

An Insider's View of Site Selection and Incentives Policy

Christopher D. Lloyd

King George County Economic Development Forum

October 21, 2015

Economic Development 101

- Projects now develop in months, not years
- Sites must be ready to go immediately
- Cash is king in incentives
- Long-term costs matter
- Internet has transformed site selection process
- Solutions not sales
- Companies want a “place” not just a site
- Companies expect to deal with a professional team

Getting On The Radar

- Communities must build awareness among decision makers
- Communities must develop a sense of place
- Communities must be responsive
- Communities must have a vision for the future
- Economic development must be a daily exercise

How Does the Process Start?

- Companies use internal staff and external consultants to analyze product trends, customer growth patterns, logistics
- Technical feasibility (pre-engineering) of the facility commences to determine facility parameters
- Company approves a rough capital outlay plan
- Key decision makers – CFO, “internal owner,” real estate team

Starting the Site Search

- Company uses data to narrow search to certain regions/states/metro areas
- Analyze transportation access, legal structures, tax and regulatory issues
- Downselect happens before you ever even know there is a project

Your Phone Rings

- By this time, we have probably narrowed the search to 4-6 specific metro areas across several states
- We have a rough feel for your area, your sites, cost of doing business, and the general policy/incentives climate
- Issue an RFI to targeted communities and states to get next round of information

Roles People Play - Private

- CFO – what will be the long term cost? How do I fit this into the budget?
- CEO/facility manager – where do I want to live? Is this a desirable community?
- Real estate manager – what is a good looking site?
- Process director – How do I develop the most product at the least cost and get it to the customer as quickly and cheaply as possible?
- HR – Is the workforce available and trainable?
- Consultant – How do I balance all these competing interests?

Roles People Play - Public

- Local economic developer – site specific information, incentives (be specific), and the guide through the local approval process
- Regional economic development organization – market awareness of community, coordinating localities, quality of life
- State economic development office – incentives, coordinate state approvals, site location assistance
- Elected officials – strong underlying business climate, close the deal, cut the ribbon

Making the Short List

- From the RFI, we will downselect again to 3 specific areas and several specific sites
- May ask for a preliminary site tour (often confidential)
- We start another round of intense research on you – reading the newspaper, research on other economic development deals, talking to friends in the industry who are in your area
- Our technical and financial feasibility process advances to a far more detailed phase

The RFP

- Shortlisted sites get an extremely detailed RFP where we want information on zoning/covenants, site studies, utility costs, incentives, workforce data, environmental reports – and we want it fast (2-4 weeks)
- We then crunch the numbers and rank the sites
- Company reveals identity (if not already known) and spends 1-2 days knowing finalist communities

The Site Visit

- Get in the room other major employers, higher education leaders, community advocates
- Give us some private time to interview existing employers
- Give us a feel for the community – the “quality of life” tour
- Recognize that everyone is an ambassador for your community

Closing the Deal

- Maintain confidentiality
- Be open and honest about the good and the bad of your community
- Help us understand the approval process
- Put forward your best and final offer in reaction to a constantly changing set of circumstances

What Happens If You Lose?

- Ask for an exit interview from the company
- Learn how you made it to the short list and develop a marketing plan around themes
- Deploy a team to act on results of the exit interview
- Remain in contact with the company – if you made the short list once, you may again in the future

Why is economic development increasingly political?

- Decisions involve the use of public dollars
- Decisions are made by elected officials
- Tax aversion limits available funding, competing priorities
- Fear of Big Business/the 1%
- Union vs. Right to Work
- Grassroots advocacy more important in political decision making
- No established faction that is pro-economic development
- Most economic developers are public employees who cannot engage in lobbying activities
- Concept that development pays for itself
- NIMBY/BANANA/NOPE syndromes

Why Projects Go Bad

- Failure to perform a rigorous financial analysis of the company – pull a Dunn & Bradstreet, review 10-K
- Thinking your deal will be the next Google/Apple
- Deal entirely dependent upon short-term federal/state grants
- Your deal is at the tail end of the latest economic development /R&D fad
- Lack of credible information about other sites under consideration
- Deals are done for political reasons
- The deal never will make financial sense

It's The Economy – STUPID!

How important will each of the following issues be to your vote for president next year -- will it be -- extremely important, very important, moderately important or not that important? [RANDOM ORDER]

Ranked by percentage extremely/very important

	Extremely important	Extremely/ Very important
	%	%
The economy	43	86
The way government operates in Washington	43	77
Healthcare policy	38	77
Terrorism	42	74
The way income and wealth are distributed in the U.S.	35	71
Foreign affairs	28	61
Immigration	25	59
Race relations	26	55

May 6-7, 2015

GALLUP®

Public Opinion Supports Incentives



Protecting Your Community

- Educating policy makers and the public
- Written incentives policies
- Rigorous ROI analysis
- Be willing to take back incentives for non-performance

Questions or Comments?

www.mcguirewoodsconsulting.com

 /McGuireWoodsConsulting

 @MWConsulting

 @chrislloyd_mwc