has on the state's economy.

### *Infrastructure and Intergovernmental Relations*

The Infrastructure and Intergovernmental Relations Center was instrumental in the expansions of multiple businesses in the state of Delaware during fiscal year 2005. In fact, this center helped more than 180 companies with their business needs during this time period.

DEDO worked in tandem with the Town of Milton and the Delaware Department of Natural Resources and Environmental Control in facilitating the expansion of Dogfish Head Brewery by addressing the company's sewer issues.

The Infrastructure and Intergovernmental Relations Center also worked closely with PATS Aircraft to help facilitate the relocation and expansion of the company's headquarters from Maryland to Georgetown.

The Infrastructure and Intergovernmental Relations Center also helped Craig Technologies, Inc. in Seaford with the company's expansion plans to allow this firm to control their costs by bringing their contracted product in-house.

The Infrastructure and Intergovernmental Relations Center worked closely with GE Energy in Newark following GE's acquisition of AstroPower.

Following the devastating floods in New Castle County, the Infrastructure and Intergovernmental Relations Center worked with the Small Business Development Center to help the ASHBY Group, Inc. - Carvers Lawn & Landscape recover from their financial loss.

The center also promoted Brownfield redevelopment which was spearheaded by the AAA Mid-Atlantic Wilmington Riverfront headquarters project. The center has worked closely with the Department of Natural Resources to help promote and facilitate the use of Brownfield properties. This cooperation helped with the redevelopment of a property

that will result in the construction and operation of a premier health and fitness club by RBD-PC, Inc. in Hockessin.

This center works with cities and counties to provide real estate leads and help them with economic development planning and land use issues. This division works with businesses in all three counties and companies that are looking to relocate to Delaware to make sure utilities are in place.

The center also works closely with the State Planning Office to promote economic development through the state planning Plus process.

Finally, the Infrastructure and Intergovernmental Relations Center also participates in the Dover Metropolitan Planning Council, Dover Transportation Advisory Committee, Wilmapco Transportation Advisory Committee, the Energy Advisory Council, the Green Infrastructure Conservation Committee, Kent County Strategic Fund Committee, the Central Delaware Economic Development Council, the Open Space Council, Scenic Highway Evaluation Committee, the Georgetown Business Park Planning Committee and other commissions and development organizations.

#### *International Trade*

Trade missions are key for supporting all of our clusters and Delaware's strong standing as a strategic U.S. business location for overseas companies and to breed new cultural exchange and tourism opportunities. Locations visited in Fiscal Year 2005 include Sweden, China, Italy and Germany.

The International Trade Center also facilitated meetings with Governor Minner and representatives from Korea, Canada, Australia and Taiwan during the BIO 2005 conference in Philadelphia.

While promoting Delaware as a strategic location for overseas companies, the International Trade Center within DEDO also works with Delaware companies to assist them with business issues such as exporting and expanding their international presence across the globe.

#### *Entrepreneurial and Small Business Support*

During FY 2005, DEDO engaged the assistance of several members of the business community and embarked on beginning to develop a vision for the Emerging Technology Center, a piece of Governor Minner's New Economy Initiative. Throughout the fall and into the winter, the Advisory Board met to flesh out the details concerning the development of the Emerging Technology Center and worked in collaboration with the Wilmington Council on Competitiveness and the Delaware Entrepreneurial Action Group Advisory Board to ensure that efforts to promote and develop an entrepreneurial

economy statewide worked in concert. DEDO expects to have the Emerging Technology Center launched and running during the spring of 2006.

During FY05, Delaware Main Street continued to support and strengthen small businesses through accelerated education opportunities through external partnerships. Last year, Delaware Main Street increased the delivery of educational opportunities to small businesses by helping them better merchandise and market their products, assisting them in remaining profitable during streetscape improvements, and increasing their awareness of financing and loan options. As a result of these efforts, 13 new businesses and 98 new jobs were created in Delaware Main Street communities.

The USDA clearly recognized the importance and impact that the Delaware Main Street program has on promoting downtown merchants by awarding DEDO a grant in 2005 that reassures business opportunities in five Delaware rural Main Street communities, including those in Delaware City, Dover, Middletown, Smyrna and Rehoboth Beach.

The Entrepreneurial and Small Business Support Center within DEDO is also instrumental in linking businesses with communities. One such linkage program is the Neighborhood Assistance Act, which provides Delaware businesses with the opportunity to be good corporate citizens and give back to communities. By participating in the program, companies receive corporate income tax credits for investment in the revitalization of disadvantaged communities. Targeted distressed communities and organizations that serve them can benefit from the Neighborhood Assistance Act partnerships by improving the quality of life for residents who live in these areas.

To date three projects have been completed and approved: the E.J. DeSeta Corporation and the Neighborhood House for \$25,000 for its child care program; the Kingswood Community Center's emergency assistance program in conjunction with the PHI Service Company and Kingswood Community Center for \$20,000; and a partnership between Tolton Builders, Miller Mauro Group, and Oceanport Industries which contributed more than \$6,700 to the Claymont Community Center's Tutoring Program.

Many of Delaware's small business owners are incredibly talented artisans that live and work in Delaware. The Entrepreneurial and Small Business Support Center works directly to market and link these craftspeople through "Delaware By Hand," a new initiative launched this year that increases awareness of these handmade Delaware products and the exceptional artists that create them.

Delaware by Hand became an official not-for-profit organization in October of 2004. A board of directors has been selected from a cross section of business owners, artisans and craft persons, as well as a representative of the Small Business Development Center and DEDO.

To date the board has designed and copyrighted an official organization logo, and developed and designed a website that will promote a rotating selection of featured artisans, offer information on where to purchase products, and display a map of Delaware

with identified tour markings of studios and artist displays. This site will also be linked directly to the state's tourism web site, and will publish an events calendar and artist/crafter database.

During Fiscal Year 2005, the Entrepreneurial and Small Business Support Center provided support for more than 245 businesses, representing expansion, retention and start-up projects.

### ***Workforce Development***

During fiscal year 2005, 85 custom-training contracts totaling more than \$5 million were managed by the Workforce Development Center.

This customized training benefited more than 7,970 workers representing all three counties. Of these participants, 95 percent completed their training, and these workers earned on average a salary of \$18 per hour.

The company match for this training was 3.7 to 1. During Fiscal Year 2005, 26 new companies, or 44 percent of all companies that participated, received workforce training for the first time last year.

Other highlights include the Workforce Development Center's integral role in forming the Delaware Poultry Industry Partnership in an effort to work closely with key leaders in this field including Perdue Farms, Inc., Mountaire Farms of Delaware, Eastern Shore Poultry and Allen Family Foods. The mission of this new partnership is to leverage DEDO's training grant resources by identifying and supporting the development of curriculum that can be used by the group, in addition to the individual companies. To date, the Delaware Poultry Industry Partnership has identified three training initiatives for Fiscal Year 2006 including diversity, soft skills essentials and literacy.

The Workforce Development Center in conjunction with the Tourism Cluster and National Tourism Week launched a very successful free campaign to provide customer service training to Delaware's tourism industry. This program, known as Destination Delaware, was offered at no cost, and classes were held in all three counties. Approximately 85 employees in the tourism industry participated in the free Destination Delaware classes.

During Fiscal Year 2005, DEDO supported one training initiative that included three Delaware employers in the Chemistry Cluster. FMC Biopolymer requested specialized training from the workforce development center, and invited two other small companies, Rath Performance Fibers and Graver Technologies, to participate. This is an example of a strong cluster training partnership, which was supported by a Blue Collar Training Fund grant.