

Economic Development: What It Takes to Compete in Today's Marketplace.

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There are 1,800+ Economic Development organizations in the U.S. competing for a limited number of large projects each year. Large projects are defined as 100 jobs+ and/or \$100 million in capital investment. The following are key facts and trends of today's very competitive environment.

Critical factors for industry today:

- (1) Labor market/workforce – do they have the skills required to operate my plant?
 - (2) Customer demand for product – a given.
 - (3) Location - does the site have the infrastructure, transportation, and connectivity to my suppliers, vendors, and clients that I need. Can the natural gas line or power substation be built in an acceptable period of time. For most new projects, if it's not already there, you don't make it to the next round or even get a site visit.
 - (4) Economy upturn - will the demand for my product be there. Today's business climate of uncertainty and the overall global economy have caused a large downturn in the number of new projects.
 - (5) Positive business climate - a must have. Does the local community and local government officials support industry and are they proactive in responding to the needs of industry. Such as: offering tax incentives, workforce training (ICC), etc. Is this community a great place to do business?
 - (6) Low cost of doing business – this has become one of the primary drivers in choosing where a new plant or an expansion will occur. Locally, if Tronox or Georgia Gulf were to expand, one of the first evaluations that company officials will perform is to measure the cost of the expansion and the future everyday cost projections of the operation in Monroe County vs. another one of their locations. Utilities, taxes, transportation, etc. will all be examined. More than likely the lower total operational cost site will win the project.
- Very common incentives offered in today's marketplace:
 - (1) It may not be uncommon to see vacant buildings offered rent free or for a very low rental amount for the first two or three years.
 - (2) Communities may even sell the land for a project at the lowest possible amount, a nominal amount that is allowed by law.
 - In order for a community to win large projects, there will have to be financial incentives offered. Skin in the game by all interested parties is the name of the game.
 - (1) Each entity will have to take part in financing a project. The state, ARC, TVA, and the locals may all have a stake (loans or grants) in a project.

(2) For the locals, it may consist of fee in lieu of taxes financing, whereby a part of the infrastructure costs are repaid by the company over a 10-15 year timeframe.

(3) It has become so competitive, that many states now offer upfront cash on projects.

- All companies today, whether a start up or existing, always evaluate where they can operate at the lowest possible cost. Trends include:
 - (1) Leasing instead of owning the building, or a lease/purchase.
 - (2) Lower taxes, a 10 year ad valorem tax waiver and waiver of the Freeport inventory tax are givens, in order to compete for new projects.
 - (3) If a large power user, if an option, how does TVA's rates compare to a location outside of the TVA region.

- For larger projects it is advantageous or the locals to own the real estate and the building. This allows the opportunity for substantial federal grant assistance to fund the needed infrastructure, utilities, substation, rail, natural gas, etc in order to get it to the project's fence line. It may be the only option to finance the infrastructure for a large project. Infrastructure can total several million dollars.

- On larger projects, companies do their own research or hire their own site consultants to locate the project.
 - (1) The most important marketing tool that a community possesses is its webpage.
 - (2) On almost all larger projects the first point of contact is TVA, MDA, or the governor's office. If a given community has a site that may fit the project the local ED manager is contacted and a RFI (request for information) is completed.

- Many projects and most Toyota supplier projects today are looking for existing buildings due to the lower cost of entrance and the large number vacant buildings available nationwide. In the TVA region for buildings 50,000 sq ft or larger, there are 70 available in Mississippi, 41 available in Alabama, and 438 available in Tennessee. 549 total for the TVA region in those three states.

- In order to keep your existing industry base and grow with new jobs and new projects, the stance of the local government officials is the key. **Proactive, pro business, can do, and will help!**