Befitting a state that is home to majestic snow-capped Rockies, Utah continues to scale new heights with an aggressive economic development strategy that has made the Beehive State a leader in a bevy of high-growth sectors.

During the past two years, Business Facilities diligently has been tracking the impressive progress of an up-and-comer out West that has been scaling new heights while most of the country has struggled to dig its way out of a deep economic trough.

Under the leadership of Gov. Gary Herbert, with his laser-like focus on the “three E’s” (education, energy and economic development), the Beehive State has been buzzing with activity and earning national recognition along the way.

In our 2010 State Rankings Report, Utah notched perhaps the best across-the-board showing of any state, making our top 10 in six different categories, including a first-place finish in Quality of Life, third place in Best Business Climate and seventh in Economic Growth Potential. We thought it would be hard to top that performance, but in 2011 Utah emerged as our number one pick for Best Business Climate—our flagship ranking—and repeated as the top-ranked state for Quality of Life.

Befitting a state that is home to majestic snow-capped Rockies, Utah has continued its unrelenting march to the pinnacle. And so, without further ado, Business Facilities now is pleased to bestow its highest honor—our 2011 State of the Year Award—to Utah.

In a stagnant national economy, Utah has shined as an economic development juggernaut producing thousands of new jobs and billions in new investment. The top job-creating projects during the past year have brought nearly 7,300 high-paying positions to the state. The top new investments have netted more than $2.1 billion in new business development in Utah.

Utah’s economic development strategy is built around seven industrial clusters, including software and IT development; life sciences; energy and natural resources; financial services; defense and homeland security; aerospace and aviation; and outdoor products/recreation. In each of these sectors, Gov. Herbert is working to establish what he calls “competitive accelerators of empowerment and collaboration.”

A LONG-TERM COMMITMENT TO MEASURABLE JOB GROWTH

While Utah has proven to be fertile ground for entrepreneurs, the state also has had remarkable success in attracting big-ticket projects from major corporate players, especially in its burgeoning data center, software and IT cluster, which now includes Adobe, eBay, Twitter, Oracle, Microsoft and Goldman Sachs.

The common threads that link all of these major projects are long-term commitments by the companies to the...
creation of high-wage jobs, generous financial incentives provided by the state and, in some cases, the foundation created by a homegrown business. Two of the biggest success stories that have deployed these elements involve software giant Adobe Systems Inc. and IM Flash Technologies (jointly owned by computer chipmakers Intel Corp. and Micron Technologies Inc.).

Adobe is creating up to 1,000 high-tech jobs at its new $100-million technology campus in Utah. The new Adobe campus will accommodate future growth for the company and its Omniture Business Unit operations, currently based in Orem. The multi-phase project provides space for additional facilities expansion. Adobe acquired Omniture, a homegrown Utah company, for $1.8 billion in October 2009. The Omniture unit last year employed 620 people in Utah and 1,100 worldwide.

The Governor’s Office of Economic Development (GOED) Board approved a generous post-performance, refundable economic development tax incentive for the campus project. New state tax revenue is expected to exceed $134 million over a 20-year period as a result of Adobe’s projected expansion, job creation and capital investment in Utah. The maximum value of the tax credit incentive is $40.2 million, or 30 percent of new state revenue for 20 years.

Also receiving a healthy dose of tax incentives has been IM Flash, which last summer announced it will add 200 high-wage jobs and invest $1.5 billion into its flash memory chip plant in Lehi, UT. At the same news conference in Lehi, Massachusetts-based EMC Corp. said it is hiring about 500 tech-savvy employees for a customer-service operation in Utah to service clients worldwide of its computing hardware and software used to create and manage large banks of cloud computers.

“Already around IM Flash, other companies that support this kind of technology are here, making it easier for the next company to move in,” said Rich Brown, dean of the College of Engineering at the University of Utah. “And the state’s high-tech economy is just growing.”

The Governor’s Office of Economic Development extended tax credits to the two companies, with $45.9 million going to IM Flash and $3.5 million to EMC. The credits represent one-third of new state tax revenue that will result from the investments. EMC, which is expected to invest more than $7 million in new workspace, in 2007 bought Utah-founded Mozy Inc., based in Pleasant Grove. GOED officials expect the new operation will generate $14 million in tax revenue.

GOED also approved a $33.7 million tax incentive to ITT Corp., which plans to add up to 2,700 employees at a new composites manufacturing and engineering plant in the Salt Lake City area [see the Honorable Mentions section of our Economic Development Deal of the Year feature, on page 22 of this issue, for more details about the ITT Exelis project].

Utah has nearly 70,000 high-tech jobs, a number that besides computer-related businesses includes medical device manufacturers, telecommunications companies, medical researchers, Internet broadcasters, aerospace companies and those dedicated to engineering testing and scientific research.

**PERFORMANCE IS THE MODEL**

Gov. Herbert emphasizes the incentives in Utah are structured so they cost nothing to taxpayers.

“Post-performance incentives are a good model, a fair model,” he told Business Facilities. “At no time are the taxpayers at risk. For example, with Adobe we are creating 1,000 new jobs that may pay up to 175 percent of the average county wage and we will get well over $100 million in new tax revenue.”

Gov. Herbert recently unveiled a 10-year strategic energy plan calling for the creation of an Energy Research Triangle along the 1-15 corridor to build upon the work being done at Utah State University’s (USU) Bingham Entrepreneurship and Energy Research Center (BEERC) in Vernal, UT. His plan coordinates energy...
research and development efforts underway at Brigham Young University and regional colleges as well.

“The technologies emerging from these efforts support investment and job creation in Utah and build energy technology partnerships at the national and global level,” Herbert says. “BEERC supports economic diversification in the Uintah Basin by integrating workflow training and research, enabling balanced development of the region's abundant resources.”

BEERC’s analytical lab has served as a focal point for development of new energy resources in Utah. The cooperation between researchers, government and industry recently was on display in Vernal when the Eastern Utah Secure Energy Program and Partnership hosted its second annual Black Wax Workshop at the Uintah Basin Applied Technology College, site of an experimental drilling rig simulator.

The workshop facilitated a collaborative exchange which explored technical solutions for issues surrounding the transport of highly paraffinic “Black Wax” oil from the Uintah Basin to refineries in the Salt Lake area. The gathering was held in conjunction with the Utah Department of Natural Resources quarterly meeting of its Division of Oil, Gas and Mining. Other workshop sponsors included the University of Utah's Institute for Clean and Secure Energy, USU, Idaho National Laboratory and the Utah Science and Research Initiative (USTAR).

One of the keys to expanding new business opportunities in Utah, Herbert says, is an accelerated technology transfer process in which end-users of technology are involved in the front end of technology development, speeding up commercialization and job creation.

The central player in the tech transfer effort is USTAR, created in 2006 to fund interdisciplinary R&D facilities, recruitment of leading researchers and the formation of “science, innovation and commercialization teams” across the state. USTAR's Technology Outreach Innovation Program drives commercialization activities, focused on several fields of innovation, including energy, biotech, nanotechnology, neuroscience, imaging technology and digital media.

“The USTAR team's slogan is ‘nail it, then scale it,’” Gov. Herbert says, a phrase taken from the title of a book by BYU entrepreneurship professor Nathan Furr.

Herbert cites numerous USTAR success stories, including the interaction between the University of Utah and start-ups Catheter Connections and Veritract, and Preventis Medical’s work with Weber State University.

Utah also has been busy expanding its business horizons on other continents. In April, Gov. Herbert took 20 Utah companies and a bevy of state development officials on a trade mission to China.

“The mission was very successful,” Herbert says. “We arranged meetings with potential commercial partners, government regulatory agencies and municipalities that would facilitate business expansion into the Chinese market. We were well-received and have already had reciprocal visits from provincial governments wanting to expand collaboration.”

The universities and companies who make us the Utah Clean Tech Alliance, which promotes the exchange of cleantech between Utah and China, took the opportunity of the trade mission to expand cooperative activities. Based on the success of a reactor the Alliance designed and built in the Jinshan district of Shanghai to convert biowaste into biogas, a similar project is being undertaken in China’s Qinghai Province.

The visit to China was followed up with another successful trade mission in November, targeting Canada.

OTHER STARS THAT SHINED

Our annual decision on the State of the Year is never easy. There usually are at least a half-dozen states
that deserve consideration for this top honor, and 2011 was no exception. The runners-up for this year’s award include our 2010 winner, Louisiana, perennial contender Texas, Michigan and Oregon.

Despite the double-barreled trouble that visited the Bayou State in recent years (a Great Recession and a humongous oil spill that temporarily shut down offshore drilling, and lingering effects from Hurricane Katrina), Louisiana has steadily surged forward with a diverse and innovative economic development strategy that features an impressive mix of traditional and high-tech manufacturing, as well as new growth sectors like digital media.

Louisiana has continued to build upon its solid foundation in traditional industries including oil, gas and steel. The past 18 months have seen the announcement of two mega-deals: A bevy of incentives convinced Nucor (the nation’s largest steel producer) to build its new $3.4-billion iron and steel facility in St. James Parish, bringing 6,000 new jobs and a projected economic impact of approximately $8 billion to $10 billion and produce direct employment of approximately 850 jobs, with average salaries of about $89,000, not including benefits. LED estimates the project also would result in approximately 4,000 indirect jobs, which means the total impact of the project would be nearly 5,000 new jobs in Southwest Louisiana. Additionally, at full production capacity, the facility would consume approximately 305 billion standard cubic feet of natural gas per year, which would represent roughly $1.3 billion to $1.5 billion per year in natural gas purchases at current prices and, accordingly, Sasol’s proposed GTL complex would provide a huge new source of demand for the Haynesville Shale and other natural gas plays in Louisiana.

As we winnow the field every year for our State of the Year choice, there is one state that has proven to be a perennial finalist for our top honor. The 2011 contest was no exception as once again Texas stood out in the top tier.

The Lone Star State dusted itself off from the national economic slump with a Texas-sized surge in jobs that made it the first state in the U.S. to restore its employment totals to pre-Recession levels.

With a resurgent oil and gas sector leading the way, in December 2011 Texas finally reached its peak prerecession employment level set in August 2008. The state closed out the year with 10.6 million jobs. As of December 2011, there were 211,600, or 2 percent, more workers employed than in December 2010.

MOTOWN ROARS: MICHIGAN IS HITTING ON ALL CYLINDERS

Anyone who fell asleep at the end of 2009—when Michigan was at the deep end of the national economic trough with nearly 15 percent unemployment—might be amazed to wake up and hear that the Wolverine State is a close runner-up for our 2011 State of the Year Award.

But the rebirth of the U.S. auto industry happily is not a mirage and it is driving Michigan back to the top. Detroit’s Big Three, two of which were saved from a near-death experience with federal intervention, have committed in recent months to a whopping $4.3 billion in new investment in automotive facilities in Michigan, retaining 78,000 jobs and creating thousands of new positions.

These commitments include the revival of the Sterling Heights assembly plant with a $1 billion investment from Chrysler; Dearborn-based Ford’s $850-million plan to upgrade plants statewide in the next two years; and Detroit-based behemoth General Motors—which last month reclaimed the global heavyweight production title from Toyota—ponying up $2.5-billion in plant upgrades statewide.

Also breaking into our State of the Year runners-up column is a rising powerhouse in the Pacific Northwest. Oregon joined this year’s finalists with a tour de force in renewable energy that snared our top state ranking as the nation’s Alternative Energy Manufacturing leader, combined with a diversified push in hot growth sectors like semiconductors, including a new $3-billion chip fab from industry leader Intel.

Business Facilities congratulates our 2011 State of the Year, Utah, and all of the contenders for a job well done. We look forward to tracking the progress in these and other shining locations as the recovery builds in 2012.

Business Facilities