

Site Selection: Getting and Staying on the Island

Presented by

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Introduction

- Site search process overview
 - What do companies look for?
 - How do they look?
- Rural area/ small city challenges and responses

My Background

- Site selection & economic development consulting -17 years
- Office, R&D, industrial projects
- Throughout North America
- Regional economics, labor markets, real estate

Attraction is Part of a Broad Economic Development Strategy

- Retention
 - More jobs created by expansions
 - Expansion announcements are powerful marketing and sales tools
 - Will be best salespeople
- Entrepreneurship
- Tourism and other sectors

Succeeding in Site Selection is Like Winning at “Survivor”

- You have to stay on the island
- But first you have to get on the island
- You may have to cooperate to compete

Site Selection Process Overview

- Company goals: costs, labor, access
- Determine search area
- Screening - statistics
- Semi-finalists – community research
- Finalists – community visits; fit
- Final selection – incentives. Changing?

Search Area Examples

- Counties on I-85 between Greenville-Spartanburg, SC and Atlanta
- Gulf Coast and 9-foot channel up Mississippi and tributaries
- Within two hours of auto assembly plant
- Within 150 miles of supplier
- State rural areas

Site Selection Factors:

- Operating costs:
 - labor, utilities, real estate, freight, taxes, etc.
- Operating conditions:
 - labor availability & quality, air access, transportation service, utility services, suppliers, universities
- Quality of life
- Vary by industry & project

Site Factors: “Back” Office

- Labor cost, quality and availability key
 - Usually a trade-off
- Specialized labor
- Telecommunications
- Sometimes available building
- Sometimes air access

Site Factors: Industrial

- Logistics often first
 - Market proximity for distribution
- Utilities important
 - Lack capacity often a knock-out
- Sites & buildings varied and complicated
- Specialized infrastructure – rail, ports
- Suppliers

Process of Elimination -- Funnel

- Knock-out factors: often infrastructure
- Trade-offs: often costs vs. quality, availability, proximity or speed
- Screen 100's: statistical
- 12-15 semi-finalists: community research
- 3-4 finalists: community visits

Speed: Shorter Deadlines Today

- 2-3 weeks today vs. 2-3 months in 80s
- Internet & technology speeded up ability and expectations
- Companies delay decision; want implementation yesterday
- Must know basics before you get a call

Traditional Rural Advantages

- Lower costs: labor, land
- Steadier labor market, rural work ethic
- Less congestion
- Available land
- Access to natural resources
- Access to political leadership

Low Cost Competitors: Mexico, China, India, others

- Areas offering low skills, competing on cost without a market tie face most risk
- Skilled, innovative, customized with local or regional market ties are least risky

Promising Developments

- Distribution & logistics
- New natural resources – alternative energy, bio-fuels, ethanol
- Value added agriculture
- Call center home-shoring
- Data centers
- Growing connectivity

Rural and Small Town Issues

- A site selector's perspective
- Labor availability, infrastructure, buildings, access, business services, health and other personal services, transferability, others

Is There Enough Labor?

- Especially back office and other labor intensive
- Greater concern if: large employer, rapid hiring, specialized skills, seasonal or unpredictable hiring spikes, mid-level compensation

Is There Enough Labor? (cont)

- Emphasize regional commuting
- 30 miles in 30 minutes
 - Unlike urban/suburban congestion
- Longer commutes: 45+ minutes or miles
- Document
- Micropolitan areas
- Offer hiring and recruiting help

Is There Enough Skilled Labor?

- Underemployed skills?
- Train a workforce
 - Nissan in Mississippi
- Make friends with the community college
- Training is an ongoing need – help companies shift to more skilled

Opportunity Beyond the Interstate

- Emphasize lower land costs or other advantages
 - Distance cost can be measured in dollars
- Amazon distribution in Campbellsville, KY
 - 35-40 miles to interstate
 - Location, UPS, available building and labor

Enhancing Infrastructure

- Rochelle, IL built a short line railroad
 - Connects industrial area to Union Pacific and Burlington Northern
- Bismarck, ND – intermodal center
- Telecommunications
 - Northern Illinois Technology Triangle
 - Greencastle: fiber on Utility ROW

Lack Sites or Buildings

- Traditionally built spec buildings
- May need larger, higher quality parks, more amenities
- Join forces – regional business parks
- Formal cost and revenue sharing

Maine FirstPark

- 24 communities – one regional park
- Shares based on valuation
- Legislation
 - Allows non-contiguous participants
- Regional development authority
- Varied motives to join
- T-Mobile call center opened June 2005

Shovel Ready Sites

- Companies want to implement yesterday
- Sites that are ready to go
 - Infrastructure, zoned, for sale, ownership, environmental issues known, other
 - Like a business park

Look Regionally for Assets

- New intermodal facilities in Chicago area
 - BNSF (Burlington) Railway in Elwood
 - Union Pacific in Rochelle
 - Affects companies 50-100+ miles
- Services and alternate employment
- Universities and research institutes

Marketing - Regions

- You have to get on the island to compete
- Regional efforts are more important in rural areas
- Large metros are marketing regionally
 - Indianapolis (and Tippecanoe), Cincinnati
 - Dayton: “no county is an island”

Marketing - Corridors

- I-39 Distribution Corridor
 - Beloit, WI – Bloomington, IL
 - Takes advantage of new UP intermodal
 - Public and private; developers initiated
 - Formal agreement, dues, commitment
 - Purely marketing goals

Getting on the Island: the Web

- Growing importance
- Increases opportunity; increases risk
 - Tell your story to thousands
 - May be eliminated before you know
- The 2003 news
- Make it easy to call you

Be Prepared to Work with Prospective Businesses

- Context: when I call, you may be among 12-15, or fewer, candidates for evaluation
- Or among 3-4 finalists for a site visit
- Dealing with companies directly may be different?

Know Yourself & Find Allies

- Community & regional assets analysis
 - Labor availability, wages, sites, major employers, utility capacity, transportation, recent economic development news
- Up-to-date and accurate
- Information needs will vary by project
- Allies: state, utilities, railroad, employers

Responsiveness

- Answer the questions asked
- Additional data in an appendix
- Don't miss a deadline for one item

Incentives

- Traditionally tie-breaker among finalists
- Growing prominence and priority
- More players
 - Site consultants, incentive specialists, realtors
- Maximize your benefits:
 - performance based, third party benefits

Final Comments

- Elimination and Speed
- Costs and operating conditions first
- Rural areas need to demonstrate capacity & find allies
- Incentives usually tie-breakers, but growing prominence
- Questions?

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