

Grayway

CREATING PROSPERITY

Economic development professionals are scouring the world, and their own back yards, to attract jobs.



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From the very earliest days of the company, economic development has been a core part of Gray Construction's mission.

On the most basic level this could be seen as a survival strategy since there's very little building without economic activity. But we're also committed to economic development because, done well, it builds long-term prosperity. That's good for Gray, our employees, our customers, our business partners and the communities where we all live.

The same values – commitment to quality, integrity and customer service – apply in both construction and economic development.

We're proud of Gray's long commitment to economic development. It's the only way to build a better future.

A handwritten signature in black ink that reads 'Jeff Bischoff'.

Jeff Bischoff
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ECONOMIC DEVELOPMENT



IT'S ALL IMPORTANT

The Many Tools of Economic Development



In these hard, competitive times, economic development professionals say it's more important than ever to stay in close touch with the existing companies that will create most of a region's new jobs.



David Hutchison

That's why David Hutchison, director of business development in the Alabama Development Office, and his crew will make 180 to 200 visits each year to companies already doing business in Alabama. "Unless some huge employer comes in like Mercedes, in normal years 70 to 80 percent of job growth is from existing industry," Hutchison observed. Incentives, usually seen as lures to capture a new employer, can often be used to help expand an existing industry, he said.

While in today's high-unemployment environment people like Hutchison are focused on creating jobs, whether from new or existing employers, the field has been moving toward a broader definition of economic development.

Economic development, at its core, is about creating "the opportunity for prosperity," said Jason Anderson, Economic Development Director for the city of Rochelle, Illinois.

Business survival today means laying out a plan, sticking to it, adjusting as required, and measuring it.

“It’s more than just creating jobs, it is about people having jobs so they can have a much better way of life,” agreed Hutchison, whose office has succeeded in luring big players like Mercedes, Honda and Hyundai to the state.

The goal may be clear, even obvious, but getting there is a challenge in the best of times and a flat out race these days. More countries, states and communities are competing harder for fewer jobs than ever before.

Some things even the most dedicated professional can’t change, like geographic location, major highway and rail service, access to ports and navigable rivers. But there’s a lot that can be done through teamwork, preparedness and long-term planning to build infrastructure.



The definition of infrastructure, like that of economic development itself, has changed. Kristie McKillip, Business Development Director of the Indy Partnership in Indianapolis, ticked

off a list of tangible and intangible assets that a community needs to attract quality employers: “It’s no longer just thinking about our roads and our railways and our airport. It’s more comprehensive, it’s about our educational system, how are we set up to compete. It’s also about your fiber, wireless. It’s all important.”

At the top of the list is an educated workforce. As manufacturing has shifted from manual to automated labor, smart, trainable workers have become as critical as electricity. Quality public schools, a proven community or technical college system and nearby access to higher education are all part of the essential package to attract high quality employers.



“Instead of targeting new business locations, consider developing your business strategy around existing companies.”

While incentives like tax abatement get a lot of attention in public discussions of economic development, both professionals in the field and economists who study it say excessively generous packages can make prospects wary.

“Some states will do anything to reduce taxes for businesses,” said Dave Kerr, a 20-year veteran of the Kansas state senate who now works on economic development for the Hutchinson/Reno County Chamber of Commerce.



“That works up to a point but some places, as a result, have allowed their infrastructure to deteriorate, their schools,” when tax revenues languish.

Businesses thinking long term begin to worry about the quality of public services, including education, and whether a budget crisis could lead to higher taxes.

Kerr and others said the shift has been away from income tax credits that last far into the future and toward much more immediate, targeted and short-term tax relief. Those can include programs like forgiving or reducing sales taxes on construction materials and manufacturing equipment. Those help cash flow in the critical early stages of a project when the major costs are incurred. Similarly, payroll tax reductions in early years free up valuable dollars for firms but don’t put public interest at risk since tax revenue is only forgiven when jobs are actually created.

Economic development professionals are generally more enthusiastic about the value of incentives in attracting jobs than economists who study them. But even those working the field agreed incentives are not the golden bullet to change a local economy.

“Incentives should be the gap closer, they should not really dictate a deal,” said McKillip in Indianapolis. “Incentives cannot make a bad deal good.”

NET GAINS

Web sites make a difference

It used to be that creating a good first impression meant sprucing up along highways leading into town or drilling employees on telephone manners.

No longer.

“Site location consultants and companies are visiting Web sites and looking at sites, buildings and community data online and pre-selecting communities they want to visit,” said David Hutchison with the Alabama Development Office.

Too often organizations substitute quantity for quality in information, overwhelming visitors with useless data that makes it hard to find what they really need.

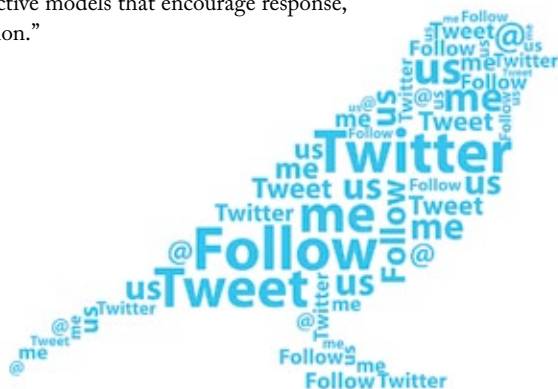
It can be an opportunity missed.

“Companies look and won’t even contact you if they don’t find it on your site,” said Kristie McKillips with the Indy Partnership.

The Partnership has reached beyond a Web site to tell its story.

It was one of a handful of organizations recognized in a 2009 survey for using social media – such as Twitter, Facebook and LinkedIn – effectively. Of respondents to the survey, sponsored by Development Counsellors International (DCI) and the International Economic Development Council (IEDC), 57 percent used social media but almost two-thirds had done so for a year or less.

Andy Levine, President and Chief Creative Officer of DCI, told EDA Update, the newsletter of the federal Economic Development Administration, that using social media well requires engaging with the audience, not just distributing information. “Organizations need to embrace interactive models that encourage response, dialogue and conversation.”



GRAY... WE'RE BUILDING

LG Hausys America / Adairsville, Ga.

LG Hausys America, Inc. (LGHSAI), charging ahead in recognition and market share, chose Gray Construction to design and build a new 100,000 square foot facility in Adairsville, Georgia.

Announced in February, groundbreaking was in late April and the plant is scheduled for completion in December.

The plant will employ approximately 80 people manufacturing engineered stone, a new product line for the company.

LG Hausys, one of LG group's subsidiaries, is South Korea's largest building and decorative materials enterprise. LGHSAI, the American corporation for LG Hausys, began producing HI-MACS acrylic solid surface products in the United States in 2005 upon constructing its first production facility in Adairsville in 2003.

“LGHSAI has always been a great corporate citizen in Gordon County. We appreciate the investment and the new jobs that will be created in our community,” said Larry Roye, Chairman of the Development Authority of Gordon County.

In addition to Korea and the U.S., LG Hausys has manufacturing plants in Asia and is planning to expand into Russia. It has extensive sales operations in Asia and Europe.

Most American consumers are not familiar with LG Hausys products yet, acknowledged Greg Vas Nunes, Executive Vice President of LGHSAI, “but that is rapidly changing.”

LG, the parent of LG Hausys, is one of the biggest chaebol, or conglomerates, in Korea. Its products span: chemical/materials, alternative energy, consumer health, telecommunication, televisions, phones and other electronics and appliances.

LG Hausys America, Adairsville, Ga.



SMALL WORLD, NEW STRATEGIES

Competition for jobs is global

In South Carolina workers at a German-owned company makes cars for consumers in China. All over the world customers pick up the phone to ask questions about a television, a computer, a microwave and the call is answered in India or the Philippines or Indiana.



Jeff McKay

It's a small world, and that's changed the work of economic development.

"Something that happens in China now may have a direct impact on a project in South Carolina," said Jeff McKay, executive director of the nine-county North Eastern Strategic Alliance. For McKay, who's been in the business 20 years, it's a lesson in flexibility. "As the world and global economy changes we've had to adapt our strategies."

Competing globally raises the bar, agreed Kristie McKillip at the Indy Partnership. "If you let your foot off the gas for a second you can be behind the curve."

Jason Anderson promotes Rochelle, Illinois' strategic location, educated workforce and other amenities, but when he was working with Gray Construction on locating a Japanese manufacturing facility, he went several steps farther. We have begun to develop a program which includes economic development services for executives far from home that will provide them with fully furnished homes, stocking them with food and even finding someone to come in and give them haircuts."



Transportation has become "a non-issue," for many manufacturers observed Dave Kerr, president of the Hutchinson/Reno County Chamber of Commerce in Kansas.

"They'll choose to solve the transportation problem and save money on wages."

In that environment, a trained, or at least trainable, workforce is essential. Communities need "a consistent supply of well-qualified workers to remain competitive," Federal Reserve Governor Elizabeth A. Duke said at the International Economic Development Council's Federal Economic Development Forum in April.

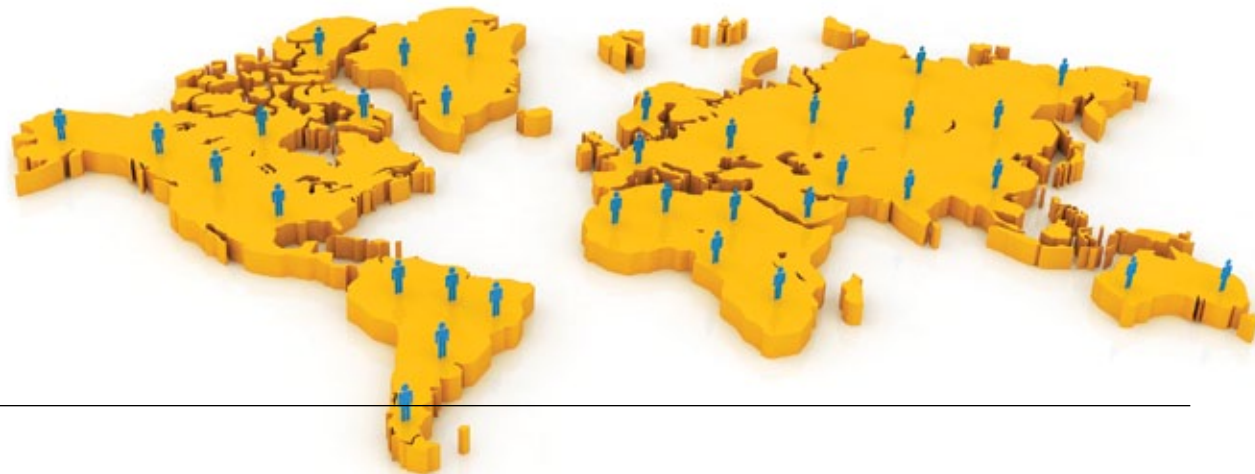
Duke noted that in the lagging economy, with unemployment rates in the double-digits in many places, economic development professionals have

shifted away from workforce development to focus almost entirely on creating jobs. But, even with such an imbalance between jobs and job seekers, "some jobs go unfilled because individuals lack the necessary skills." And that, she said, "could constrain long-term economic growth."

With that in mind, it's no surprise Alabama Industrial Development Training (AIDT) calls itself the state's "Number One Incentive." David Hutchison with the Alabama Development Office says that, as the first state workforce training organization in the U.S. to earn ISO certification for its quality management system, AIDT has been essential in recruiting global players like Mercedes.

"Competing globally raises the bar...If you let your foot off the gas for a second you can be behind the curve."

Kristie McKillip



GRAY MATTER

50 years of relationship building

Both our mother and father served in the Navy during World War II, Mother in Washington with the Department of Naval Intelligence, and Dad in the Pacific as a chief petty officer. When they came home to Glasgow, Dad worked with his father in the family-owned ice plant.

That job disappeared with advances in refrigeration and air conditioning. And Dad quickly realized there was no going back to a prewar life or economy.

Economic development, a term rarely used in earlier decades, became mission-critical in the 1950s and '60s as Dad was building Gray Construction.

He understood this new economy would be fastpaced, demanding and international. If Kentucky and Gray Construction were going to be players, they'd have to learn fast and reach out to new partners.

Dad participated in one of Kentucky's early trade missions to Germany in 1965. That was the beginning of trade missions and international marketing that has defined Gray for decades now.

The Kentucky Association for Economic Development recognized Dad's commitment to economic development with the James Norris Gray Award, a one-time recognition for professionals "who strive to keep abreast of the ever-changing field of economic development."

Change it does, but the constant in economic development is relationships. That's the central message from the able, hard-working economic development professionals featured in this issue.



James Norris and Lois Gray



Left to right, Kenneth Coleman, J.B. Galloway, James Norris Gray, (unidentified) in front of the Berlin Wall while on the 1965 Kentucky trade mission to Germany.

We learned the importance of building relationships based on trust from our father and other mentors. That's been the cornerstone of our decades of building for Japanese customers, beginning with Toshiba in 1979. Those relationships have led Gray full circle from that trip to Germany in 1965 to our work today in South Carolina for BMW and in Tennessee with Volkswagen.

Although things look better now than last year, this economy still needs developing. Let's keep working together.

Jim Gray
Chairman and
Chief Executive Officer

Stephen Gray
President and
Chief Operating Officer



Jim Gray and Stephen Gray

James Norris Gray (third from left) boarding a Pan American Airliner to Brussels, Belgium for a meeting with the European Common Market Headquarters.

NEW PROJECTS, NEW SKILLS



Steve Renshaw
President
WS Construction

When economic development trends change, the skills builders need must change too.

For WS Construction that's meant honing the skills we have that are uniquely valuable for building in urban areas. Those skills include outstanding communication and managing shared responsibilities for planning with local authorities.

We specialize in industrial and commercial contracting throughout Central Kentucky, where Lexington is the largest city. In Lexington the emphasis has been to develop inward through urban infill to limit the suburban growth that has taken over so many acres of farmland. We've taken a leadership position on several signature projects as Lexington has ventured into urban infill.

One is CenterCourt, a mixed-use development adjacent to the University of Kentucky campus. The project demanded extraordinary attention to site safety and logistics because of the proximity to neighbors, businesses and the university. Other unique challenges were the total rerouting/replacement of the infrastructure serving the site and adjacent area, accomplished without interruption of services.

It was more than just a job for us, it was also an important learning experience. Developing the ability to juggle all those concerns turned out to be a valuable lesson in the skill sets that are essential to successful urban projects.



CenterCourt, Lexington, Ky.

PRIORITY NUMBER 1: JOBS



Bob Moore
President
Gray-I.C.E. Builders

Economic development has never been harder for cash-strapped states, counties and cities.

These days in California, economic development tax incentives are aimed at two things: Green growth and job creation, but creating jobs is the number one priority.

The state of California is one of the largest economies in the world and we at Gray-I.C.E. meet with many businesses that need access to this huge market. However, it's not simple.

California state government is an enormous bureaucracy. There are also many smaller political jurisdictions that have their own unique criteria for economic development incentives, as well as air and water quality regulations and a host of other considerations.

At Gray-I.C.E. Builders, sorting through the bureaucracy is a major service we offer any customer. We use our experience to help them navigate the red tape and evaluate their options to find a location in California where they can achieve all their goals.

MAINTENANCE TIPS

The Gray team wants you to enjoy your building long after we've left the job site. Steve Higgins, Gray's Service Team Manager, offers these maintenance tips to help you avoid expense and headaches this summer season.

- **If you drained your landscape irrigation system to prevent freezing, make sure it is turned back on. A working irrigation system will protect your landscaping during warmer, dry weather.**
- **Check all exterior sealants, such as window, roof and door threshold sealants, to ensure joints are still tight. It is common for sealants exposed to harsh winter conditions and freeze/thaw cycles to open up, which can lead to leaks during spring rains.**



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