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Site Selection
and
Successful Economic Development

April 21, 2016

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What is “economic development”?

Which of the following types of investment are economic development?

- Auto Manufacturing Plant?
- Barber Shop?
- Regional Headquarter Facility?
- Walmart Store?
- A Tourist Theme Park (Carowinds)?

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Economic Development - the process by which wealth is generated through an investment in a community.

And the investment:

1. Brings new money and jobs into the community; and
2. Is NOT dependent on the community for its sales/revenues.

Manufacturing

- An economic driver for the United States.
- U.S. manufacturing – 8th largest economy & largest multiplier of any employment sector.
- Here is the good news – manufacturing investment is shifting to the US!
- No longer flowing to China and other emerging countries like India, Brazil, and Mexico.

Manufacturing

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- Manufacturers are asking questions like…What do I make? Where do I make it? How do I make it? With whom do I make it?
- So…where is the investment going??
- It is difficult it is to attract new investments to a community.
- Qualified industrial sites, adequate infrastructure, strong quality of life, pro-business tax environment, labor availability, and labor quality.
- These are a few very important factors that potential investors consider in the site selection process.

A Site Selector’s Perspective

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- Communities no longer just compete against neighboring communities or states – they compete globally.
- Changing market – fewer expansion projects – companies are consolidating and rationalizing space.
- Companies are increasingly strategic about where and how they invest.
- Companies continuously evaluating their “stay versus go” strategy.
- Communities are getting creative – forming public / private partnerships to in order to compete for projects.
- State and local economic development budgets are under pressure forcing officials to pick and choose between projects.

The Company's Perspective - Costs Matter

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One-time Costs +

- Land
- Site Development
- Construction
- Infrastructure Improvement
- Start-up Training
- Relocation

Recurring Project Costs −

- Labor
- Utilities
- Taxes
- Transportation
- Recurring Training

Business Incentives =

- Grants
- Tax Credits
- Infrastructure Assistance
- Employee Training
- Financing
- Subsidized Real Estate
- Utility Subsidies

Net Operating Cost

- Net Present Value Over 20 Years

The Role of Incentives

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- Incentives don't drive corporate decisions, **except** when all sites are equal.

- Incentives only have a significant effect on recruitment when all the sites are **viable** sites.

- By viable – sites meet the companies' requirement to be successful…timing, reasonable costs, limited or no risks, market access, adequate utilities, labor availability, etc.

- Incentives are almost never the major driver of a decision – until the end.

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Incentives – A Basic Rule

Incentives never make a bad site good,
they only make a good site better.

Site Selection Factors
Degrees of Importance

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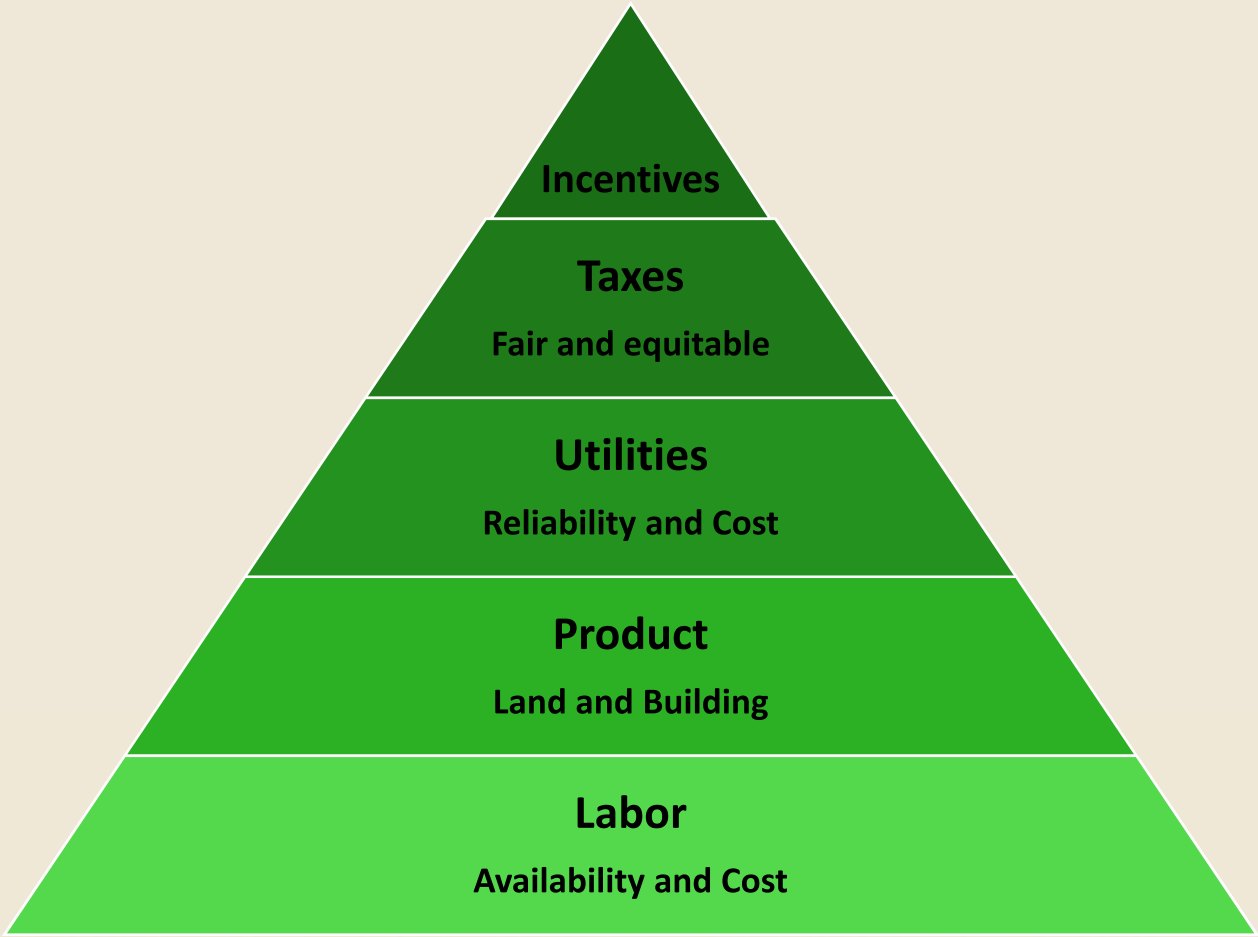

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*"When I think about the site selection process,
I haven't found an company yet that just locates in a state.
Every company locates in a community
on a piece of dirt."*

Proposed Site #1

- 100 acres of planted timber
- Located in industrial area near the interstate
- Water/sewer are nearby but not run to site
- Owner would love to sell "for the right price"
- No environmental due diligence

Proposed Site #2

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- 500 acre proposed industrial park currently under option
- Water/sewer extended to park boundary
- Property is currently farmland, no landscaped entrance or roads
- Basic engineering and environmental due diligence completed


Conceptual Site Plan

Proposed Site #3

- Class A industrial park
- Proposed spec building
- Complete building and pour concrete floor

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Take-Aways

- Locate the “right” property
- Complete due diligence (environmental & engineering)
- Gain control of the property (option, fee simple ownership)
- Infrastructure the site – at the least plan for it
- Create formal site plan (entrance, access roads & parcels)

Tool #1 – Marketing Agreements

- Alternative to purchasing property
  - Allows county to take control of property and invest in it without having to pay up-front

- More than a purchase an option at a fixed price
  - Partnership with landowner
  - Split excess proceeds with property owner
  - Flexible structure, allowing reimbursement to county for improvements

- Deed a small portion of the property to the county to build a suitable entrance – make it “look like a site”

Tool #2 - Multi-County Park Designation

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- Tool that allows counties to control the allocation of future tax revenue that is generated by industrial investment

- An MCP are a legal construct – not a physical industrial park
  - Created by agreement with a contiguous county

- Property tax revenue is magically converted to “fee revenue” giving the County far greater control over the allocation of the revenue

PROPERTY TAXES
$1 MILLION

School – 60%

County – 40%

MCP Agreement

FILOTS
$1 MILLION

Reallocated among:
- County – 40%
- E.D. – 5%
- School – 54%
- Partner – 1%

Use for Multi-County Park Revenue

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MCP designation used to:

1. Reimburse a county for site development costs

2. Create an "economic development fund" to pay for future projects and incentives

3. Share revenues creatively to partner with other public entities

4. Enhances local and state incentives
   - Jobs Tax Credit ($1,000 increase)
   - Property tax reductions (SSRC)

Tool #3 – General Obligation Bonds

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- Gives counties access to potentially large sums without the need for an existing revenue stream
- Used to pay for most of the costs to develop a site
- Subject to the debt limit of the issuer unless authorized by referendum
- Do not have to be repaid with property tax revenue
  - MCP Revenue
  - Capital Projects Sales Tax

Tool #4 – Capital Projects Sales Tax

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- New revenue stream – 1% sales tax to fund specific prioritized projects

- Must conduct referendum to approve:
  1. The imposition of the tax
  2. The specific projects that are to be funded
  3. Whether bonds may be issued

- CPST revenue cannot be bonded - GO bonds must be used
  - No impact on debt limit because bonds are approved by referendum
  - If CPST funds are sufficient, there is no need to add bond millage

- Funds used on a pay-as-you-go basis

Tool #5 – Revenue Bonds

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- An excellent tool to raise funds to pay for the highest-cost component of site development – infrastructure
  - Water lines ~ $300k/mile - Sewer lines ~ $250k-$500k/mile

- Ideally, increased revenues from the project will defray the cost of the debt

- Potential problem if development does not result in immediate increases in revenue

- Existing revenue stream can be used, provided revenues are sufficient to cover debt service

Tool #6 – Local Incentives

Incentives are the tools used to close the gap of one-time and recurring costs between your county and those in other states

1. Fee-in-lieu-of-tax Agreements
   - Brings S.C. industrial property tax rates in line with other states – S.C. one of the highest in the nation
   - Reduces assessment ratio from 10.5% to 4-6%
   - Locks in millage rate and assessed value up to 30 years

2. Special Source Revenue Credits
   - Additional discretionary property tax incentive

3. Local grants offsetting development costs and land donation
   - Pickens County

Tools for Successful Economic Development

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1. Marketing Agreements
2. Multi-County Park Designation
3. General Obligation Bonds
4. Capital Projects Sales Tax
5. Revenue Bonds
6. Local Incentives
   - FILOT Agreements
   - Special Source Revenue Credits
   - Local Grants and Land Donation

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