

FOCUS ON ECONOMIC GROWTH



Connecticut
still revolutionary

Connecticut Economic Development Strategy

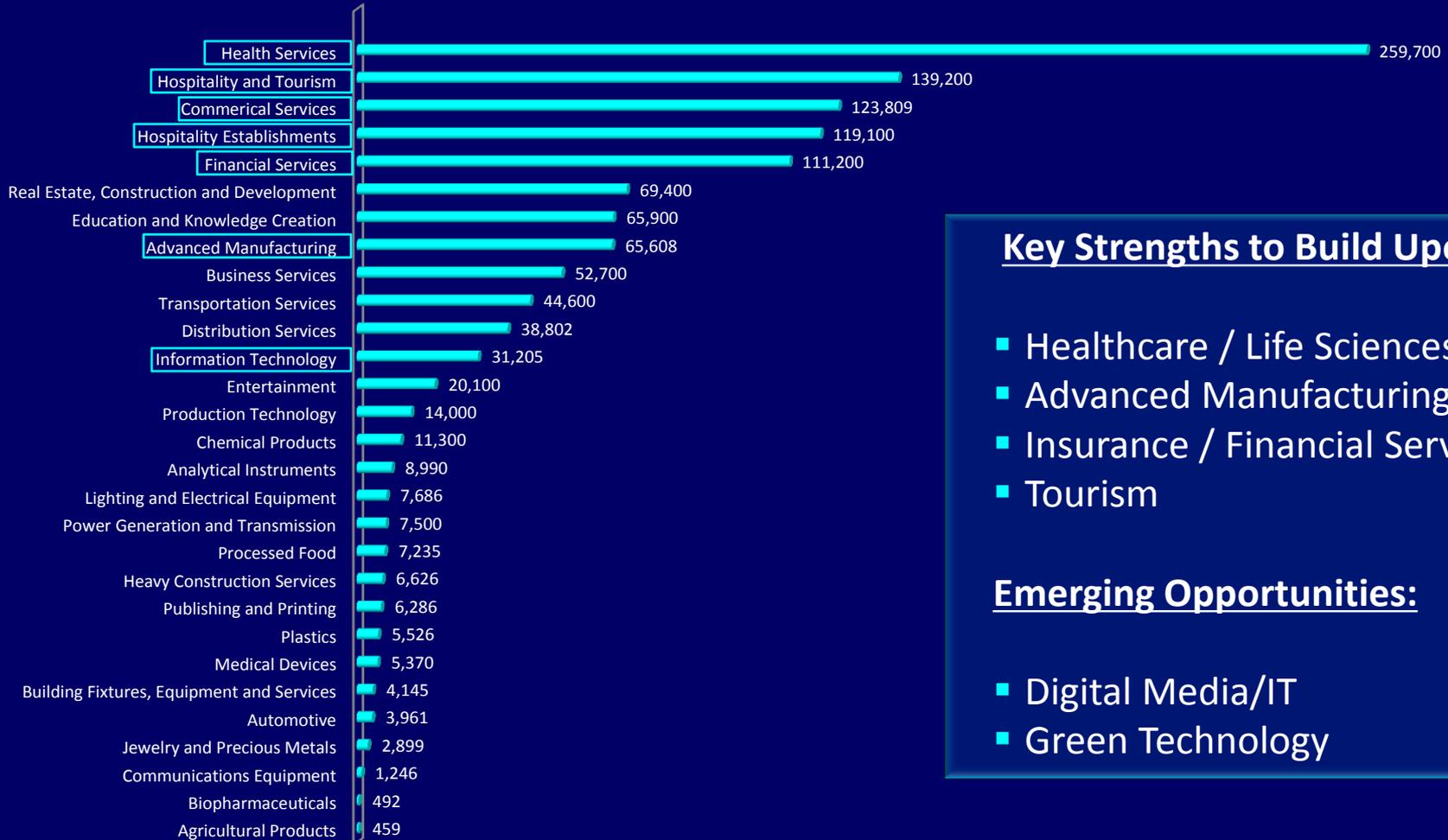
- Build on our strengths (talent, “anchors” location)
- Focus on key business sectors for business development
- Tailor programs to address greatest needs
- Simplify governmental processes/regulation
- Collaborate with key partners (education, energy, transportation)
- Drive for innovation

Economic Strategic Framework



Composition of CT Economy

Employment by Cluster, 2014



Key Strengths to Build Upon:

- Healthcare / Life Sciences
- Advanced Manufacturing
- Insurance / Financial Services
- Tourism

Emerging Opportunities:

- Digital Media/IT
- Green Technology

Connecticut Economic Development Strategy

- Currently preparing an update to the strategy
- Want to hear from partners and the public – will hold a series of meetings state-wide
- Input also accepted at DECD.org
- Updated strategy will be published later this year

Summary as of 1/1/2015

(From 2011 - 2014)

- 1,630 companies are being assisted through DECD programs, with 17,794 jobs to be created and 63,098 jobs retained
- \$2.2 billion has been leveraged from the private-sector to grow jobs and expand the economy through these programs
- DECD's portfolio companies have attained 108% of their job obligations (as of 6/30/14)

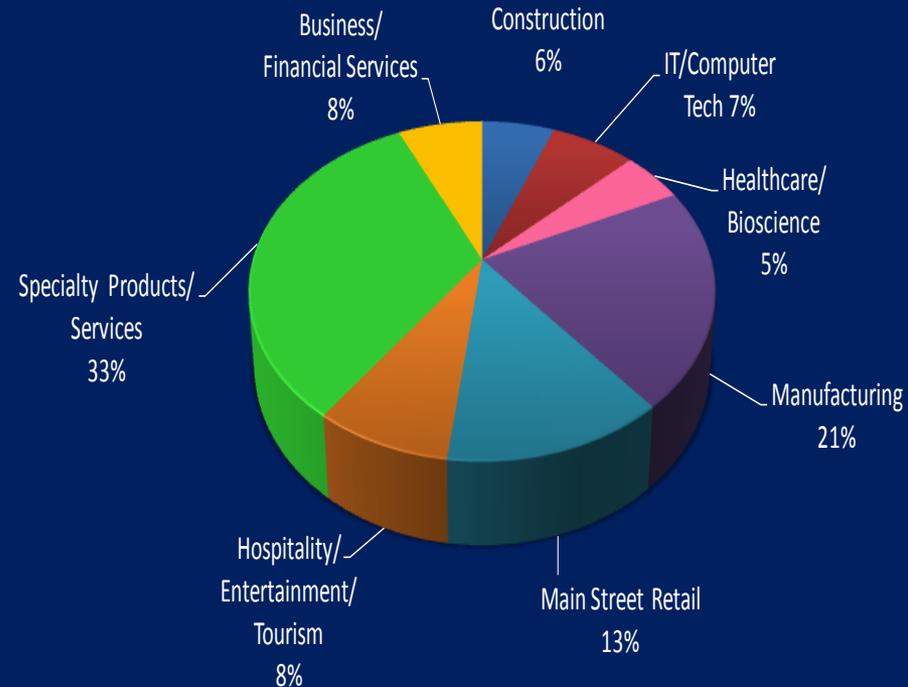
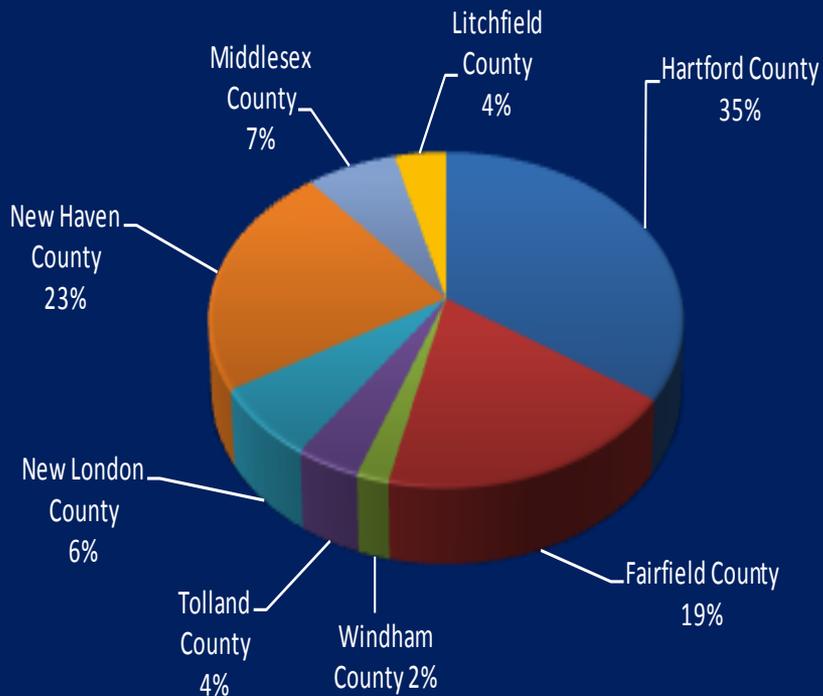
Small Business Express Program

Supports the retention and growth of small business with a combination of loans and grants

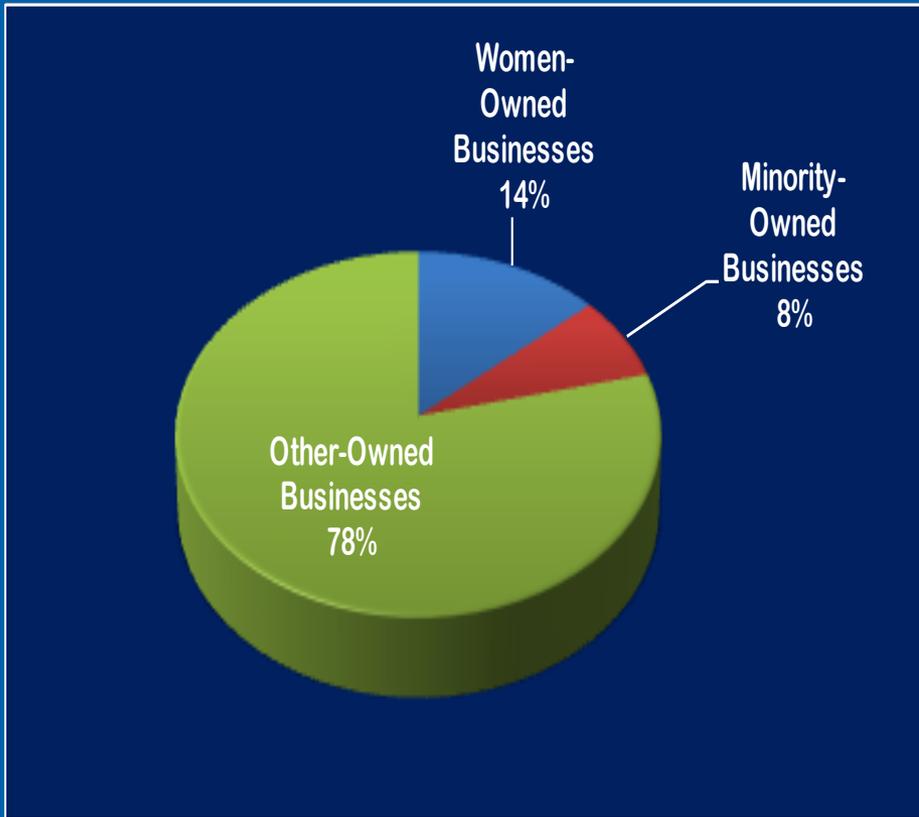
- Since its inception EXP has provided 1,256 companies with \$181 million in financial assistance (*data through 1/30/2015*)
- Companies promise to create 4,661 jobs and retain 13,285
- Loans are structured to provide repayment of principal and interest over 5 to 10 years
- All levels of jobs, from entry level to PhD, are included



EXP: Geographic Disbursement and Industry Mix



EXP: Diversity of Business



- DECD has partnered with organizations such as HEDCO, SAMA, WBDC to reach a broad community
- However, we are not achieving participation on par with goals
- With help from the African American/Hispanic Caucus and others, DECD is exploring new communications channels to improve diversity in 2015

Small Business Express Performance

1,256 Express Companies



- DECD has developed a process to work with companies in the portfolio who are experiencing difficulties
- We provide counseling, extra time for payments, and other support
- Less than 2% of the EXP companies are out of business (23 in total)

MAA Helps Mid-Sized Companies

Incentive-driven direct loans and grants for all mid-sized companies growing jobs and building their business in CT

Since 2011 MAA has been assisting mid-size companies:

- 69 companies in 39 different municipalities
- 22,969 jobs retained and 4,479 to be created
- \$224M in total state assistance leveraging \$634M
- 9 companies in the state's largest urban centers
- 46% are manufacturers



First Five Program

Focused on larger companies that create 200 jobs within 2 years or invest at least \$25,000,000 and create 200 jobs within 5 years

- 12 companies across several targeted clusters including Insurance/Financial Services, Healthcare/Biotech and Digital Media
- 13,216 jobs to be retained; 2,400 to 5,464 jobs to be created
- Over \$236M in direct state assistance leveraging more than \$1.2B in private investment
- Diversity of geographic locations including Bloomfield, Bristol, Hartford, New Haven and Stamford

Job Expansion Tax Credit (JET)

Eligible companies received a \$500 per month tax credit for each new job. Incremental credit for hiring the unemployed, disabled and veterans at \$900 per month.

• Companies Enrolled in the Program	1,282
• Companies Receiving Credits	440
• Total Jobs Created	3,808
• # of Unemployed Hired	338
• # of Veterans Hired	104
• # of Vocational Rehabilitation Service Recipients Hired	8
• Total Credits Issued	\$23,811,300

Manufacturing Innovation Fund

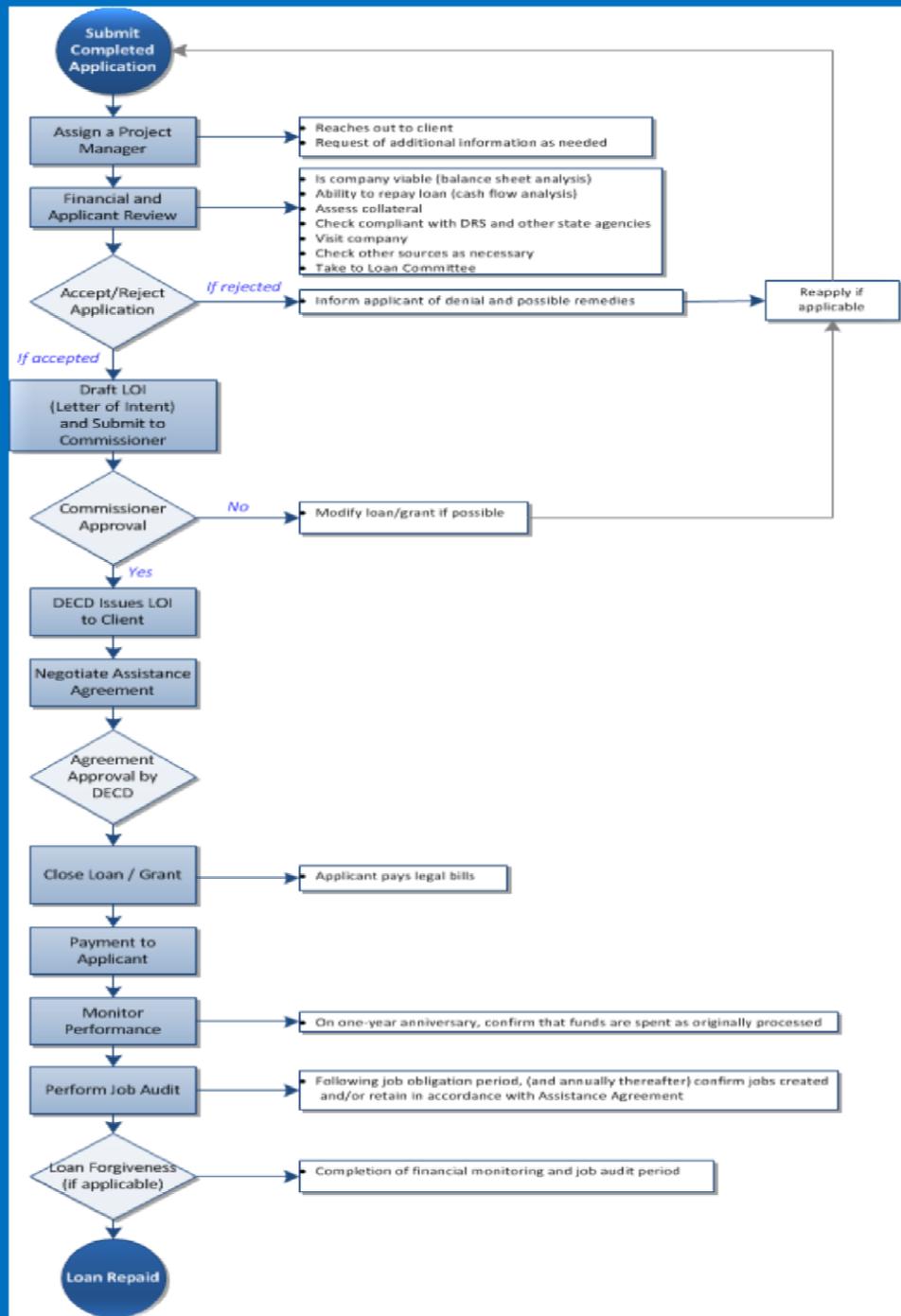
- Assist manufacturers in making the innovative and strategic investments necessary to remain competitive, win vital new business, and grow jobs in the state
- Advisory Board, made up of industry experts, meets regularly
- Voucher program up and running; incumbent worker training in the pipeline



DECD Underwriting Process

- **All business assistance applications require extensive due diligence**
 - Financial Review includes assessment of balance sheet, cash flow, creditworthiness background of company/owners, business plan viability
 - REMI model and financial model run for all transactions over \$500,000 to evaluate Return on Investment (ROI)
- **Loan Terms are negotiated**
 - Combination of loan, grant, tax credits negotiated based on expected return to the state, needs of the company and underwriting
- **Reversionary rights for the state are always included**
 - Collateral
 - Clawback provisions (e.g. repayments, reduction of loan, tax credit, loan forgiveness)

DECD “LEARNED” Underwriting Process



Stewards of Taxpayer Funds

- DECD assistance packages require an ROI analysis
- We evaluate both the direct and indirect cost and benefits of the programs on a deal by deal basis
- REMI uses experience from over 40 years of economic outcomes to model expected future results of investments and growth in specific industries
 - Inputs: state assistance; company's investment; new employment; industry sector impacted
 - Outputs: expected impact on state revenue, GDP, annual loss/gain

DECD Investment Analysis - Sample

Company Name: Sample
 Project Location: Anytown, CT
 Project Manager: _____
 Prepared By: Mark Prisloe
 Date: 2/4/2015
 Total Project Costs: \$10MM

Deal Terms

\$2 MM loan at 2% for 10 yrs w/ a 10 year amortization w/ \$1MM forgiveness in yr 3.

Annual salaries average \$60,000 and incr. 2.5% annually
 Payroll taxes based on 25 net new total jobs w/ range of

3.16% cost of funds.

ESTIMATED DIRECT IMPACT

COSTS TO CT (\$000's):

- STATE INVESTMENT (DECD,CII,DOH)
- OTHER STATE INVESTMENT (i.e. DEEP,DOL)
- COST OF FUNDS (cost to bond, P&I, link to line 24 in "Income Statement")
- COST OF TAX ABATEMENTS/CREDITS

	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10
1. STATE INVESTMENT (DECD,CII,DOH)										
2. OTHER STATE INVESTMENT (i.e. DEEP,DOL)										
3. COST OF FUNDS (cost to bond, P&I, link to line 24 in "Income Statement")	(136)	(136)	(136)	(136)	(136)	(136)	(136)	(136)	(136)	(136)
4. COST OF TAX ABATEMENTS/CREDITS										

ESTIMATED RETURNS/BENEFITS TO CT:

- CORPORATE TAXES
- PAYROLL TAXES (link this to line 43 in "Wage & Comp Bill")
- SALES TAXES (project & end user)
- PMTS OF P &/or I ON LOAN (based on loan terms)
- FEES PAID TO DEPARTMENT

1. CORPORATE TAXES										
2. PAYROLL TAXES (link this to line 43 in "Wage & Comp Bill")	169	181	194	208	219	229	241	253	267	282
3. SALES TAXES (project & end user)	635									
4. PMTS OF P &/or I ON LOAN (based on loan terms)	223	223	111	111	111	111	111	111	111	111
5. FEES PAID TO DEPARTMENT	n/a									

CONSTRUCTION RELATED BENEFITS:

- SALES TAXES
- PAYROLL TAXES

1. SALES TAXES	n/a									
2. PAYROLL TAXES	n/a									

DIRECT RETURNS TO CT

NET CASH FLOWS

CUM CASH FLOW

DIRECT RETURNS TO CT	1,026	404	305	319	330	340	352	364	378	393
NET CASH FLOWS	890	267	168	183	193	204	216	228	241	257
CUM CASH FLOW	(2,729)	(1,702)	(1,298)	(993)	(674)	(344)	(4)	348	712	1,090
										1,483

CONCLUSIONS OF ANALYSIS:

PAYBACK PERIOD (YRS): 6.02 YEARS

NET PRESENT VALUE (\$000's) \$ 2,485

Why Brownfield Development?

“Cleaning up Connecticut brownfields is an important component of our economic development agenda.” – Gov. Dannel P. Malloy



Brownfield Redevelopment Strategy

- Since 2011 the state has allocated nearly \$90 million in state funding to municipalities and developers
- By comparison, since 1995, the feds have invested \$190 million nationally for brownfield cleanup



DECD provided \$500,000 to assist in the remediation of the property at 20 North Water Street in Norwalk. Financial assistance is helping to make way for a new mixed-use development that will include retail and office space, and 107 units of housing.

Still Revolutionary Brand

- Branding initiatives are driving measurable results in tourism and economic development
- For example, our \$5M economic development campaign improved Connecticut's ratings as a place for doing business:
 - “a dynamic, innovative state” up 72%
 - “friendly place to do business” up 38%
 - “great place to relocate business” up 50%
 - “great place to start a new business” up 43%

Seed money for new ideas

Strong technical support for growth

DRAWING BOARD

BOARD ROOM

Discover all the ways the State of Connecticut can put new energy into your enterprise.

Visit CTforBusiness.com

Department of Economic and Community Development

Connecticut

Historic Preservation Tax Credits

- We provide state and federal credits for the appropriate rehabilitation and adaptive re-use of CT's significant historic places
- FY14 - DECD reserved \$33.6m in new state credits for 13 projects and issued vouchers for \$5.2m on two projects
- Federal FY13 (most current data) – CT submitted 42 federal tax credit applications with an estimated private investment of over \$143m in Connecticut projects



Historic Restoration Fund

- Funded through the Community Investment Act, the HRF Grant program provides up to \$200,000 in matching funds to non-profits and municipalities for the appropriate restoration and repair of historic buildings.
- In FY 2014, DECD funded 21 restoration projects for an aggregate total of \$2,381,666 in awards and \$4,763,372 in total project costs.



Historic Preservation Survey and Planning Grants

- Funded through the Community Investment Act, S&P grants may be used by Connecticut non-profit organizations and municipalities for a wide range of historic preservation planning activities, including surveys, nominations to the National or State registers of Historic Places, pre-development studies, heritage tourism and other planning documents.
- In FY14, SHPO awarded a total of \$1,513,700 in competitive grants to 22 projects.



Arts Catalyze Placemaking

- **The ACP Program** was created to invest in the state's arts-based cultural activities and infrastructure in ways that will advance the attractiveness and competitiveness of Connecticut cities, towns, and villages.



In FY14, DECD funded:

- 43 individual artists and arts organizations through our project grant category (ACP-Leadership). The total award was \$589,907.
- Basic operating support for 63 arts organizations through our ACP- Supporting Arts in Place with a total award of \$240,082.

Connecticut Arts Endowment Fund

- The Arts Endowment Fund was established by the State to stimulate the development of private sector funding and help stabilize arts institutions. Interest earned on the Fund's principal is distributed annually to Connecticut non-profit arts organizations which have received a minimum of \$25,000 in contributions from non-governmental sources in each of the last two years.
- Through the Endowment, DECD distributed a total of \$500,064 to 110 arts organizations in FY14.



DECD Legislative Proposals

- **An Act Concerning State Caps on Financial Assistance** –increases current approval caps on DECD projects; goal is to make CT competitive with other states (no caps)
- **An Act Streamlining DECD's Reporting Requirements** –streamlines DECD's strategic plan and annual report to ensure they provide useful information in a more accessible fashion.
- **An Act Concerning Brownfield Remediation and Development**- streamlines brownfields statutes and improves DECD's ability to aid in the redevelopment of these properties.
- **An Act Concerning State-owned Brownfields** - expands the criteria of eligible properties to be marketed and remediated.

DECD Proposals, cont'd.

- **An Act Eliminating Unused Tax Credits** – eliminates 2 tax credit programs that have never been utilized.
- **An Act Establishing a State Film Permitting Process** – streamlines permitting process for film projects by making DECD's Office of Film Television and Digital Media the single statewide point of contact.
- **An Act Eliminating Threshold Project and High Performance Work Organization Statutes** – removes red-tape barriers to providing assistance to companies.

Program Results Summary

State-wide effort to improve the economy by:

- Building on our strengths
- Addressing areas in need of improvement
- Cultivating a business climate second to none and built to last
- Providing a disciplined approach to investment

DECD

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