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# SITE SELECTION

March 2013 siteselection.com


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- Training and Workforce Development
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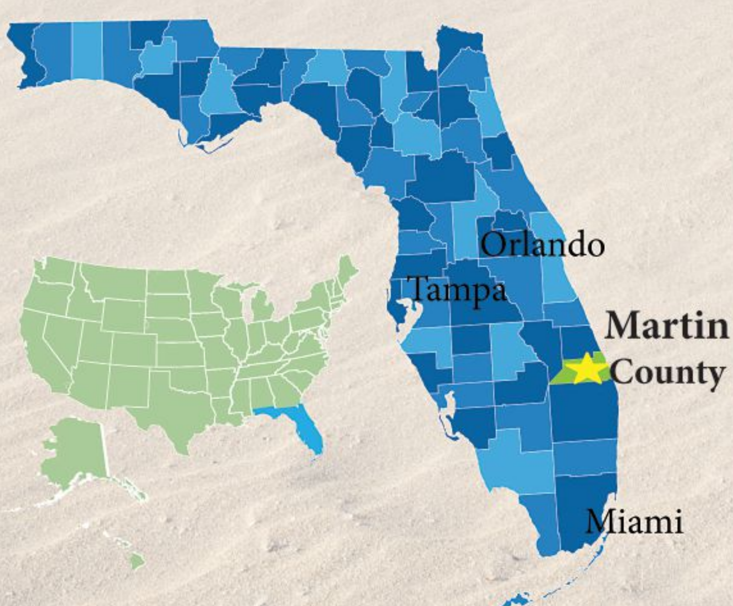


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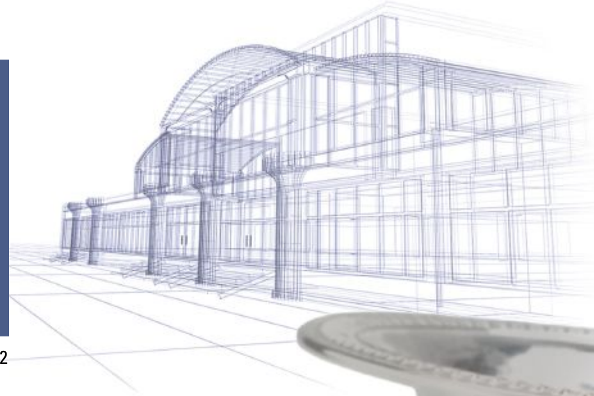
VOLUME 58, NUMBER 2

THE MAGAZINE OF CORPORATE REAL ESTATE STRATEGY AND ECONOMIC DEVELOPMENT



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## COVER STORY

# The 2012 Governor's Cup

Texas has reclaimed the Governor's Cup for new plant activity in 2012. Gov. Rick Perry is confident his state can remain a jobs magnet as long as the legislature continues to enact policies that attract investors from less hospitable business climates.

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## FEATURES






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## INTERNATIONAL UPDATE



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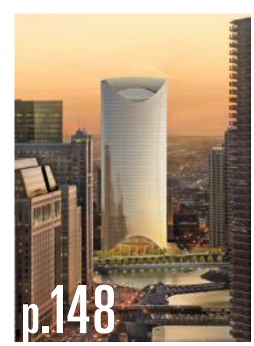
## INVESTMENT PROFILES



## AREA SPOTLIGHTS





# SITE SELECTION ONLINE

Here's what's new on the leading online portal in the field of corporate facility planning and area economic development:

The stories below were the most viewed online articles in 2013 through February at *SiteSelection.com*.

Also seeing high traffic were our directories and archives, which contain all previously published stories from Conway Data's growing family of publications: Site Selection magazine; the weekly Site Selection Dispatch (and biweekly Online Insider); the monthly Site Selection Energy and Life Sciences Reports and Site Selection International; and, making its debut in January, the monthly Site Selection Aerospace Report, whose first edition features stories from the EU, Brazil, Alabama and other locations.

Visit *www.sitenet.com/subscription/index.cfm* to customize the business intelligence you receive from Site Selection.

1) **The State of the States, Jan. 2013**: Our annual look at legislation, demographics, projects and other business intelligence from every state in the union.

2) **"What Makes a Busines Climate Good?" Jan. 2013**: Our annual site selectors survey and an elite panel of consultants deliver the answers.

3) **"Four More Years," Jan. 2013**: Our January cover story offers compelling viewpoints from the U.S., Europe and Asia on what the Obama administration's second term means for economic development.

4) **"UAE Free Zones Hone Their Competitive Edge," Site Selection International, Jan. 2013**: New legislation in 2013 could overhaul financial regulation of free zones in the United Arab Emirates, making them even more desirable locations for capital investors.

5) **"A Watershed Moment," Jan. 2013**: A right-to-work law puts Michigan on the short list for more projects, site selectors say.

6) **"No Boundaries," Nov. 2012**: Our annual look at free trade zones finds that while it may be true no man is an island, some of the best enclaves for industry are.

Photo courtesy of Quicken Loans

**Right-to-work status was one factor making Michigan top of mind for Site Selection readers in early 2013. Among their reading selections was a Jan. 2012 state spotlight chronicling downtown Detroit's high-tech resurgence, including at Quicken Loans (pictured).**

7) **Top Utilities of 2011, Sept. 2012, "The Power of People"**: Our annual list of top utilities in economic development highlights teams that transmit positive energy and connect better than most.

8) **"Competion Is Fun," Nov. 2012**: North Carolina's governor explains what's behind her state's consistently strong performance in our annual ranking of the top business climates in the United States.

9) **"Where the Tech Jobs Are," Jan. 2012**: Will an influx of high-tech workers reverse Detroit's fiscal trajectory?

10) **"How Did Malaysia That?" Sept. 2012**: A Site Selection Investment Profile explores how this Southeast Asian powerhouse is redoubling its efforts to achieve high-income status by 2020.


SITE SELECTION

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# Return on Investment

by MARK AREND
mark.arend@siteselection.com

Texas Gov. Rick Perry didn't travel to California in February to pick a fight, although that is what many in the press would have you believe. "We did go to provoke — in the good sense of that term — a discussion about the business climate in California versus that of Texas," the governor told me after he returned. TexasOne, a state economic development funding program, had purchased a $24,000 radio advertisement prompting Golden State businesses to consider a Texas location. That's pocket change in the California media market. But it got the attention of Gov. Jerry Brown, who summoned up all the statesmanship he could muster and referred to the spot at a business event as "barely a fart."

"He took the bait," says Gov. Perry. "He talked about it and criticized it instead of just dismissing it. By our calculations, by his doing that, he turned our $24,000 investment into about $4 million worth of free media. It was everywhere — on the national networks, in editorials nationally and in the California papers. It was a huge success."

Perry says he and his team met with about 50 businesses, from those with over $1 billion in revenues to mom-and-pop shops. "The message we heard time and again was this: If a company had the ability to relocate, they were considering it." Perry simply wanted them to keep Texas in consideration. If anything about the California business people he met surprised the governor, it was their amazement that a governor was in their midst (1) expressing interest in their business and (2) saying he would appreciate their business. "They told me they never hear that in California," says Perry.

He said it this way in an editorial published in the Austin American-Statesman on February 17th: "Let's be clear about this. If California weren't treating its employers and entrepreneurs as a captive audience, these companies wouldn't be interested in meeting with Texas in the first place."

The Governor's Cup for 2012 new facilities activity goes to Gov. Perry, who is quick to give credit to the legislature for passing the business-improvement measures he has championed since becoming the Lone Star State's chief executive in 2000, and the state and local economic development professionals who work with new and expanding companies every day. He also gives credit to the companies he welcomes to Texas and those already there, especially the ones he celebrates with when they announce expansion plans — see the cover story for plenty of examples of those. Gov. Perry invests time in these companies and believes in thanking people for their business, and they appreciate that.

Congratulations, Gov. Perry, and also the Houston, Dallas (Tier 1), Midland and Victoria, Texas (Tier 3) metros that are among the Top Metros for 2012 recognized in this issue. We salute all the metros listed on page 96, and the micropolitans, too (page 106), that successfully made the case that their location was the right choice for expanding a business.

Meanwhile, this issue marks the beginning of our redesign process, one you will see reflected in all our print and online content, including our websites and newsletters. Logos don't change very often, and this is the third Site Selection logo in my time with the magazine. So this new look gives me an opportunity to express my gratitude to my colleagues over the years who have worked tirelessly to deliver the best content in our field. And to our readers and advertisers, we greatly appreciate your support.

Till next time,

Mark Arend
Editor in Chief

Illustration by Bob Gravlee

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insider

March 2013



# Reflections on a LASTing Relationship

As I write to you this month, I am returning from Santa Barbara and my beautiful niece's wedding, and feeling a bit reflective after having been surrounded by so much exuberance and life.

Like many IAMC members, I have had a long and varied career. That career has involved living in three different states — one of them more than once — in a number of capacities. In fact, I carry a 35-year service coin and wear my service watch to remind me of all the opportunities I have had … in June I will have earned my 40-year service coin.

In that time I have learned quite a lot, including how to be a part of a management team for a large manufacturing facility, work with elected officials and regulatory agencies, be a self-starter and function within a large corporate structure.

During one assignment in Ohio during the mid-1980s I attended a meeting of the Strongsville Rotary Club. Like most Rotary meetings there is a certain amount of business which is done, and often there is a speaker for the better of the order. To this day, the speaker's message still resonates. The message centered on interpersonal relationships and their importance at work, at home, among colleagues, friends and family. High quality interpersonal relationships take work and dedication, and are best when you are thought of LAST.

Now, as it turns out, being thought of last does not mean that the other is first, but rather LAST is an acronym for greater understanding in our relationships:

**L**: *Listen* to others. You can learn amazing things if you stop talking to people and start listening to them. People have stories to tell, information to share, experiences to be learned from … but only if you actively listen.

**A**: *Ask* the question. How many of us have sat in a large meeting and had a question but are too embarrassed to ask it, to then only walk out and ask it of one person or another? Why wait? Don't be shy; ask the question then and there. Gain a better understanding from the collective. Effectively manage your time by asking the question when you have it rather than needing two meetings.

**S**: I think this is the most important of the letters — Be *sincere* when speaking to people. The old adage is that if you don't have something nice to say, say nothing at all. And while that message is a good one, it should be "if you can't be sincere in your speech, say nothing at all because the rest is a lie." People appreciate it when you truly look at them and provide genuine and truthful feedback — good or bad. Don't look past someone for a better opportunity; it shows.

**T**: *Trust* — Find yourself a circle of people both professionally and personally whom you trust and can talk to. They

*(Continued on page 10)*

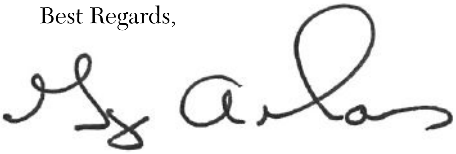
(Continued from page 8)
are your own personal Board of Directors. Don't be afraid to tell them that you value their opinion, you trust in them to listen, ask questions and be sincere when they speak. You have selected these people to give you honest guidance; trust them to do so.

LAST can certainly be applied to our relationships within IAMC. In fact, those quality interpersonal relationships are what distinguish our organization from all others. We have a great thing going by networking and forging strong relationships which can span a career, or even a lifetime.

The final thing that the Rotary speaker said more than 20 years ago was to give proper credit to people for their thoughts and ideas. And while I cannot remember his name, I do always give recognition to that Strongsville Ohio Rotary speaker for helping me build LASTing relationships.

I look forward to seeing you at the Charleston Professional Forum and listening to all you have to offer.

Best Regards,



George

# IAMC International Sees Early Progress

From first-hand experience, we've learned that corporate end users and real estate service providers in population centers as diverse as Singapore, Hong Kong, London and Brussels are enthusiastic about the prospect of having local IAMC events. The organization's first foray was an exploratory meeting in Singapore in November 2011, which drew almost 20 attendees. In 2012, a return engagement to the city pulled in more than 30.

We saw similarly positive outcomes in Europe, where IAMC hosted events in London and Brussels in the spring of 2012. The consistent response has been lots of enthusiasm for the prospect of local access to a corporate real estate organization for professionals supporting manufacturing environments.

Photo by Adam Jones-Kelley

## Program Development Teams

The key to IAMC's early progress in the Asia and Europe regions has been dedicated planning teams composed of IAMC Active and Associate members — those with international responsibilities and others with a passion to take IAMC global — partnering with selected real estate professionals located in the target regions. IAMC staff provide operational and administrative support.

Our biggest successes have been in Singapore and London. And we're seeing lots of interest in an upcoming March 26 event in Shanghai. The current challenge is to identify local "champions" in the cities worldwide where IAMC finds an established base of industrial real estate professionals who understand the value proposition that IAMC provides.

Preliminary 2013 plans of the International Advisory Committee (IAC) call for four annual meetings each in Asia and Europe, followed by a first organizational meeting in Latin America.

## Building a Governance Structure

**Mike Wolff of Project Solutions Group is co-chair of IAMC's International Advisory Committee**

One of my first impressions of IAMC when I joined in 2003 was the difficulty engaging the organization's leaders on the issue of international expansion and networking. I didn't understand why the organization had no presence outside the U.S. I already knew many of the Active members, and I knew many had overseas responsibilities. The same is true of service provider and economic developer members, including those who sponsor IAMC events.

At one of my first board meetings in 2009, I put forward a proposal that IAMC begin a process of exploring demand and interest for IAMC activities in international markets. As a result, the International Advisory Committee (IAC) was formed in 2012, and Mike Wolff of Project Solutions Group and I were appointed the first co-chairs.

The IAC's purpose is to insure IAMC's relevance in an increasingly globalized and inter-connected world economy, while still maintaining the core mission and values of the organization. Keep in mind that considerable foreign direct investment (FDI) flows into the US from many other nations, and to support and welcome these investments all members need to be sensitive to cultures outside of our own. Consider, for example, Europe-based aircraft manufacturer Airbus, which recently placed a large airliner assembly facility near Mobile, Ala.

IAMC is starting a journey of global outreach, branding and organizational development. This will be a long-term effort to shape and build IAMC into a global organization. We expect successes and setbacks along the way. But we're in this for the long haul.

*Kevin Dollhopf,*
*Vice President, Worldwide Real Estate,*
*Hanesbrands Inc. and*
*Treasurer, IAMC Board of Directors*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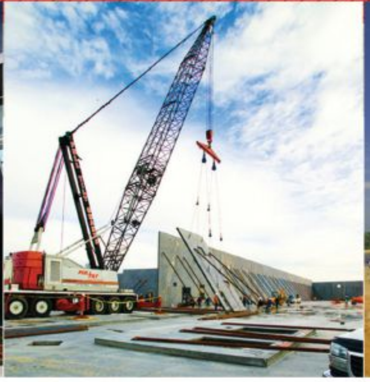


# IAMC Local Gets Board Final Approval

Two IAMC Local action items were on the agenda for the IAMC board of directors' January 30 meeting. First, guidelines for how the program will operate have been out for member comments for almost 18 months. These were reviewed and approved. Second, Education & Research (E&R) Co-chair Ken Hagaman of Anixter recommended that IAMC Local become a free-standing committee reporting to the board. The program has been operated through E&R. The board also approved this.

**Tracey Hyatt Bosman**

The new IAMC Local Committee is co-chaired by Tracey Hyatt Bosman of Biggins Lacy Shapiro & Company, LLC; Todd Clark of WMS Industries; and Jim Alexander of St. Louis Regional Chamber and Growth Association.

**Todd Clark**

IAMC Local is IAMC's on-the-ground member benefits delivery capability for cities and regions in the U.S. and Canada. The program has actually been operating informally for several years under guidelines set by the board in 2008. But the program had no official committee, budget or staff support. The informal program was so successful the board decided to bring it into the organization's formal planning and operating space.

**Jim Alexander**

IAMC Local's purpose is to deliver member benefits and services at a region level and extend the key values of IAMC beyond the semi-annual IAMC Professional Forums. IAMC Local has several goals:

- Deliver local, high-quality education programs with specific content for the benefit of IAMC Active members;
- Provide the opportunity for members (Active and Associate) to meet locally, network and build relationships; and
- Highlight the values of IAMC and provide opportunities for marketing the organization to potential Active members.

"After attending the January 23 IAMC Local meeting at World of Whirlpool in Chicago, I can tell you this program has legs," says IAMC Executive Director Aubrey Glazman. "The education and networking were excellent, and the attending members loved it. I could see as many as a dozen IAMC Local sessions in different locations each year."

Any member may host an IAMC Local event. To do so, here's some information you'll need to pull together:

- List of those on organizing team, which should be chaired by an Active member.
- List of sponsors. Any member may sponsor.
- City and meeting venue.
- Date and time of meeting.
- Program topic and/or how the meeting will be conducted.

To start the process, call IAMC staff member Michelle Roy at 770-325-3494. She'll send you the program's official guidelines and a calendar of open dates for your event. Note that the preferred planning and marketing lead time is six months.

— *Joel Parker*

by ADAM BRUNS
adam.bruns@siteselection.com

# Of Books, Beer and Beagles

## Fingers and tongues wag aplenty in D.C., but tails do not.

Three early 2013 rankings and reports offer some guidance from the fringes of the site selection matrix.

"America's Most Literate Cities," authored by Dr. John W. Miller, president of Central Connecticut State University, and conducted in collaboration with the Center for Public Policy & Social Research at CCSU, focuses on six key indicators of literacy in cities with 250,000 or more residents: number of bookstores, educational attainment, Internet resources, library resources, periodical publishing resources, and newspaper circulation. Here are the Top 10:

### Most Literate Cities

1. Washington D.C.
2. Seattle, Wash.
3. Minneapolis, Minn.
4. Pittsburgh, Pa.
5. Denver, Colo.
6. St. Paul, Minn.
7. Boston, Mass.
8. Atlanta, Ga.
9. St. Louis, Mo.
10. Portland, Ore.

A study issued Jan. 17 by the National Beer Wholesalers Association (NBWA) provides what the association calls "the first-ever comprehensive report on beer distribution companies' total impact on national and state economies." The report, produced by Dr. Bill Latham and Dr. Ken Lewis of the Center for Applied Business & Economic Research at the University of Delaware, finds that the beer distribution industry directly employs more than 130,000 people in the United States. Beer distributor activities contribute nearly $10.3 billion to the federal, state and local tax bases. This does not include the nearly $11 billion in federal, state and local alcohol excise and consumption taxes.

"The beer distribution sector is a hidden gem that has been tremendously undervalued in previous economic reports," said Latham. "Fueling more than 345,000 direct and indirect jobs, beer distributors add $54 billion to the nation's gross domestic product and offer far-reaching benefits to brewers, retailers, consumers and government agencies at all levels."

Where does the sector effervesce the most? The report didn't list Top 10s, but we went and crunched the numbers. The following are tops in "Total Economic Impact of Beer Distributor Operations, Investment and Community Involvement":

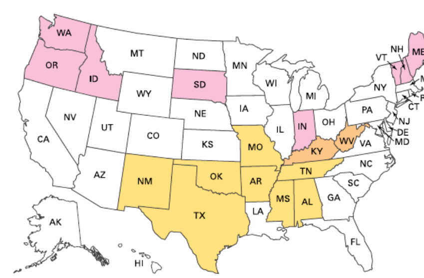
### Top 10 in Total Economic Impact

| State | No. of Beer Distributors | Total Impact |
|---|---|---|
| Texas | 239 | $1,265,622,170 |
| California | 222 | $1,135,597,626 |
| New York | 195 | $812,996,591 |
| Florida | 125 | $655,155,163 |
| Illinois | 152 | $558,582,712 |
| Pennsylvania | 332 | $471,326,681 |
| Missouri | 81 | $457,422,589 |
| Michigan | 130 | $427,507,947 |
| Ohio | 95 | $351,185,176 |
| Virginia | 75 | $334,348,991 |

Last but not least, the American Veterinary Medical Association has issued the 2012 edition of its "U.S. Pet Ownership & Demographics Sourcebook." At year-end 2011, 56 percent of all U.S. households owned a pet, a 2.4-percent decrease from 2006. The 10 states that had the highest percentage of pet-owning households in 2011 were Vermont (70.8 percent), New Mexico (67.6), South Dakota (65.6), Oregon (63.6), Maine (62.9), Washington (62.7), Arkansas (62.4), West Virginia (62.1), Idaho (62) and Wyoming (61.8). Eight of the 10 states had the highest percentage of pet owners over the last 10 years. South Dakota and Arkansas came into the ranks in 2011. The 10 states with the lowest percentage of pet-owning households were Rhode Island (53 percent), Minnesota (53), California (52.9), Maryland (52.3), Illinois (51.8), Nebraska (51.3), Utah (51.2), New Jersey (50.7), New York (50.6) and Massachusetts (50.4).

The most literate area — District of Columbia — had the third-lowest beer distributor impact. It also had one of the lowest rates of pet ownership, at 21.9 percent, which some might say explains a lot.

But what we really want to know is, "Who's a dog state and who's a cat state?" The map below highlights the 10 states with the highest percentage of dog owners and cat owners at year-end 2011, with Kentucky and West Virginia showing up in both lists.

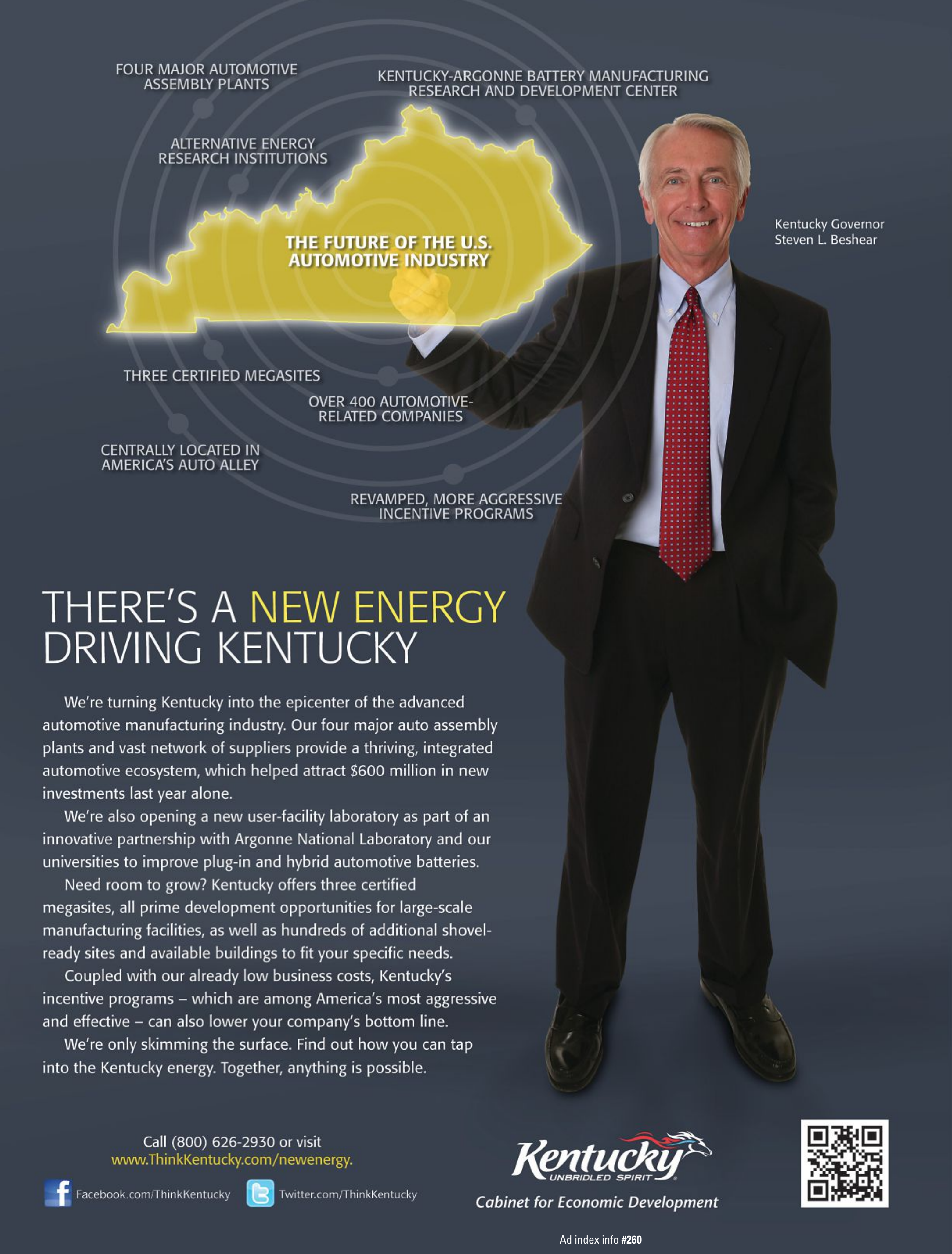



**DOG STATES**

- Arkansas (47.9%)
- New Mexico (46.0%)
- Kentucky (45.9%)
- Missouri (45.9%)
- West Virginia (45.8%)
- Mississippi (45.2%)
- Alabama (44.1%)
- Tennessee (44.1%)
- Texas (44.0%)
- Oklahoma (43.2%)

**CAT STATES**

- Vermont (49.5%)
- Maine (46.4%)
- Oregon (40.2%)
- South Dakota (39.1%)
- Washington (39.0%)
- West Virginia (38.1%)
- Kentucky (36.8%)
- Idaho (34.6%)
- Indiana (34.4%)
- New Hampshire (34.2%)




Ad index info **#260**

# Hybrids Drive Growth in Ontario

Support from both the Ontario government and Canadian federal government was announced in January for **Toyota Motor Manufacturing Canada**'s planned C$125-million assembly line at its plant in Cambridge, Ont., where the company will produce the Lexus RX450h hybrid beginning in 2014.

The 400-job project will receive nearly $16.9 million from Ontario's Strategic Jobs and Investment Fund. The same amount will come from the federal government's Automotive Innovation Fund (AIF), a $250-million, five-year program that supports strategic, large-scale R&D projects in the automotive sector. Introduced in 2008, and renewed for another five years in January 2013, the AIF is designed to help automotive firms strengthen their capacity for innovation and to position them to compete successfully in the global economy.

With the investment, Toyota's Cambridge plant will produce an additional 26,000 Lexus vehicles, 15,000 of them hybrids. Ontario produces more cars than any other place in North America, and is home to 485,000 auto industry jobs.


Photos courtesy of Toyota Canada

**The Lexus operation in Cambridge will add another 400 jobs by January 2014 as it launches production of the RX 450h hybrid (below).**

"Our Government is committed to helping Canada's automotive sector remain globally competitive and prosperous," said Canadian Prime Minister Stephen Harper. "Today's support will allow Toyota Motor Manufacturing Canada to produce a hybrid version of the Lexus Sport Utility Vehicle in Cambridge, the first hybrid model ever built in Canada. This milestone initiative to build greener, more fuel-efficient cars will advance Canadian innovation and increase our ability to compete internationally, resulting in more high-paying, stable jobs."

"Our team members consistently demonstrate that they can compete on a global basis for quality, innovation, and teamwork, and they continue to be publicly recognized for their expertise," said TMMC President Brian Krinock. "This is a proud milestone for our company."

Toyota Motor Manufacturing Canada in November produced its 5-millionth vehicle. Since launching in 1988, TMMC has seen its annual capacity grow from 50,000 vehicles to more than 500,000, and employment grow from 1,000 to more than 6,500. TMMC's Woodstock plant was to add 400 new jobs by January 2013.

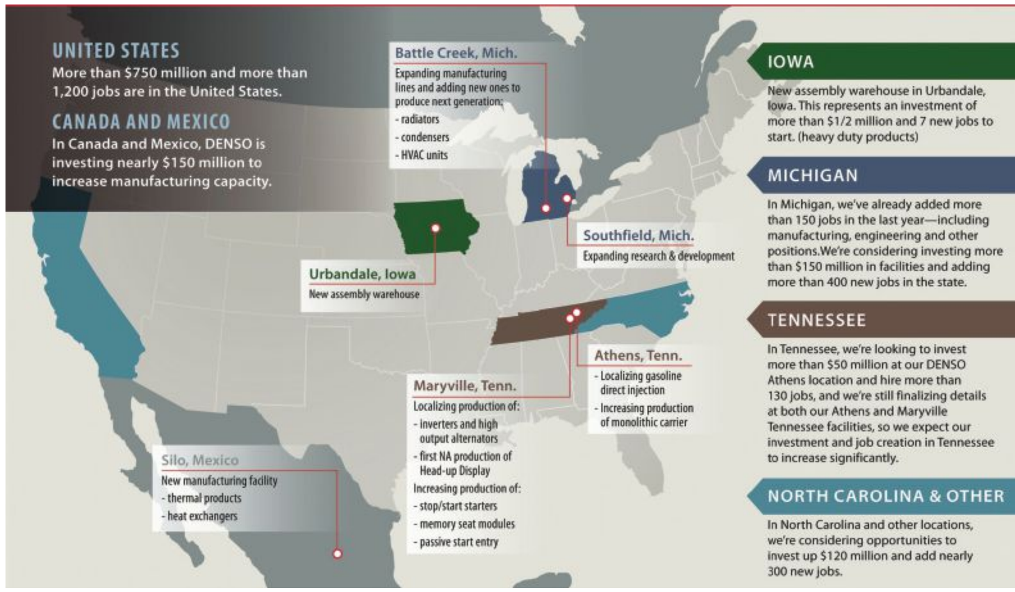
# DENSO's Big Plans

On Jan. 15, automotive supplier **DENSO** announced it will invest nearly $1 billion in North America over the next four years, resulting in more than 2,000 jobs across the region. More than $750 million will be invested in the United States alone, along with more than 1,200 jobs. "Last year, we announced that DENSO will drastically localize product in the regions in which we operate," said Terry Helgesen , senior vice president of industry relations at DENSO International America, Inc. "Not only are we making products in North America, but we're also localizing critical tooling."

Currently, in North America, DENSO employs more than 14,000 people at 28 consolidated companies and affiliates. Of these, 26 are manufacturing facilities located in the U.S., Canada and Mexico. In the U.S. alone, DENSO employs more than 10,000 people in California, Michigan, North Carolina, South Carolina, Tennessee, Kentucky, Georgia, Iowa, Ohio, and Arkansas.

## North American Investment

DENSO plans to invest nearly $1 billion and create more than 2,000 jobs



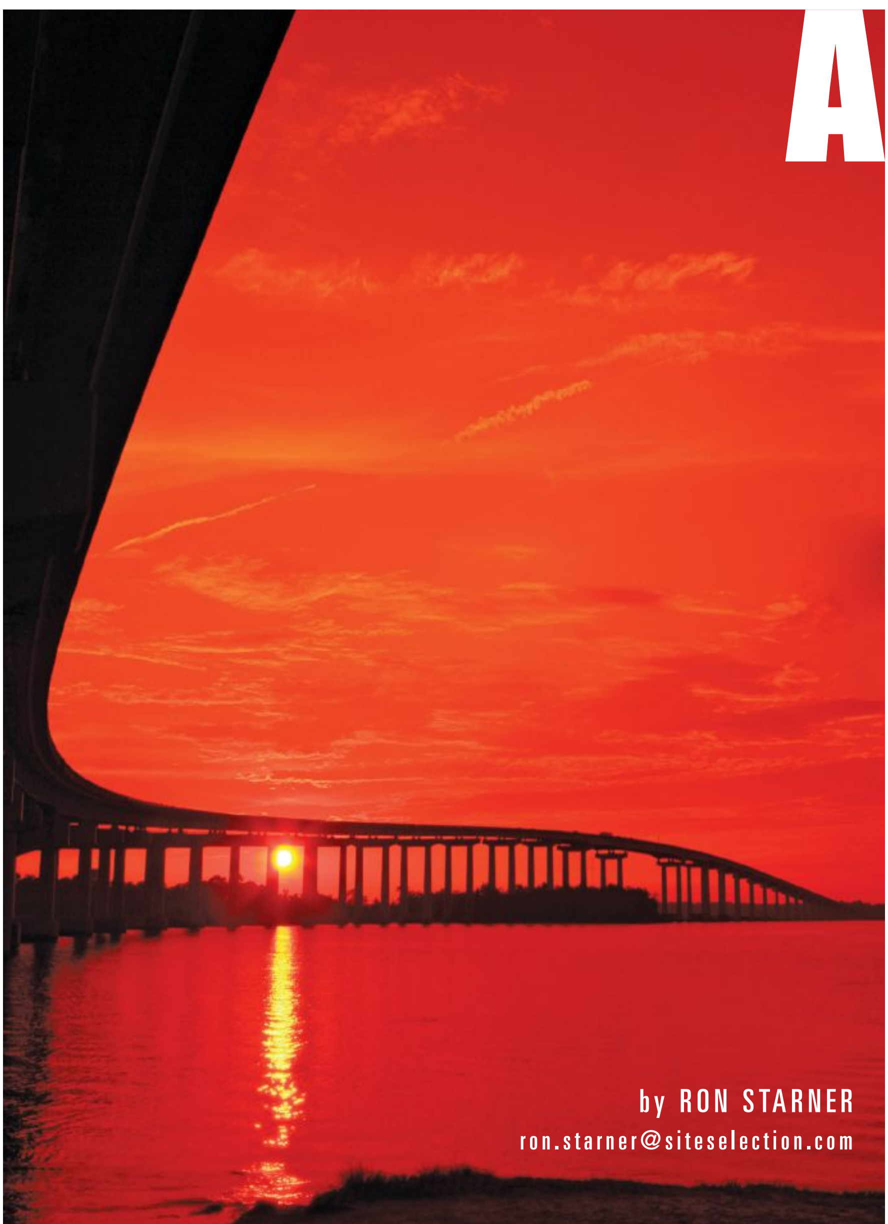





Ad index info **#521**

# A Robust Turnaround

**Southwest Louisiana goes from rebuilding its economy to setting the pace for others.**



by RON STARNER
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Photo: www.monsoursphotograpy.com, courtesy of the Southwest Louisiana Convention & Visitors Bureau

A few years ago, folks in Southwest Louisiana talked about the long road toward economic recovery following devastating hurricanes, an historic oil spill and a global financial crisis that would severely test the mettle of an entire region.

Today, leaders in other parts of the U.S. look at the record-setting economic development in Southwest Louisiana and ask, "How can we make that happen in *our* community?"

Coming off a year in which more than $40 billion in capital investment into new facilities and plant expansions were announced in the Greater Lake Charles area, the region is no longer considered a turnaround project. Rather, it is setting the pace for other communities to follow.

"We actually need 14,000 construction workers and 5,000 permanent workers just to keep up with the projects that are already planned or under construction," says George Swift, president and CEO of the Southwest Louisiana Economic Development Alliance, the agency that represents the five-parish region of Allen, Beauregard, Calcasieu, Cameron and Jefferson Davis. "And we still have sites available for development."

The transformation of this region of 294,976 residents has been highlighted by a series of large-scale energy plant investments over the past eight years, culminating in **Sasol's** record $16 billion-to-$21 billion integrated gas-to-liquid (GTL) and ethane cracker complex in Westlake.

The Sasol energy complex, unveiled in detail on Dec. 3, 2012, in a press conference in Westlake, is the largest private investment in Louisiana history and one of the largest ever in the U.S. Sasol Limited, headquartered in Johannesburg, South Africa, announced that it will commence with front-end engineering and design work for the 96,000 barrels-per-day GTL facility and the ethylene cracker plant in Calcasieu Parish.

The GTL plant is estimated to cost $11 billion to $14 billion to plan and construct, while the ethane cracker is expected to cost $5 billion to $7 billion to complete. The cracker will produce 1.5 million tons a year of ethylene, one of the chemical industry's key building blocks for alcohol- and plastics-based products, including solvents, surfactants and polymers.

The two projects are expected to come on line in 2019 and 2020 and employ a minimum of 1,253 permanent workers earning an average annual wage of $88,000 plus benefits.

Gov. Bobby Jindal welcomed the twin Sasol announcements with open arms. "Today is a great day for Westlake, Calcasieu Parish and our entire state," he said on Dec. 3. "Today's announcement is not only one of the most exciting announcements in the history of Southwest Louisiana, but one of the most significant economic development wins our state — and our nation — has ever recorded. Sasol is one of many energy companies that are expanding in Louisiana because of our world-class energy infrastructure, strong business climate and incomparable work force."

David E. Constable, CEO of Sasol, a company that employs 35,000 workers in 38 countries, said the seeds for the GTL and ethane cracker investments were planted when the company decided to move its research and development headquarters from Texas to Westlake in 2004. "Since that time, we have continued to look for new opportunities to further this partnership with the State of Louisiana," he noted. "Thanks to the ongoing support we have received from Gov. Jindal and Louisiana Economic Development, we have been able to accelerate our key strategic priorities here in Louisiana."

**The L'Auberge casino resort in Lake Charles will soon have company, as a new $500-million casino resort complex is being constructed nearby.** Photo courtesy of the Southwest Louisiana Convention & Visitors Bureau

## Port Provides Land for Deals

Both LED and the Port of Lake Charles played pivotal roles in landing the twin Sasol projects. LED offered Sasol a custom incentives package that includes a performance-based grant of $115 million for land acquisition and infrastructure costs associated with the planned complex. The company also qualifies for Louisiana's new Competitive Projects Payroll Incentive, which provides up to a 15 percent payroll rebate for each GTL job, and the state's Quality Jobs Program, which provides up to a 6 percent payroll rebate for each ethane cracker job.

The state is also investing $20 million to build a new training facility at the SOWELA Technical Community College in Lake Charles for the purpose of training the new Sasol workers. Sasol also is expected to use the Industrial Tax Exemption Program for both the GTL and ethylene facilities.

The Port of Lake Charles helped out by providing a 650-acre site within the 203-square-mile Lake Charles Harbor & Terminal District.

"The port was very instrumental in achieving the Sasol project," says Bill Rase, director of the Port of Lake Charles. "We provided the 650 acres that they needed to expand, at the request of Sasol. And in the future, the port may be very involved in the transportation of their product. The channel will provide the facilities for the off-tank agreements for product going overseas."

Sasol is not located on port property. However, the port obtained the parcel for Sasol and turned control of the land over to the company. "It is within close proximity to the port," Rase says. "Most of their product will move through pipelines. A dock will be built along the river to move the product from the plant into vessels at the Port of Lake Charles, so our role is yet to come."

The win for Lake Charles was especially impressive given that Southwest Louisiana had to beat out some stiff international competition to land the prized investment.

"With the Sasol project, we were competing against their other national and international sites for this investment," says Rase. "We edged out the Canadians and several other Sasol locations when they chose Westlake for this project. The atmosphere in Louisiana is very industry friendly, from the top to the bottom."

Sasol supports some 550 jobs at its existing Westlake Chemical Complex, where the company is completing a $175-million capital investment to build the world's first ethylene tetramerization unit.

Sasol spokesman Mike Hayes says the location at the site in Westlake met all of the company's criteria for the new facilities. "We are essentially in the middle of natural gas country," says Hayes. "Offshore conventional natural gas production is here. Our demands are relatively easy to meet at this location."

Hayes notes that Sasol likes the Gulf Coast region because "efficient product delivery systems exist here. Our ability to drop a significant amount of diesel fuel in the marketplace is very good, through the ship channel and the intracoastal canal. Plus, the Gulf Coast is the most affordable place to build a facility, from a manpower and capital costs standpoint. The fact that we are able to deliver large pieces of equipment to the site without having to fully fabricate enables us to do modular construction in Westlake."

Hayes also credits state and local leaders with making the path toward signing an agreement a smooth one. "The State of Louisiana, the Governor's Office and all of the economic development officials in Baton Rouge and Lake Charles were tremendous," Hayes adds. "They worked very hard to help us identify a usable site. We actually looked at quite a few sites in Louisiana. George Swift and the EDA and the Port of Lake Charles were quite helpful. They formed a very good team with the state in assisting us to get this deal done."

Hayes notes that construction will start at the end of 2013 or the beginning of 2014 and take about five years to complete. At least 7,000 construction jobs will be created to build the two Sasol plants.

## Gas Plants Drawn to Infrastructure

Sasol will have plenty of company, as two other large energy projects were announced in Lake Charles in mid-January. Houston-based **G2X Energy Inc.** announced on Jan. 15 that it will build a $1.3-billion natural gas-to-gasoline facility at the Port of Lake Charles, creating 243 permanent jobs paying an average annual wage of $66,500.

Two days later, **Magnolia LNG** — based in Perth, Australia — announced that it will build a $2.2-billion natural gas liquefaction production and export facility at the port, creating 45 permanent jobs with an average annual salary of $75,000.

G2X made its investment announcement after finalizing an option to lease 200 acres in the Industrial Canal at the port, where the firm will have the flexibility of shipping gasoline by sea or pipeline. G2X said it will build its plant near **Trunkline LNG**, another large energy tenant operating at the port.

"The biggest driver of the site selection process for this project was the marketability of our product," says Tim Vail, president and CEO of G2X. "We needed the infrastructure to transport our end product — 87-octane liquid gasoline. With the pipeline and major refineries nearby, and the ability to ship on barge to other locations on the Gulf Coast, we will be able to move gasoline to other markets quickly and efficiently."

Tim Vail, president and CEO, G2X

Vail adds that "Louisiana has a great history of supporting projects of this size and magnitude. The leadership of Lake Charles was very professional. They knew what they were doing, and that made the process that much better."

Vail notes that G2X "looked at many sites in Southwest Louisiana, and we considered Texas too, but we liked the Port of Lake Charles site the best because of the ability to move product out. Plus, we have a lot of the other infrastructure that we need there — water supply and gas and electricity."

Work force was a selling point too, notes Vail. "The people in Southwest Louisiana are eager and well-trained and knowledgeable," he says. "There is so much petrochemical business in the area, we know there will always be a supply of good workers there. Big contractors and suppliers are in the local area for servicing our plant equipment, and that all goes to labor."

Magnolia LNG plans to build a mid-


## PARISH PROFILES

| ALLEN PARISH | |
|---|---|
| Square Miles | 762 |
| 2012 Population | 25,763 |
| Median Age | 38.7 |
| Median Household Income | $41,602 |
| Per Capita Income | $18,195 |
| Labor Force | 8,058 |
| Percent White Collar | 38.8 |
| Percent Blue Collar | 34.0 |
| CPI | 210.9 |

| BEAUREGARD PARISH | |
|---|---|
| Square Miles | 1,157 |
| 2012 Population | 36,256 |
| Median Age | 37.1 |
| Median Household Income | $48,185 |
| Per Capita Income | $23,083 |
| Labor Force | 14,460 |
| Percent White Collar | 52.5 |
| Percent Blue Collar | 25.8 |
| CPI | 210.9 |

| CALCASIEU PARISH | |
|---|---|
| Square Miles | 1,064 |
| 2012 Population | 194,591 |
| Median Age | 36.4 |
| Median Household Income | $48,762 |
| Per Capita Income | $25,568 |
| Labor Force | 85,674 |
| Percent White Collar | 50.8 |
| Percent Blue Collar | 26.9 |
| CPI | 210.9 |

| CAMERON PARISH | |
|---|---|
| Square Miles | 1,285 |
| 2012 Population | 6,639 |
| Median Age | 38.4 |
| Median Household Income | $62,901 |
| Per Capita Income | $30,672 |
| Labor Force | 3,070 |
| Percent White Collar | 51.2 |
| Percent Blue Collar | 38.9 |
| CPI | 210.9 |

| JEFFERSON DAVIS PARISH | |
|---|---|
| Square Miles | 651 |
| 2012 Population | 31,727 |
| Median Age | 39.4 |
| Median Household Income | $45,597 |
| Per Capita Income | $22,112 |
| Labor Force | 11,683 |
| Percent White Collar | 48.3 |
| Percent Blue Collar | 36.5 |
| CPI | 210.9 |

scale LNG plant located on 90 acres at the port's Industrial Canal, off the Calcasieu Ship Channel. Upon completion, the plant will produce 4 million metric tons of liquefied natural gas per year.

"Southwest Louisiana's attractive infrastructure and strong work force made Lake Charles an ideal location for our planned facility," said Maurice Brand, Magnolia LNG managing director and joint chief executive director. "We especially want to thank the Port of Lake Charles Authority for their partnership in identifying such an ideal location for this project. While the company remains focused on securing the appropriate contracts, agreements and permits, we expect to commence construction of our first U.S. venture by 2015."

The company plans to begin hiring in early 2015, with commercial operations set to begin sometime in 2018.

Both G2X and Magnolia LNG are expected to take advantage of LED's Quality Jobs Program and the Industrial Tax Exemption Program. In addition, LED offered G2X a $5-million performance-based grant for infrastructure improvements at the port, including an access road, utilities and a dock facility.

## A Wave of Industrial Investment

Sasol, G2X and Magnolia LNG added to a wave of energy projects under way in Lake Charles. Also in 2012, **Sempra Energy/Cameron LNG** announced that it will construct a $6-billion LNG plant in Hackberry, while **Talon Midstream L.P.** announced a $250-million investment into an industrial plant for pipeline and related structures in Westlake.

**W.R. Grace & Company** announced a $150-million investment into a chemical plant in Sulphur; and **PSI Midstream Partners L.P.** announced a $15-million investment into a chemical plant in Cameron.

When asked why Lake Charles is consistently besting its competition to land such high-profile investments, Rase pointed to a combination of factors.

"We have a 40-foot ship channel, and a lot of places don't have that," the port director noted. "We have a lot of large pipelines available that move product all the way up the East Coast. We have the shale finds and the natural gas finds in Louisiana. That keeps the price of the starting component cheap. And we have state and local governments that are looking for industrial development and are willing to accept heavy industry in the petrochemical sector."

**Bike riding is a favorite pastime through the lush landscape of Southwest Louisiana.**
Photo courtesy of the Southwest Louisiana Convention & Visitors Bureau

The port is beefing up its infrastructure as well, adds Rase. The port is spending $150 million on **Bulk Terminal One**, creating a new warehouse for shipping operations. Meanwhile, an operator known as **IFG** is building a grain terminal — the first one built on the Gulf Coast in the last 50 years — to service all of the unit trains that come to the port.

A good portion of that grain may come from **Farmers Rice Milling Company Inc**., which announced a $13.4-million expansion and modernization of the firm's rice mill in eastern Calcasieu Parish near Chennault International Airport.

The 55,000-sq.-ft. expansion retains 87 jobs at the rice mill and creates more space for packaging and distribution.

"This project ensures that Farmers Rice Milling will continue to purchase rice from the farmers of Southwest Louisiana and grow its position as a leader in the world rice market," company CEO James Warshaw said.

Near the port, **Ameristar** is constructing a $500-million casino resort complex that will supplement the existing L'Auberge casino resort in the area. "It is under construction right now and should be open by 2015," says Rase. "Together with our existing casino, this area could become quite a mecca for tourists and gamers."

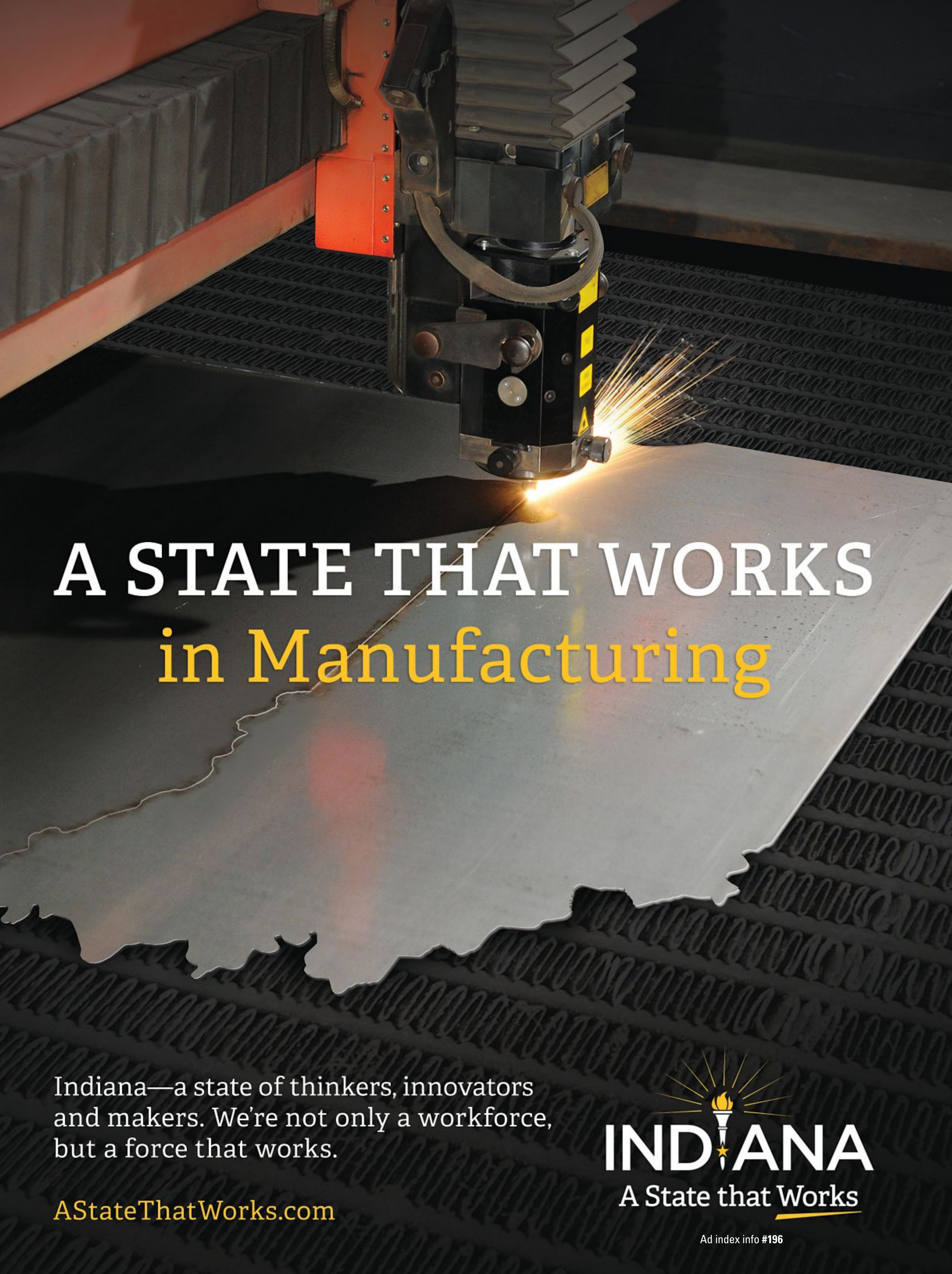
## Rum Makers Like Lacassine

In Jefferson Davis Parish, **Louisiana Spirits** will open a new $7-million rum distillery in May, creating 25 new jobs on a 23-acre site at the Lacassine Industrial Park in Jennings.

"This is a new company based in Jefferson Davis Parish," says Marion Fox, director of economic development for the parish. "One of the partners worked for Bacardi for a long time. They are from Lake Charles. They have had very successful companies in Baton Rouge, and they wanted to make rum from sugar cane in Louisiana. They have great access to Highway 101 and Interstate 10 from their site in Lacassine."

Also in Jefferson Davis Parish, **Zagis USA** is slated to add 50,000 sq. ft. to its cotton-spinning plant this year. "We are waiting on the Lacassine Agriculture Finance Authority to do the marketing plan, but it will result in new jobs at Zagis," says Fox. ▼

This Investment Profile was prepared under the auspices of the **Southwest Louisiana Economic Development Alliance**. For more information, contact George Swift at 337-433-3632 or by email at *gswift@allianceswla.org.*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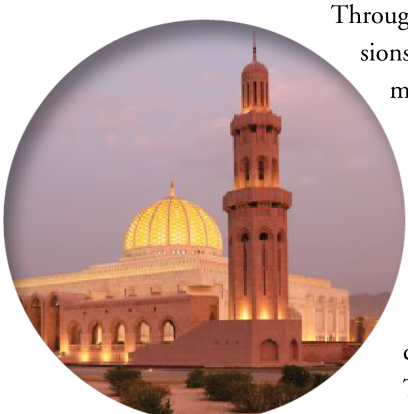
**RED HOT** **LOCATIONS** Report

***Producer of FDI events, including The WORLD FORUM for Foreign Direct Investment***

> "Thanks to you and your colleagues for organising **an excellent event**. I really enjoyed participating, meeting the attendees and must say that the venue was superb."
> *— Rick Sturge, Managing Director Europe, WNS*


# The WORLD FORUM
## for Foreign Direct Investment 2013
### 28th–30th October, Muscat, Oman

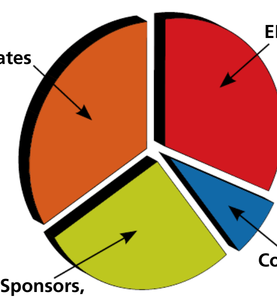
Hosted annually for a decade, this prestigious FDI Forum brings together expanding companies and investment promotion agencies to network and forge lasting relationships. Business leaders, chief executives and decision-makers from internationally expanding companies come to hear and discuss the latest news and trends on corporate investment strategy and expansion opportunities.



Through a series of high-level panel discussions, presentations, debates and bilateral meetings, leaders from diverse regions and Investment Promotion Agencies (IPA) will share best practices with colleagues and start their own networks. This is the only custom-made FDI event which delivers direct contact with corporate location decision-makers.

The Forum covers FDI in every region of the world from the point of view of investing companies, giving insight into business sectors and activities which are growing rapidly.

**The WORLD FORUM**
**for Foreign Direct Investment 2013**
will host 300+ delegates from around the world.
(chart shows average breakdown of attendees)




> "Thank you Red Hot Locations for your hospitality. I have fond memories of the World Forum but also **gained many useful contacts**. The event has proved a great help in informing our location decisions. I hope to work with you again soon."
> *— Zhang Dong, Inspur Group*

**www.worldforumforfdi.com**

**Location Strategies & Criteria**

"Thanks so much, I had a great time and always find your events **interesting and productive**. I also want to thank you and the team for all the support in preparing for the presentations. You put on a first class event and I look forward to attending future events in interesting places!"
*— Londa Brady,Senior Director Corporate Real Estate, Convergys*

# Programme Features

### The FDI Dialogue: A Summit Session
In this headline session we examine the "real world" dialogue between government and industry. Government and Business Leaders discuss the FDI landscape from both points of view. What are their investment policies, strategies and objectives? How do you manage expectations?

### Headline Industries: Energy, Aerospace, ICT, Life Sciences, Business Services
Changing patterns of FDI in the post-crisis global economy. Unique global perspectives from corporate decision-makers in the following sectors, giving timely insights into their international investment plans.

### The Complexities of New Manufacturing Sites: Automotive and Textile Industry Close-up
What is the perspective of companies as they invest in new manufacturing sites around the world? Industry leaders offer their insights when making large manufacturing investments, and the realities governments face when working to facilitate these large projects. What is the dialogue between companies and countries? What is the dialogue between countries in different world regions?

### InFocus: Research & Development Sites
A panel of high-level corporate location decision-makers convene to discuss global locations for R&D, amid the complexities of their requirements and the myriad of investment locations and Science Parks with similar characteristics.

### Models for New Investor Attraction
Advancing the debate on Special Economic Zones, the panel of investors takes part in a solutions-oriented discussion, drawing on the leaders present. How can governments streamline procedures for investors?

### Locations of the Future
Shaping FDI and global economic trends, corporate leaders outline their vision of the future, sharing their views on the new generation of world cities and world regions which are becoming attractive to corporate investors. Will there be any surprises? Will some established locations lose their grip?

"Red Hot Locations is not just a great success story — an innovative British enterprise that **triumphs time and again** in a tough international market — but a sheer joy to work with. Its team combine fierce professionalism with a friendly manner, never forgetting that they run a people business that needs to work hard to achieve and retain the respect of those who attend the events."
*— Peter Kellner, President, YouGov*

**Industry Sectors** → **New Manufacturing Sites** → **New R&D Locations** → **Science Parks & Economic Zones** → **Existing Expansions** → **Locations of the Future**

*For sponsorship opportunities please contact Anne Hardy at +1 770 325 3412, email: ahardy@conway.com*

# Utah: Alter Your Perception


by ADAM JONES-KELLEY
editor@siteselection.com

You probably know that Forbes ranked Utah as the "Best State for Business" for three years running.

You may also have heard that USA Today anointed Utah the "Best-Managed State" in America.

And maybe you noticed that the Milken Institute ranked Utah tops in "Technology Concentration and Dynamism."

But do you know why?

The easy answer is that Utah is extraordinarily well run. The Pew Center named Utah the "Best Managed State in the Nation," and with a projected budget surplus of some $400 million by FY 2014, Utah remains one of only seven states in America which still maintain a AAA credit rating.

As Professor Ian Harvey of the University of Utah notes, "We have no choice. Utah is pretty small — we have to be smart to be competitive."

The governorships of Jon Huntsman and Gary Herbert have been marked by lofty ambition, by promises to revitalize entrepreneurship, stimulate the private sector and create high-tech jobs.

"Bah!" you say. Anyone who's ever watched a political stump speech knows that's merely par for the course, fodder for the political base. These sorts of promises are blithely tossed around in the other 49 states. No reason to get excited, right?

Wrong.

In Utah they actually meant it. And actually did it.

Utah is the third fastest growing U.S. state, and with an average age of 28.7, has the youngest work force in the nation. The collective smarts of that youthful, energetic labor force are being channeled into cutting-edge industries such as digital media, gaming and life sciences. Amazingly, the Utah state government is the same size today as in 2000, even though the state has added more than 600,000 new residents since then. And in a fit of anti-bureaucratic glee, to great applause from business leaders and economists alike, the state eliminated 368 regulations in 2012.

### The Utah Century

Most historians agree that the 20th Century was the American Century, and some bandied about the notion that the 21st is likely to be the Chinese Century.

Not so, according to the Chinese themselves.

Delegates from a recent trade mission to Utah were awed by the state's business model, and claimed that it would take China 100 years to catch up. The delegation good-naturedly joked to Gov. Herbert that Utah's success gave them something to aim for, and would motivate them to find new ways to innovate.

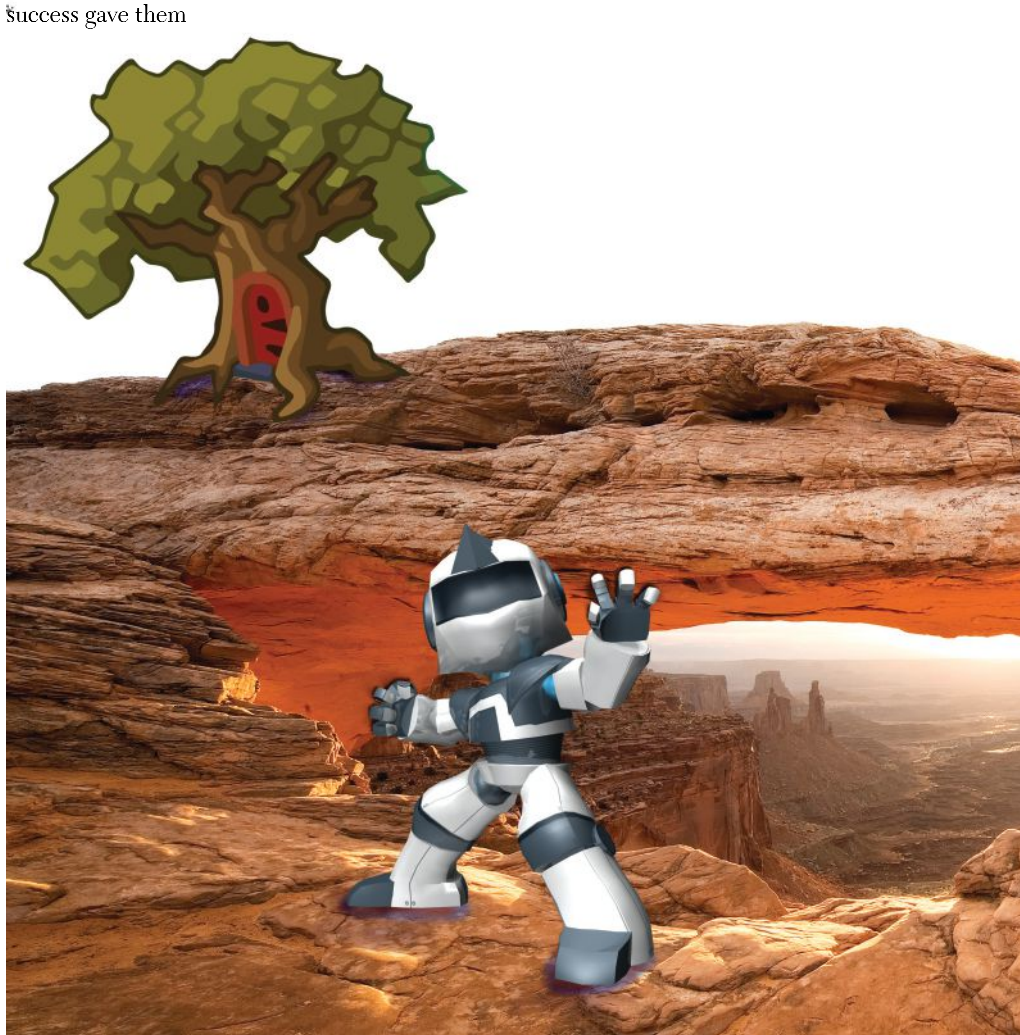
Few states could have won such envious praise from the Chinese. Few countries, for that matter.

### Silicon Slopes

"It's the up-and-coming version of Silicon Valley. With better skiing."

Most probably don't think of Utah as a center for young, hip innovators on the cutting edge of digital technology. Most would be wrong.

Today, 41 percent of all digital media jobs in Utah are in the video gaming sector. As Utah's Cluster Acceleration Digital Media Report notes, "As the video game



Character images are courtesy of Smart Bomb Interactive and the University of Utah Entertainment Arts and Engineering Program. Mesa Arch photo (Canyonlands National Park) is courtesy of the Utah Office of Tourism.

industry has changed, the skill set and the mix of talent required by industry professionals has also changed. For example, game development teams traditionally consisted of over 40 internal developers and relied heavily on outside contractors. Game development would cost in excess of $10 million per game and the development cycle would extend over a one- to three-year period.

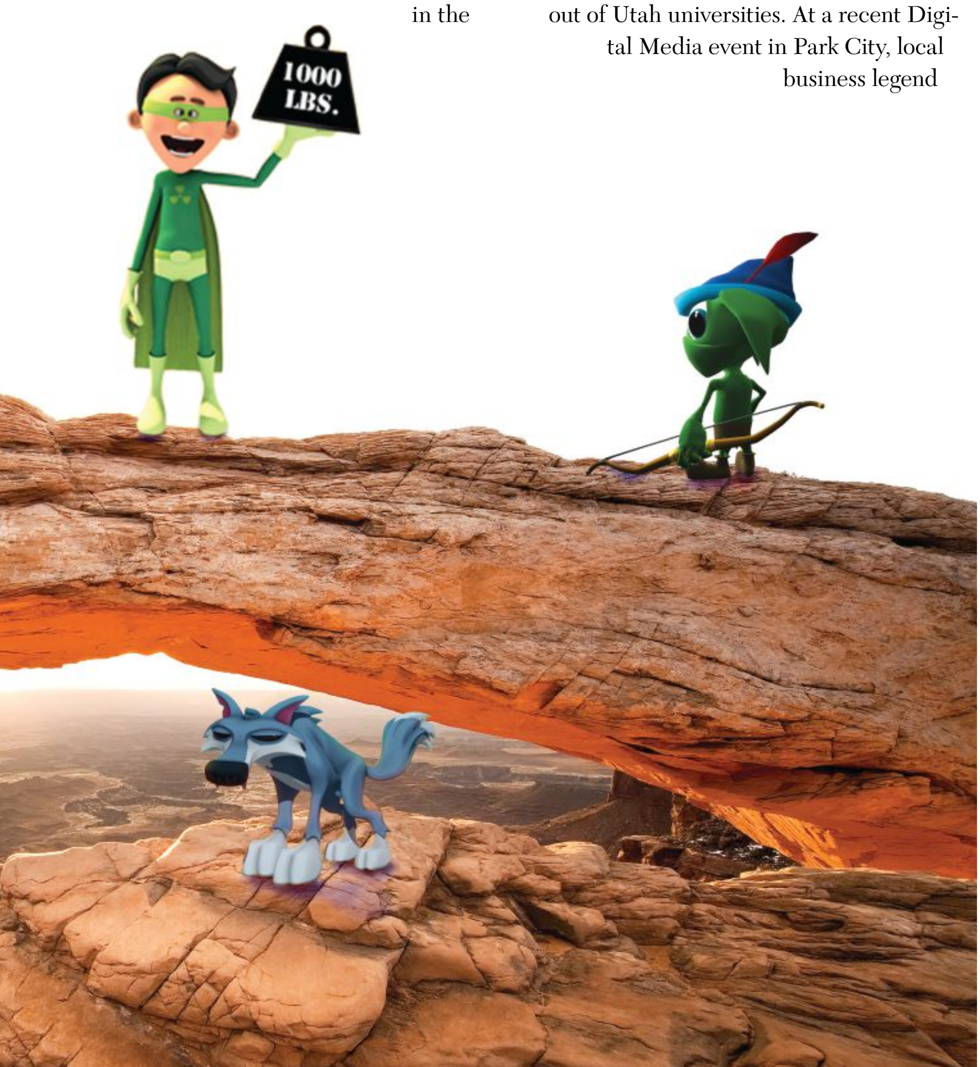
"Today, games for smartphones or social media sites are developed by a small, flexible team of some five internal developers working with a budget of $250,000 and a completion deadline of three to six months. These teams must be made up of *skilled* individuals who are proficient in the latest technologies and have the ability to collaborate in small teams."

Testimony to the vibrancy of Utah's business climate is the fact that it is second in the nation for inventor patents. Back that up with the state's outstanding quality of life and you can begin to understand why tech firms find Utah an alluring alternative to high-priced Silicon Valley.

Many of those growing their technology firms in Utah affectionately refer to this region as "Silicon Slopes" and note that the high-tech world is perpetually stunned by the amount of talent coming out of Utah universities. At a recent Digital Media event in Park City, local business legend Thomas Mabey suggested that the secret was out, saying, "The rest of the world is catching on to the huge opportunities for venture capitalists in Utah's digital media industry!"

**Jeff Bunker, Disney**

Jeff Bunker of Avalanche Software, a Utah-based gaming software developer recently acquired by Disney Interactive, wouldn't dream of growing the business anywhere else. Says Bunker, "Utah has some fantastic university programs, particularly at BYU and University of Utah, that produce sought after, young, top-tier talent. It is a huge advantage for us that many of these graduates would prefer to stay in Utah, having grown up here or because they became enamored by the lifestyle while attending school here."




## The Game of Life

Blackrock Microsystems, one of many bioengineering companies thriving in Utah, is developing a ground-breaking technology called Cereplex, potentially giving new life to those suffering life-crippling brain injuries. Recently profiled on "60 Minutes," this ground-breaking technology aims to restore a semblance of life to those once trapped inside their own skulls.

Andy Gotshalk, CEO of Blackrock, notes, "Through our software and signal processing products neurologists can monitor and detect neural-related [disorders] like seizures, brain injuries and a host of other brain-related maladies. This capability is leading to advances in neurosurgery, brain-controlled prosthetics, and technologies that will ultimately save lives on the battlefield through remote monitoring, sensing and even neural therapy of wounded soldiers."

Gotshalk goes on to explain, "Researchers are working on cognitive therapies that merge video and gaming with brain signal monitoring to more clearly understand the nature of disease- and disorder-related dysfunctions of the brain such as autism, schizophrenia and other

**Governor Gary Herbert addresses the next generation of innovators.**

illnesses. Blackrock Microsystems provides the sensing and processing tools to capture these brain signals.”

Brain-controlled prosthetics? Sounds like the stuff of fantasy. Which makes sense — it’s all made possible by gaming. The symbiotic relationship between the life sciences industry and the gaming industry cannot be overstated, and highlights why Utah has made the separate industries of Life Sciences and Software & IT Development two of its core industry clusters. As Gotshalk explains, “Our technology opens up a new and exciting world of ‘neurogaming’ where action thoughts of the gamer are replicated into actions of video game avatars bringing a whole new experience to video games.”

**Andy Gotshalk, CEO, Blackrock Microsystems**

Media coverage and the seemingly non-stop barrage of TV advertising for “mature” video games would have us believe that they dominate the industry. In truth, these often violent games account for only about 8 percent of the industry. The bulk of research and development goes into the sector accounting for as much as 40 percent of the gaming industry: games for children.

These are *teaching* games that more often than not educate young people, showing them the world and helping them understand their place in it. It’s one of the fastest growing industries in the world, and the same technology being developed today to fill their brains may in the future be used to repair them.

## Come See for Yourself

Again and again we come back to the central question, though: Why? Why does Utah garner such accolades from national and international media? Why do world powers such as China look to Utah to learn best practices for growing their economy? Why does Utah’s workforce enjoy the highest literacy rate in the U.S.? And why did Brookings call those same literate people the most productive work force in America in 2011?

Just how does Utah play the economic development game so well?

The Chinese were willing to fly more than 15 hours to try to discover the answers to those questions. Any American businessperson interested in some solid answers can be there in less than four hours. Come find out for yourself. ▼

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This Investment Profile was prepared under the auspices of Utah – Governor’s Office of Economic Development. For more information please contact Michael O’Malley at momalley@utah.gov or 801-538-8680. On the Web, go to *http://business.utah.gov.*

Ad index info **#189**

**Salt Lake City**

Character image is courtesy of the University of Utah Entertainment Arts and Engineering Program.
Salt Lake City photo is courtesy of the Utah Office of Tourism.

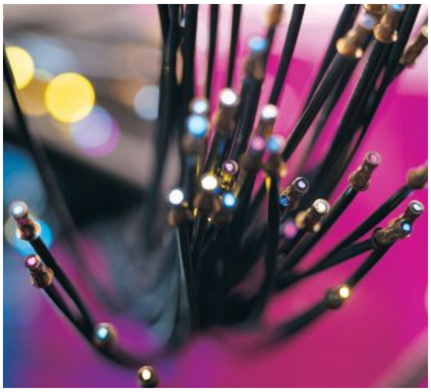
# A.T. Kearney: European High-Tech Industry Becomes Increasingly Marginalized

by MARK AREND
mark.arend@siteselection.com

The high-tech industry in Europe is experiencing declining figures in all key segments, according to a 2012 study from A.T. Kearney. European companies account for less than 10 percent of global sales of the world's top-100 high-tech companies in the information and communication technologies (ICT) sector. In contrast, the leading companies come from countries like the United States with its great innovation power, and Asia with its low-cost production locations. As a consequence, more and more jobs in the high-tech industry are shifting toward non-European countries. Europe is losing ground in the global ICT market, although in macroeconomic terms the European high-tech industry is by no means insignificant: Core industries such as automotive or mechanical engineering need an agile and innovative European high-tech industry.

The study indicates which success factors of the European high-tech sector might help it to regain greater global relevance. These factors particularly include a holistic European high-tech strategy that relies on long-term attractive and newly emerging high-tech segments, better coordinating E.U. investments and exploiting the strengths of European high-tech clusters. Measures taken on a purely national scale, however, will not be sufficient to successfully tackle global competitors.

A well-functioning high-tech sector is an essential basis for modern industry. Nowadays, many industries are based on information and communication technologies (ICT), and especially European companies use these technologies to develop unique selling propositions in the global competitive environment. Yet, a study conducted by A.T. Kearney now shows that already less than 10 percent of the global ICT sales of the top-100 ICT



companies are generated by European companies. Only 15 of the top-100 ICT companies are headquartered in Europe. Many European key industries therefore depend on non-European high-tech suppliers — in terms of production as well as development and innovation. While the innovation power of the ICT sector in the U.S. market is still strong and Asia is the leading hardware production region, almost all European high-tech segments are in retreat.

## Jobs and Sales Figures in Decline

For the study, the ICT industry was defined to include nine segments: IT services, IT hardware, personal computers and notebooks, software, telecommunications equipment, handsets, consumer electronics, semiconductors and electronic components. The global sales in these segments amounted to US$2.8 trillion in 2011, of which $815 billion was generated by the largest segment, IT services, followed by consumer electronics ($378 billion), semiconductors ($317 billion) and software ($297 billion). The declining relevance of the European ICT market compared to the Asian and North American markets becomes most obvious in the reduced European share of global sales.

"We assume that only 24 percent of the global sales have been generated in Europe in 2011, and this figure will continue to drop," says Axel Freyberg, co-author of the study and partner of A.T. Kearney's communications, media and technology practice. Especially as a market for products and services of key segments like IT services, software, telecommunications equipment, consumer electronics, and handsets, Europe is losing importance. "Considering this shift, we find it remarkable that leading European high-tech companies still generate 45 percent of their sales within Europe. In some sectors Europe is not operating on a sufficiently global level," says Freyberg.

## How the European High-Tech Industry Can Regain Global Relevance

Despite the setbacks in the European ICT market, there are still many areas of untapped potential to revitalize the industry. "Segments such as the consumer electronics industry, which manufactures products for the mass market in large quantities, will continue to concentrate mainly on the Asian market. However, high tech has a future in Europe in segments with a high local service share, as well as in segments with complex B2B processes," says Jan Stenger, co-author of the study and leader of A.T. Kearney's high technology business in Central Europe. In most consumer-oriented segments, it will continue to be more difficult for a European high-tech start-up to reach sustainable size than, for example, a U.S. counterpart, due to slow scaling in a heterogeneous European market.

High tech does have a future in Europe and can grow again, however, if certain problems are solved and if industry leaders and political decision makers move in the same direction. To this end, A.T. Kearney has summarized five success criteria to spark a dialogue between political leaders (on a national as well as EU level), companies and industry associations:

1. **Focus on top markets in the B2B sector**
   The strengths of the European market can be better harnessed in complex B2B

sectors rather than in the B2C sector. Europe can discover hidden potential, for example, in complex software solutions, embedded systems, or intelligent networks. Europe can excel especially where ICT is employed to develop unique selling propositions for industrial applications (e.g., in the automotive or mechanical engineering industry).

2. **Pan-European excellence and innovation clusters**
   In order to avoid spreading limited financial resources too thin, which tends to dilute impact, pan-European clusters that bundle individual parts of the value chains should be formed. The performance of individual companies might be nurtured by this sort of collaboration, enabling them to drive the excellence and innovation power of the European high-tech industry as a whole. EADS, with Airbus, represents a good example of such pan-European collaboration.

3. **Better and more long-term financing and coaching models for high-tech start-ups**
   European governments and EU institutions should provide start-ups in the high-tech sector with better financial support — for example, by promoting the venture capital sector in the long term and improving the attractiveness of start-up investments. The support, however, must not be limited to a single initial aid, but rather should also include the financing of growth and globalization so that these companies can achieve critical mass.

4. **Technical education and immigration of qualified staff**
   The education system must cater to an increase in qualified graduates in the so-called MINT disciplines (mathematics, information technology, natural sciences, technology). Northern European countries, for example, have already increased the number of technical universities and offer technical courses even in elementary schools. To face declining population in Western Europe, governments should also strategically recruit qualified professionals from non-European countries.

5. **Ensuring supply of important raw materials**
   The future growth of the high-tech industry also depends on the availability of raw material. European governments should negotiate additional trade agreements, especially with China, and ensure other supply sources such as Mongolia, Greenland, or Australia, to secure access to rare-earth metals.

## Bright Perspectives for the European ICT market

The ICT sector requires a European high-tech strategy to consistently address these five success factors. "If Europe manages to provide more financial resources for research and development in selected, future-oriented high-tech segments, provides more qualified personnel, and opts for the right strategic framework, it should be able to significantly improve its position in the global high-tech market. This would strengthen the export market and generate new, high-end jobs with attractive tax revenue," summarizes Stenger. To achieve this, the national governments, EU institutions, European high-tech companies, investors, and educational systems must act in concert. ▼

# The Shifting Landscape of Business Incentives in Europe

## New EU incentives rules will likely be stricter and favor smaller companies in the Continent's less developed regions.

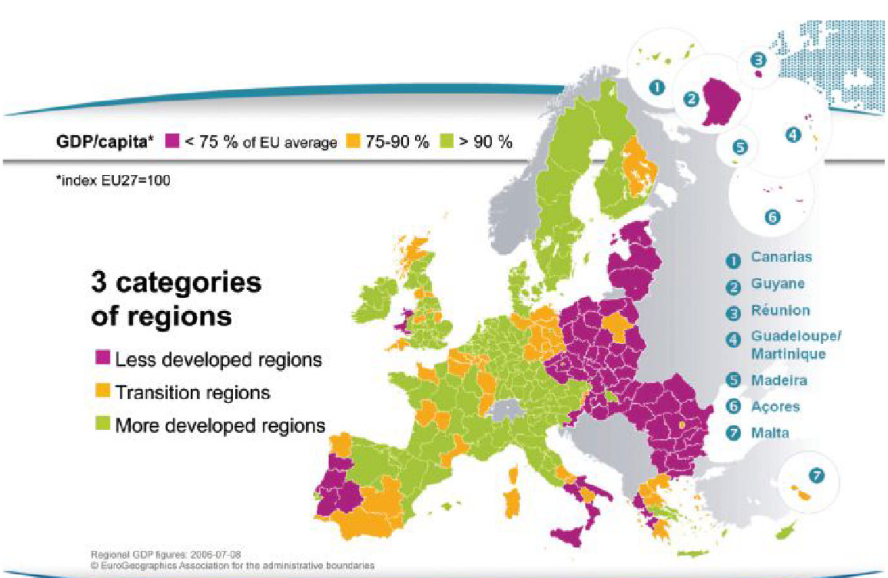
by ANDREAS DRESSLER
editor@siteselection.com

Government financial support for corporate facility investment and expansion continues to be a common practice in most parts of the world. For the right project, economic development agencies in many parts of North America and Asia can be remarkably flexible and creative in structuring an attractive incentives package. When companies from these regions invest in Europe, they are often surprised when support from European economic development agencies is not as forthcoming. This should not be interpreted as a lack of interest. European agencies are as eager to attract investment as their counterparts in other regions, but in most cases they are simply more constrained in their ability to provide incentives.

At first glance, the system for securing government incentives in Europe looks simple. As in most aspects of Europe's economy, the European Commission (EC) in Brussels plays an important role. The EC sets ceilings called the "maximum aid intensity" for the level of incentives that can be provided in any part of Europe. These ceilings are based on the average GDP in each region, which means that the less affluent areas of Europe have higher ceilings whereas in the more prosperous parts of Europe the ceiling is often zero, meaning that no incentives are allowed. A map published by the EC clearly shows which ceilings apply throughout Europe. The ceilings can also differ based on the size of the company and the size of the project. The ceilings are expressed as a percentage of either a project's capital expenditure or the payroll of any new employment generated by a project in the first two years. In other words, a maximum aid intensity of 25 percent in a certain region means that the sum of all of the incentives provided to a company investing in that region cannot exceed 25 percent of the project's capital expenditure or 25 percent of the first two years' payroll.

Andreas Dressler, managing director, Terrain

While this may sound straightforward, it is only the start. Individual countries and regions are free to interpret the rules as they wish, as long as they do not exceed the ceilings or offer support that otherwise contravenes EC rules. As a result, different countries and regions have their own programs, reflecting their own economic development priorities and sources of funding. The result is a bewildering number of programs, each with their own eligibility requirements, application and compliance procedures and administering bodies.




### Restrictions and Rules

The ability of countries and regions to make their own rules within the EC framework means that companies investing in an area with a high incentives ceiling are not necessarily entitled to the maximum level of support. The amount of incentives will depend on the specific programs in place in that location, and there is no guarantee that a particular project will be eligible for the programs that exist or that funding is even available.

Many of the incentives programs in Europe are comparable to those in the US, with performance requirements based on job creation and capital expenditure as well as clawback provisions that govern what happens if a company does not fulfill its obligations. A big difference in Europe is that there are comparatively few tax incentives, as the European Commission considers "fiscal state aid" to be harmful and therefore prohibits it in most cases. Exceptions do exist, such as the "Special Economic Zones" in Poland as well as attractive R&D tax credit programs in several European countries. However, the opportunity for companies to negotiate and secure a "good deal" in Europe is severely curtailed. The restrictions imposed by the EC should not be taken lightly as any infringement can result in legal action and penalties. The EC investigates dozens of incentives agreements a year and companies found to have breached the rules are often forced to pay back the money received.

### Changes Ahead

The Commission revises the system every seven years to reflect economic changes in the EU. The current system has been in place since 2007 and expires at the end of 2013, when new rules come into effect that will last until 2020. These rules are still being drafted, which is a major issue for agencies throughout Europe for whom incentives continue to be an important tool for attracting investment. The process of changing the regulations therefore involves extensive negotiations between the EC and the European Union member states and regions. This process is currently in its final phases, and the Commission expects to finalize the new rules — after still more negotiation — by the middle of 2013.

Although the draft rules have not yet been released, a few recent speeches on the topic by Joaquín Almunia, Vice President of the European Commission responsible for Competition Policy, provide some clues about what to expect. In general, the rules governing the use of incentives are likely to become stricter and weighted toward Europe's poorest (or "less developed") regions. A map published by the EC shows that these regions are primarily located on the periphery of the European Union, with most of them in the EU's new member states in Central and Eastern Europe.

This geographic focus was made very clear by Mr. Almunia in a published speech held on October 11, 2012. According to Almunia, "government support should focus where it has the most potential to make a difference, helping the poorest regions to narrow their gap with the EU average."

The new rules are also likely to favor smaller companies. The EC has always had a critical view of support for larger companies, and incentives for large companies and investments are already subject to lower ceilings, rigorous application procedures and more intense scrutiny. It looks as though the EC may be planning to reduce the amount of support that can be received by large companies, particularly in the more prosperous parts of Europe.

Finally, the "but for" test that also exists in the US will be applied more rigorously. In the same speech, Mr. Almunia stated that government support "can be considered compatible only if it gives an incentive to decide to invest in an assisted region or if it can determine the location of an investment … we will not approve windfall benefits for companies that would have invested in the assisted region even without the aid."

These changes may have significant implications for some regions. Germany, for example, has made extensive use of generous cash grants to attract investment to its less affluent eastern states (the former communist part of the country). It remains to be seen how the region will fare in the competition for investment if, as anticipated, its ability to provide grants will be curtailed. Dr. Robert Hermann, the Managing Director of Investor Consulting at Germany Trade & Invest (the economic development agency of the Federal Republic of Germany), remarks, "It is still unclear what exactly the regulations for investments grants will look like after 2013. However, Germany has already been diversifying its incentives programs for a number of years and will continue to provide tailored support to companies in important areas such as work-force training and R&D."

> **"It is still unclear what exactly the regulations for investments grants will look like after 2013."**
>
> *— Dr. Robert Hermann, the Managing Director of Investor Consulting at Germany Trade & Invest*

Hermann acknowledges that incentives have been an important tool for attracting investment to Germany's eastern states, but he believes that even with possible reductions in the grant ceilings this region will remain a very attractive location. "Grants are not the major driver of investments to the east, and we find that companies are even more interested in market potential or the availability of skilled employees."

All of this is of little concern to European countries who are not EU members. In principle, these countries are free to do anything they want to entice investors. Serbia, for example, has a generous and transparent incentive system that includes cash grants for each new job created as well as other benefits such as tax reductions and free land for greenfield investments. Countries such as Serbia or Croatia may have to adapt their programs as part of negotiations to become EU members, but for the time being they have more flexibility than their EU neighbors.

### What it Means for Investors

What do these rules and changes mean for companies that are considering investment in Europe?

Incentives do exist in Europe, and they can be quite lucrative. However, the process of securing them is different from other parts of the world. It requires research up front to identify relevant programs and opportunities rather than starting discussions with agencies immediately. "Negotiations" should only begin once the company has done its own due diligence and is better able to position its project based on the eligibility requirements of specific programs in a particular part of Europe.

Investing in regions with a high "maximum aid intensity" does not automatically imply higher benefits. Again, companies should do their homework to determine whether the countries and regions they are considering have any programs or funds that match the planned investment.

There is a 12-month window for companies to secure incentives under the current rules. Companies considering a new investment or expansion in Europe should use this window and perhaps accelerate projects that were planned for 2014 or later. Large companies in particular should be wary that new rules in place from 2014 may not be in their favor. Programs are already being phased out in some countries so companies should not wait until the end of 2013 before applying under the current rules.

For companies who like to "cut a deal" on incentives as part of the site selection process, the process of securing incentives in Europe is likely to be a somewhat more formal experience that may become even less exciting after 2014. However, opportunities for incentives do exist and should be carefully evaluated early in the site selection process.

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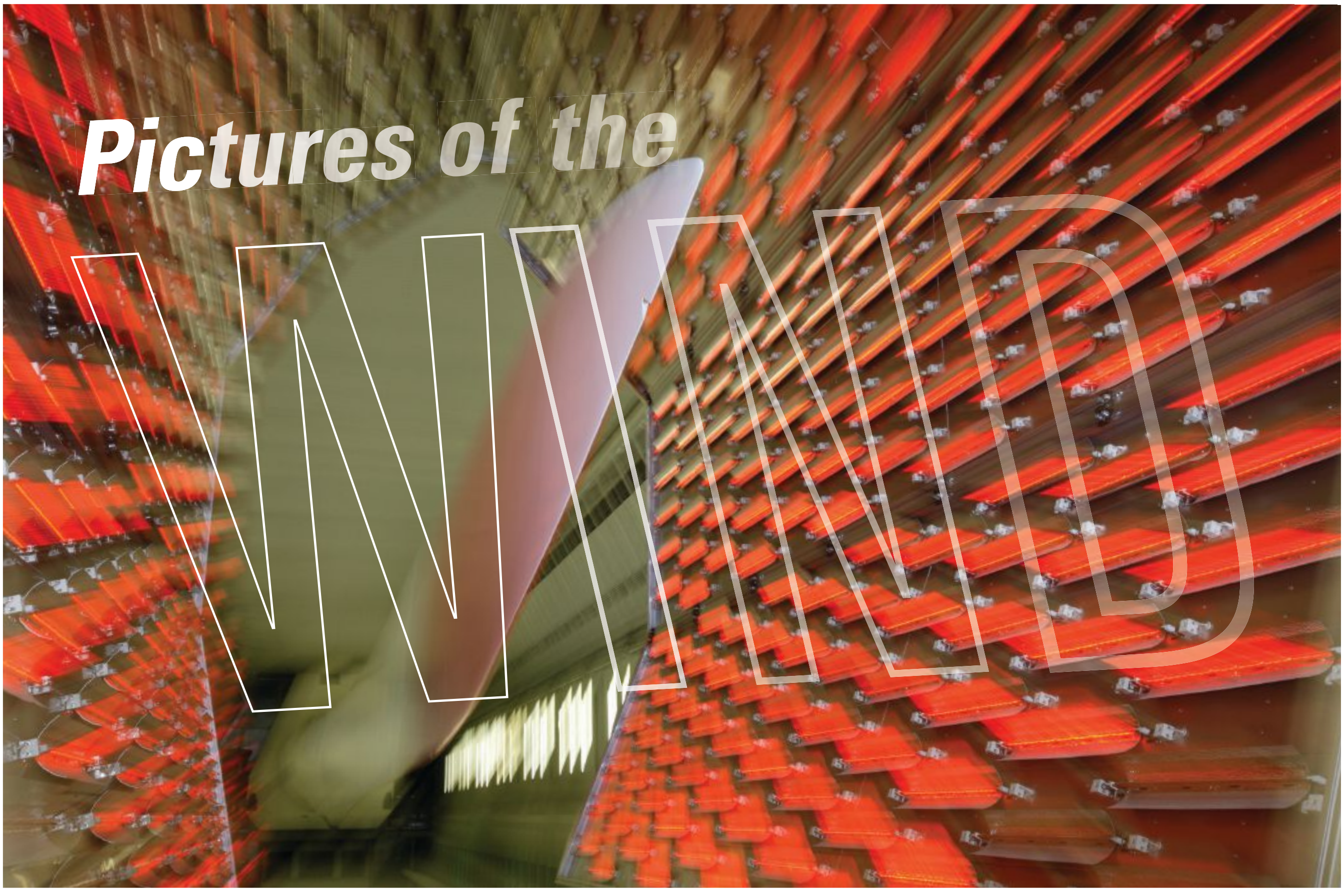



# Pictures of the WIND

**Industry leaders worldwide deliver their outlook for the year ahead.**

by ADAM BRUNS
adam.bruns@siteselection.com

*The Global Wind Energy Council (GWEC) in February announced that global installed wind energy capacity increased by 19 percent in 2012 to 282,000 MW. Both China and the United States, the world's wind energy leaders, installed more than 13,000 MW of new capacity in 2012.*

*"While China paused for breath, both the U.S. and European markets had exceptionally strong years," said Steve Sawyer, secretary general of GWEC. "Asia still led global markets, but with North America a close second, and Europe not far behind."*

*Site Selection invited wind energy leaders to share their views. Following are commentaries from Rob Gramlich, interim CEO of the American Wind Energy Association, and Robert Hornung, president of the Canadian Wind Energy Association.*

USA

## The State of the Wind Power Industry

*by* Rob Gramlich, Interim CEO, American Wind Energy Association

The U.S. wind energy industry had its strongest year ever in 2012, as shown in the American Wind Energy Association's fourth-quarter industry numbers released in January. AWEA announced that wind power produced nearly half of the nation's new electric capacity last year, installing a record 13,124 MW of electric generating capacity, leveraging $25 billion in private investment, and achieving over 60,000 MW of cumulative wind capacity.

This milestone was reached just five months after AWEA announced last August that the U.S. industry had reached 50,000 MW. Today's 60,007 MW is enough clean, affordable, American wind power to power the equivalent of almost 15 million homes, or the number in Colorado, Iowa, Maryland, Michigan, Nevada and Ohio combined. Currently installed wind power will avoid 95.9 million metric tons a year of carbon dioxide emissions, equal to 1.8 percent of the entire country's carbon emissions.

The record year was due in large part to impending expiration of the successful federal Production Tax Credit, wind power's primary policy driver, which has fostered strong economic development in all 50 states and in communities across the country. It was slated to end on December 31, 2012, but was extended by Congress on January 1, 2013, as part of the "fiscal cliff package," the American Taxpayer Relief Act of 2012. Thus, a key policy mechanism remains in place for the industry to keep building projects for America.

Wind energy is a key vehicle on America's road to economic recovery. Wind power has added a brand new manufacturing sector that stretches across

**Above: A wind turbine blade is tested in a Nordex manufacturing facility.** Photo courtesy of Nordex

**Iberdrola Renewables added three new wind farms to its U.S. fleet at the end of 2012, adding to a portfolio of projects that now spans 19 states. The three farms, including the Manzana project in Kern Co., Calif. (pictured) all reached commercial operation in December, and represent a total investment of approximately $700 million.** Photo courtesy of Iberdrola

nearly 500 facilities in 44 states. American wind power now supports thousands of well-paying jobs, and is capable of growing to support many more.

The U.S. Department of Energy has found that with the right policies in place, wind power could grow to supply 20 percent of the nation's energy supply by 2030 and support roughly 500,000 American jobs, with an annual average of more than 150,000 workers employed directly. U.S. wind developers are ahead of schedule to produce 20 percent of America's electricity by 2030.

And wind energy is increasingly "made in the USA" — over 70 percent of a wind turbine's value is now American-made, further bringing down costs by avoiding overseas shipping of these large components and playing a significant role in America's manufacturing renaissance.

Major drivers of this success are continuing technological advances and cost declines for wind energy. Recent reports by Lawrence Berkeley National Laboratory document that wind energy costs have fallen by one-third over the last several years, with a primary factor being technological advances yielding larger and taller wind turbines with greater energy production.

The U.S. Department of Energy has identified transmission limitations as a principal obstacle to realizing the economic, environmental, and energy-security benefits of obtaining 20 percent of our electricity from wind power. Transmission is currently being developed in the U.S. that would connect approximately 50,000 MW of additional wind energy capacity.

An expanded grid will allow plentiful domestic sources of renewable energy to be put to use powering our homes and even our vehicles, reducing our fossil-fuel dependence as well as energy prices. We are also pushing to update grid operating practices to use the current power system more efficiently, which will also yield major savings for consumers and all users of the power grid.

Resolving wind power project siting issues is also an important part of expanding wind energy development. The principles applied to wind energy siting issues must promote efficient, fair and open permitting processes at the federal, state and local levels. Project siting guidelines must address wildlife and habitat issues, military and non-military infrastructure, and community concerns.

Given all the potential benefits of wind energy development, the wind industry's impacts should be considered in context with other forms of energy production and treated accordingly during the policy-making process.

## Germany the Clear Leader in Europe

The European Wind Energy Association hosted its annual conference in Vienna Feb. 4-7. On Feb. 8, it released its annual statistics from 2012. The EU wind energy sector installed 11.6 gigawatts (GW) of capacity in 2012, a 23-percent jump from 2011. But that wasn't necessarily a cause for optimism from EWEA.

"The 2012 figures reflect orders made before the wave of political uncertainty that has swept across Europe since 2011, which is having a hugely negative impact on the wind energy sector," said Christian Kjaer, CEO of EWEA. "We expect this instability to be far more apparent in 2013 and 2014 installation levels."

Wind energy represented 26 percent of all new EU power capacity installed last year, and investments of between €2.8 billion and€17.2 billion. It is now meeting 7 percent of Europe's electricity demand.

But overall, says EWEA, the EU is almost 2 GW (1.7 percent) under its National Renewable Energy Action Plan forecasts. "Eighteen Member States are falling behind," said the report, "including Slovakia, Greece, Czech Republic, Hungary, France and Portugal."

Here are the leaders in 2012 in wind energy installations:

- **Germany** *(2.4 GW, 21 percent of all new wind power capacity)*
- **United Kingdom** *(1.9 GW, 16 percent)*
- **Italy** *(1.3 GW, 11 percent)*
- **Romania** *(0.9 GW, 8 percent)*
- **Poland** *(0.9 GW, 8 percent)*.

The rise of Eastern Europe was noted in a December 2012 report from the World Wind Energy Association about the status of wind power in Russia and all CIS countries, which found the CIS countries "are representing a world region with huge wind potentials, but where so far wind energy plays only a marginal role: The total wind installations have only reached 178 MW, a very small share of the global wind capacity of 254,000 MW (as of June 2012)."

In terms of total installed capacity in EWEA territory, Germany is the leader with 31.3 GW (30 percent), followed by Spain (22.8 GW, 22 percent), the U.K. (8.4 GW, 8 percent), Italy (8.1 GW, 8 percent) and France (7.2 GW, 7 percent).

"The spread of wind energy across Europe is shown by the fact that Denmark, Germany and Spain represented 33 percent of annual wind power installations in the EU in 2012," said the EWEA report, "down from 85 percent in 2000." — *Adam Bruns*

## Fossil Fuel States Among Renewables Leaders

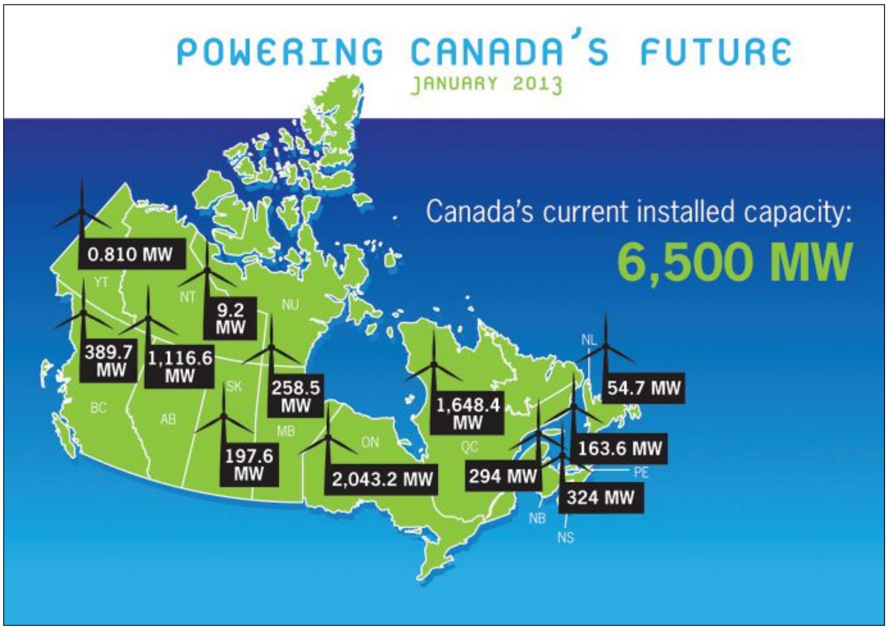
Fortunately, decision-makers around the country are increasingly understanding how sound policy can foster the economic power of wind. Beyond federal policy, a host of states understand the many economic and clean-energy benefits of wind power and have put in place sound policy mechanisms that are driving the market and allowing them to tap those benefits

Generally, policies that are attracting wind power project activity at the state level relate to renewables targets, taxes and, not surprisingly, transmission. Texas is the leading wind power state for total capacity, and strong project development activity continues there. That's thanks to a host of sound policies, starting with a renewable portfolio standard that's been in place for over a dozen years, a strong transmission policy known as CREZ (Competitive Renewable Energy Zones) that fosters the development of transmission from wind-rich rural areas, and supportive tax incentives.

Another state known for its oil-and-gas industry, Oklahoma, also has seen significant wind power project activity in recent years. Again, the state is tapping wind's economic power in part as a result of a renewable energy goal and effective tax policies, in addition to its membership in the Southwest Power Pool, which has sound transmission and interconnection policies.

Meanwhile, in Ohio, an effective tax policy known as the PILOT provision has sparked a wind power boom there. States tapping the potent combination of a renewables target and a sound renewables tax policy can be found out West as well. Count Washington in the category of states that are using such policies and enjoying wind power industry growth as a result.

These are exciting times for the wind industry, and times of great challenge as well. All of us in the energy sector are adapting to changes in the economy, in the political establishment and in the regulatory environment, and the experience and dedication we share will serve us well in the coming years. We are not only building new models for business success. We are helping to shape a new paradigm for meeting America's energy needs and addressing the threat of climate change. The best days for American wind power are still ahead.




**Canada's installed wind energy capacity has ballooned from just 322 MW a decade ago.**

CANADA

## A Growing and Stable Wind Market

*by* Robert Hornung, CEO, Canadian Wind Energy Association

Wind energy's growth in Canada continues to defy recessionary forces. 2012 saw wind energy's contribution of clean power to Canada's electricity supply grow by nearly 20 percent to just over 6,200 MW of installed capacity, maintaining Canada's position as one of the world's leading wind energy markets.

Every 1,000 MW of new wind energy drives about $2.5 billion in investment, creates 10,500 person-years of employment, and provides enough clean power for over 300,000 Canadian homes. New wind energy projects were commissioned in 2012 in British Columbia, Alberta, Ontario, Quebec, Manitoba, Northwest Territories and Nova Scotia.

**Robert Hornung, CEO, CanWEA**

Close to 40 per cent of Canada's new wind energy capacity in 2012 was installed in Quebec, while Ontario continues to lead the country with over 2,000 MW of installed wind energy capacity now in place. This past year also saw some important firsts for wind in Canada. For example, the Diavik Mine began operating the first wind farm in the Northwest Territories: a 9.2-MW wind project to help significantly reduce reliance on diesel fuel. In Ontario, the M'Chigeeng First Nation commissioned the first wind farm to be 100-percent community and First Nation owned.

## On Track for 20 Percent by 2025

Growth will continue with a new record for annual installations likely to be set in 2013. Indeed Canada is on track to reach 12,000 MW of total installed capacity by 2016, pumping $16 billion and 68,000 new person-years of employment into the economy.

This significant contribution to Canadian productivity will see an average of 1,500 MW of new wind energy installations commissioned annually for the next several years. The wind energy community in Canada remains firmly committed to meeting the Canadian Wind


Images courtesy of Smart Wind and DONG Energy

**Hornsea is one of nine zones being developed in the seas around Great Britain as part of The Crown Estate's Round 3 program. Mainstream Renewable Power and Siemens Project Ventures formed SMart Wind in 2009 to deliver the zone into operation by 2020. DONG Energy, based in Denmark, acquired a one-third stake in the Heron Wind and Njord Offshore Wind Farms (pictured) being developed by SMart Wind.**

Energy Association's WindVision 2025 — our goal to have wind supplying 20 percent of the country's electricity by 2025.

The cost to build wind energy continues to decline in Canada, while at the same time significant efficiency gains are being realized in technology and siting of projects. There have been dramatic drops in cost over the past three years alone. A 2012 GL Garrad Hassan study found that, since 2009, the average unit energy cost to produce electricity with wind energy resources in the province of British Columbia has dropped by 33 percent. Today, wind energy is cost-competitive with small hydro, a significant portion of new large hydro, coal with carbon capture and storage, nuclear power and other sources of renewable energy.

Wind energy's cost-competitiveness, coupled with its environmental performance and distribution of economic benefits to rural communities across Canada, ensures that it will remain an electricity source of choice as Canada continues to plan to meet the electricity demand of the future. ▼

## Gamesa Growth

Spanish wind turbine manufacturer and wind farm developer **Gamesa** announced in March 2012 a memorandum of understanding with the Port of Leith (pictured) for a €150-million investment in a new wind turbine manufacturing plant at the port in Edinburgh, Scotland, one of six ports managed by Forth Ports Ltd. The project could create more than 800 direct jobs. The project is just one part of a growing Scottish base for offshore wind that has seen similar MOUs signed by Areva (also in Edinburgh), Mitsubishi (Dundee) and Samsung (Methil, in Fife). Plans call for up to 10 GW of offshore wind in Scotland.

Photo courtesy of Forth Ports

Gamesa in 2012 also opened a new €25-million blade manufacturing plant in Vadodara, Gujarat, India, part of a €60-million investment plan for India, announced in 2011, that will also include a new nacelle plant in Tamil Nadu state.

Gamesa also has been constructing its second office building at the City of Innovation in Sarriguren, Egües, Navarre, Spain. Located at the Navarre City of Innovation Technology Park, the new structure will consist of more than 10,000 sq. m. (107,643 sq. ft.) of office space spread over six floors. Gamesa planned to move into the new building in the second half of 2012, with Sarriguren I and II designed to host 1,600 total employees.

In 2011, Gamesa opened a new technology center in Singapore, where it immediately began work on three research projects jointly conducted with Nanyang Technological University, the National University of Singapore and the Agency for Science, Technology and Research (A*STAR). Gamesa expects the tech lab to employ more than 30 engineers by 2014. — *Adam Bruns*



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**SAXONY-ANHALT:**

# Powerhouse region and place for global players

**Saxony-Anhalt is the center of attention of foreign investors.** Saxony-Anhalt is Eastern Germany's leading destination for FDI. Numerous companies contributed to this success story. Since 1991, Saxony-Anhalt supported about 330 investment projects of foreign companies. These foreign investors have poured almost US$ 13 billion into the state, creating more than 20,000 jobs.

The USA is the biggest foreign investor in Saxony-Anhalt. Since 1991, US companies have invested more than US$ 2.5 billion and created and saved about 13,000 jobs. The investment of Atlanta-based US company **Novelis** is one of the most recent and biggest commercial investments in Saxony-Anhalt. Novelis announced to build its most important location for aluminium recycling, investing US$ 266 million and creating 200 new jobs in a facility for recycling used drinks cans, vehicle parts and other metal materials into bars of die-cast aluminium in Saxony-Anhalt. "Key factors in favor of the location Saxony-Anhalt were its central location in Europe as well as its excellent infrastructure and, of course, the superb work of the approval authorities," says Tadeu Nardocci, President of Novelis Europe.

*Kristin Gabor*
*Regional Manager*
*North America*

Saxony-Anhalt's central location enables companies to reach its customers in Europe within a day's travel or less. Companies that established operations in Saxony-Anhalt frequently cite the state's flexibility, competent work force, secure investment environment, and dynamic economy as favorable location factors. They also like the state's modern transportation and logistics infrastructure and the generous investment incentives. These incentives are about to change as the current incentive system expires at the end of 2013. New rules are being drafted by the European Union at this time. Hence, there is a 12-month window for companies to secure incentives under the current rules. Companies considering a new investment or expansion in Europe should make the most of this time window and ideally try to accelerate projects that were planned for 2014 or later.

## Other major FDI of 2011/2012 include:

### Mechanical and Plant Engineering

The Belgian company **COIL** has invested US$ 29 million in its plant in Bernburg, creating 45 jobs. COIL is the world's largest architectural and industrial anodizer**. Technoguss Tangerhütte GmbH** has invested US$ 2 million in a new casting plant. Another US$ 2.6 million are to be invested during the course of the year. Technoguss produces parts for businesses in the field of transmission and in the ship building sector. **US Engineering AG** has invested US$ 3 million in a new plant for the production of impregnating machines for electric motors. US Engineering AG has created ten new jobs.

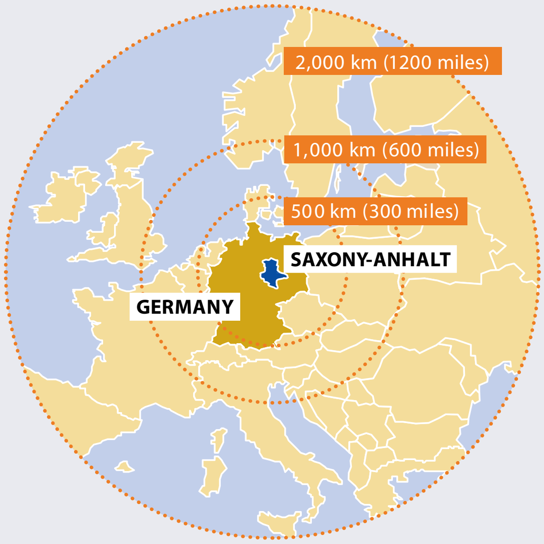
### Chemicals and Plastics Industry

Belgian **Domo Capro Leuna**, a manufacturer of chemicals and polymers, has invested US$ 33 million to boost capacity at its caprolactam and nylon plant in Leuna as well as an additional US$ 40 million for a storage site there. US-American **Styron** has expanded its synthetic rubber production facilities at Dow Value Park as well, investing US$ 121 million and creating 30 jobs. "Schkopau is once again Europe's rubber site number one." says Ralf Irmert, Managing Director of Styron Deutschland GmbH. Chilean **CM CHEMIEMETALL GmbH** has built a new production plant for metallurgical powders at the chemical site Bitterfeld-Wolfen. Centrally situated in Europe, CM CHEMIEMETALL is able to promptly deliver to their European customers' doorstep. Dr. Klaus Andersson, Managing Director of CM CHEMIEMETALL, states: "Only with extensive investments will we be able to occupy and expand our leading position on the world markets."

### Logistics Industry

Austrian **Gunz Warenhandels GmbH** has invested US$ 23 million into the construction of a new distribution center in Magde-

*Cut of the spade of the new distribution center of Nagel-Group and Helios Europe in 2012. From left to right: Frank Bannert (head of the district Saalekreis), Michael Hughes (CEO of Helios Europe), Michael Richter (State Secretary of the Ministry of Finances of Saxony-Anhalt), Kurt Hambacher (mayor of the community Kabelsketal), Tobias Nagel (partner of Nagel-Group), Marcus Cebulla (CEO of Nagel-Group)*




burg, Saxony-Anhalt's capital. The company has created 100 jobs and distributes foods all over Europe and overseas via the port of Magdeburg. Managing Director Helmut Gunz confirms: "The new distribution center is so far the biggest investment of our business. We wanted to be closer to our customers and suppliers. The excellent connection to highway and harbor has been the principle reason for choosing Saxony-Anhalt as location." German **Nagel-Group** and British **Helios Europe** have invested US$ 25 million in a logistics center and created 50 jobs. Tobias Nagel, a Nagel-Group partner, states: "Foodstuffs require short channels. That is why this region has enormously gained in attractiveness due to the eastward expansion of the EU and thanks to the excellent infrastructure for our European logistics network."

### Glass Industry

**HNG Global GmbH**, subsidiary of Indian Hindusthan National Glass & Industries Ltd., biggest glass producer of India, has invested in a glass production facility in Gardelegen, securing 150 jobs. Capacities shall be substantially expanded in the next two years. In addition to the US$ 86 million invested in the foundation of the company, Managing Director Wolfram Seidensticker announces further US$ 53 to 60 million to be invested in the following year.

### Packaging and Paper Industry

Chinese **Greatview Aseptic Packaging** (GA Pack) has invested US$ 66 million in its new facility in Halle (Saale) for the production of sterile material, generating 110 jobs. Peter Berggren, former Director of International Business at GA Pack, said: "We have come here and we intend to stay. We chose Halle due to its excellent rail and motorway connection, its proximity to the Leipzig/Halle airport, its qualified employees as well as the authorities in Saxony-Anhalt who endeavored to bid for the project in a professional and determined manner." **Zellstoff Stendal GmbH**, which belongs to the American-Canadian Mercer International Group, has invested US$ 53 million in its plant in Arneburg to expand its production plant and to purchase new steam turbines. Zellstoffwerk Stendal GmbH is the largest and technically most advanced manufacturer of NBSK (Northern Bleached Softwood Kraft) market pulp in Central Europe. Besides this, Zellstoff Stendal operates the largest biomass power plant in Germany with a power performance of 100 MW.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SITE SELECTION INVESTMENT PROFILE: **PENNSYLVANIA**

# One Big Greenhouse

## Pennsylvania offers an entire ecosystem for life sciences firms looking to thrive.

In February 2011, GlaxoSmithKline signed a 15.5-year agreement with Liberty Property Trust to lease a new $82-million facility now being built at Five Crescent Drive at The Navy Yard in Philadelphia. The company will consolidate 1,350 employees at its "workplace of the future" this year.

Image courtesy of GSK and Liberty Property Trust

by ADAM BRUNS
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Iroko Pharmaceuticals was little more than a seed five years ago. But it planted itself in two of the most fertile growth media for life sciences: Greater Philadelphia and the Commonwealth of Pennsylvania. On Dec. 12, it achieved full bloom with a new global headquarters, and sought to seed the future at the same time.

The new facility at Navy Yard Corporate Center in Philadelphia is the seventh sustainable building to be developed in the complex by the team of Liberty Property Trust/Synterra Partners, and is designed to accommodate about 180 employees at maximum capacity.

"The city is a wonderful place for the life sciences because of its highly educated work force and research infrastructure. Our management team hails from around the world, and we choose to be in Philadelphia," said Osagie Imasogie, senior managing partner, Phoenix IP Ventures, and chairman of Iroko, at the groundbreaking in Sept. 2011.

The DNA of Pennsylvania life sciences criss-crosses companies, the Commonwealth and scientific history itself. Imasogie and Iroko President and CEO John Vavricka both have had international experience at GlaxoSmithKline. Vavricka also worked for Chiron and helped manage parts of that company's merger with Novartis. GSK is currently moving into its own new building at Navy Yard, beginning this month.

Novartis, meanwhile, announced in August 2012 that it is partnering with the University of Pennsylvania to build a first-of-its-kind Center for Advanced Cellular Therapies (CACT) on the Penn campus in Philadelphia, contributing $20 million toward a venture which will bring full circle the 1960 discovery of the Philadelphia chromosome, the first description of a chromosome abnormality that causes cancer.

On the same day as its grand opening, Iroko announced its own new relationship with Penn, as the company funded the creation of a new science scholarship program for area public high school students. "Our new partnership with Penn is part of our ongoing commitment to invest in local education, helping to support and build future community leaders," said Imasogie.

Jones Lang LaSalle's annual 2012 Life Sciences Cluster Report, released in January 2013, highlighted Philadelphia's rise to fifth place nationally. "Philadelphia's institutions have fed the region's 432,000 jobs and $20.2 billion in life sciences earnings," read the report, "accounting for nearly 15 percent of the city's economic activity."

Statewide in 2011, even with a slight dip from the recession, life sciences continued to employ over 79,000 people, with wages of over $8.1 billion. The number of firms representing the industry increased by 13 percent from 2,024 in 2008 to 2,279 in 2011, driven by the addition of 300 firms (24 percent) in the category of research, testing and medical laboratory. The average salary in the field? $90,267.

Celebrating its 50th anniversary in 2013, University City Science Center in Philadelphia has seen more than 350 organizations graduate since its inception. The average salary at graduate companies is $89,000, and $64.5 million in tax revenue is contributed to the city and state annually by graduate and resident organizations. One current resident firm is Optofluidics, shown above. In early 2011, the center helped the firm attract $50,000 from BioAdvance, a life-sciences investment fund backed by the Commonwealth of Pennsylvania. Optofluidics was named Philadelphia Life Science Startup of 2012 by the Philadelphia Chamber of Commerce.

Photos courtesy of University City Science Center

## Rich Environment

"From our world renowned research institutions like University of Pennsylvania and University of Pittsburgh, to the early-stage companies that get their start here like Carmell Therapeutics in Pittsburgh, to mature and global pharmaceutical companies in Southeast PA, we are developing the drugs, vaccines, devices and diagnostics that are saving lives and improving the quality of life globally," says Pennsylvania Gov. Tom Corbett.

The infrastructure for such an ecosystem has many parts, from the Pennsylvania Dept. of Community and Economic Development and the Governor's Action Team to the Life Sciences Greenhouses in Pittsburgh, central Pennsylvania and Philadelphia to the universally acclaimed Ben Franklin Technology Partners program. Those partners, says Corbett, "help to fill the gaps required to take an idea and make it a company."

Cadence, Inc., a contract manufacturer of surgical devices, specialty blades and needles based in Staunton, Va., is currently renovating a leased facility in Cranberry Township, outside Pittsburgh, in preparation for an April opening.

"We looked at a number of different regions, and people within our network," says Pittsburgh native Alan Connor, president of Cadence. Those candidate locations included Boston, Minneapolis-St. Paul, Northern California, North Carolina and parts of Texas, as well as the firm's existing locations in Virginia and Rhode Island.

In the end, the affordability of the medical device environment, availability of talent in the field and the particular team members Connor wanted led him to Greater Pittsburgh, where the company will create up to 60 new jobs.

"We know the educational infrastructure in the region to be excellent," he says, "likewise with the skilled work force."

Back in the Philadelphia area, ViroPharma President and CEO Vincent Milano joined Gov. Corbett in Sept. 2012 to announce the company would expand its

**Sean Race (left), CEO of XiGo Nanotools, meets with Pennsylvania Gov. Tom Corbett in XiGo's laboratory in the Ben Franklin TechVentures² Business Incubator located at Lehigh University.**

complex at Eagle View Corporate Park in Exton, in Chester County, adding 151 new, high-paying jobs to its existing payroll of 188. Milano, the current chair of Pennsylvania Bio, has seen his firm grow through several generations of workspace, but says this may be the last: "We've designed it so we have plenty of room to expand if we need it."

Milano didn't venture to look outside the area. Even so, the project has benefited from the involvement of the Governor's Action Team, which he connected with through the Chester County Economic Development Council.

"That allowed us to get access to some capital to fund part of the fit-out," he says, contingent on ViroPharma's commitment to create new jobs. Milano calls it an "exceedingly positive experience, including the governor himself. We were nervous we'd be caught in a conundrum where, because we weren't threatening to leave, we wouldn't get the funds." Instead, he says, DECD "treated us with the respect we deserve as a company that wants to stay here, and they were very responsive in that regard."

Milano says his location offers proximity to officials in Washington, D.C., as well as to the investment community in New York. But the optimum proximity continues to be to the talent.

In essence, the area is the state in microcosm, when it comes to a unique blend of infrastructure, institutions and talent designed to support life sciences. From research to manufacturing, says Gov. Corbett, "Pennsylvania is uniquely positioned to offer the entire bioscience ecosystem in one location." ▼

This Investment Profile was written under the auspices of the Pennsylvania Department of Community & Economic Development. For more information, visit *www.newpa.com* or call 1-866-466-3972.

# The Trust Belt

## How the Midwest overcame a shifting economic landscape to win prized headquarters projects.


Photo courtesy of Domino's Pizza

by RON STARNER
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With Upper Midwest cities like Cleveland and Ann Arbor recently winning significant headquarters projects, it may be time to rebrand the region with a new moniker: the "Trust Belt."

Increasingly, corporate executives seeking space for administrative operations are finding the locations they want in Ohio, Michigan and other Midwest territories.

**Alexander Mann Solutions** and **Domino's Pizza** did, and their executives say that forming bonds of trust with state and local leaders was crucial.

In the case of Alexander Mann, a U.K.-based global recruitment services company, the selection of Cleveland as the company's first-ever North American headquarters marked a watershed moment for the city, the state of Ohio and the Midwest region.

Cleveland, whose economy was rocked following the historic downturn of the Big Three auto-makers, beat out rapidly rising Raleigh, N.C., to claim the crown jewel from London.

Mark Jones, global head of client services for Alexander Mann, says Cleveland won the project following a search that took the company to multiple sites in Florida, Texas, North Carolina and Ohio.

"We felt the most wanted in Cleveland," says Jones, whose firm was founded in

**Domino's Pizza is expanding its corporate headquarters in Ann Arbor, Mich., which has served as the home base of the worldwide pizza chain since its founding in 1960.**


1996 and now employs 1,800 people globally. "Everything they did in Cleveland made it so easy for us. I went from keys to a fully functioning office in four weeks."

Alexander Mann leased 6,000 sq. ft. (557 sq. m.) of temporary space in the Tower at Erieview in downtown Cleveland, where it has hired 25 people. The firm is still seeking 25,000 sq. ft. (2,323 sq. m.) of permanent space for a Cleveland operations center that could employ 300 workers and generate an annual payroll of nearly $13 million within three years.

"We looked at the schools and the universities in the area," Jones says. "We felt we could find the right people to support our business. We were given incentives as well, and that helped seal our decision."

The entire deal came together very quickly, notes Mary Cierebiej, director of business attraction for Team Northeast Ohio. "With less than two-weeks' notice, a team including Jobs-Ohio, Team NEO, the Greater Cleveland Partnership and the City of Cleveland orchestrated a no-holds-barred site visit and networking event to convince the company of our region's economic vibrancy," she says. "Team NEO brought together a group that included business owners, HR directors, universities, young professionals and economic development organizations to showcase our talented work force and demonstrate the collaborative business environment."

Alexander Mann CEO Rosaleen Blair commented in September that her company was "love-bombed" into selecting Cleveland over Raleigh, which appeared to have won the project until an 11th-hour effort persuaded the firm to consider Northeast Ohio.

"Frankly, we were impressed with everything we saw in Cleveland," Jones adds. "The available office space and the ability of the community to respond quickly to our needs really sealed the deal."

## Domino's Falls in Place

The folks at Domino's Pizza LLC are saying the same things about Ann Arbor. The company announced in October that it would expand its 200,000-sq.-ft. (18,580-sq.-m.) headquarters by 10 percent and add at least 30 jobs to its work force at the Domino's Farms Office Park facility. The firm also renewed its lease for another 10 years.

With profits up nearly 18 percent in 2012 and the company growing to more than 10,000 stores in 70-plus countries, Domino's needs to hire more workers to keep up with the rapidly increasing sales.

"With growth comes the need for more space," says Tim McIntyre, vice president of communications for Domino's. "Today, whenever we get our 500-plus world resource team members together, which we do once a quarter, we have to rent off-site space at a local hotel or conference center. We'd like to have the space to accommodate us without having to go off-site."

Founded in Ann Arbor in 1960, Domino's moved to its current location in 1985. "Ann Arbor is a remarkable community and we love it here," says McIntyre. "We're a Michigan-born company and Michigan is where we're going to stay."

A detailed analysis of cities around the country shows that the Midwest stacks up very competitively in one key component of headquarters locations decisions: costs.


**John Boyd, principal of The Boyd Company**

A recently completed site selection study by The Boyd Company Inc. in Princeton, N.J., shows that the Midwest offers some of the most affordable locations for corporate headquarters.

In a comparative study of 50 U.S. and Canadian head office markets, the most affordable U.S. market was Indianapolis, followed by Charlotte, Cincinnati, Richmond and Kansas City. Columbus, Ohio, ranked eighth.

Other affordable Midwest locations included St. Louis, Milwaukee, Cleveland and Detroit, with Cleveland ranking as the 18th most affordable market in the country and Detroit ranking 20th.

Canada is even more affordable, with Halifax, Edmonton, Winnipeg and Calgary ranking as the four least expensive headquarters markets in all of North America. The most expensive markets in North America, according to Boyd, are New York, San Jose, San Francisco, Nassau-Suffolk, N.Y., and Newark, N.J.

"The huge savings on health-care costs in Canada right now are a big factor," says

John Boyd, principal of The Boyd Company. "And the costs gap with the U.S. on health care is about to get even wider with the passage of Obama Care. The corporate world wants some type of relief on these escalating health-care costs, and right now they are finding that cost relief in Canada."



### Costs, Air Service are Key Factors

They're also finding it in Midwest markets like Indianapolis, Cincinnati, Columbus, Cleveland and Detroit. "Indy-Carmel, Indiana, is now one of the premier office markets in the country," says Boyd. "Indy has very good air service. In fact, most of the leading cost-competitive headquarters markets have good connections for air service. Davie, Florida, in Broward County is within 45 minutes of the Fort Lauderdale and Miami airports, and it is also a university town. It is emerging as a prime regional head office option within South Florida."

Boyd notes that in the Midwest, hot markets for headquarters space right now include Deerfield-Schaumburg, Ill.; Ann Arbor, Mich.; Dublin, Ohio; Overland Park, Kan.; Chesterfield, Mo.; Carmel, Ind.; and Bismarck-Mandan, N.D.

"Ann Arbor is short-listed often as a regional head office option in the Great Lakes Region," says Boyd. "The University of Michigan, which bought the former research facilities of Pfizer, is a leading economic force in Ann Arbor, especially in the life sciences and medical sectors. The corporate head office sector is led by Domino's Pizza and Flint Ink Corp. Like New Jersey, Michigan is improving its tax structure to become more business-friendly. It recently joined Indiana as a right-to-work state in the industrial Midwest."

Boyd says he is also high on Dublin and Carmel. "Dublin is a prime suburban office market within the Columbus metropolitan area," he says. "Its head office sector is led by Wendy's, Cardinal Health and IGS Energy. Nationwide Insurance, headquartered in Columbus, is another major office employer in Dublin."

Carmel, he notes, "is the fastest growing office market within the Indianapolis metropolitan area. Located in popular Hamilton County, Carmel is its largest community and its new city center displays a new urbanism." ▼

### A Comparative Operating Cost Analysis of Corporate Headquarters Locations in North America

***NOTE:*** *Operating costs are scaled to a hypothetical 100,000-sq.-ft. corporate head office employing 500 workers. Study by The Boyd Company Inc.*

**MOST Expensive Headquarters Locations**

| | Location | Total Annual Operating Costs |
|---|---|---|
| 1 | New York, N.Y. | $47,169,579 |
| 2 | San Jose, Calif. | $46,564,314 |
| 3 | San Francisco, Calif. | $46,179,879 |
| 4 | Nassau-Suffolk, N.Y. | $44,319,489 |
| 5 | Newark, N.J. | $43,363,124 |
| 6 | New Brunswick, N.J. | $42,248,411 |
| 7 | Stamford, Conn. | $42,198,739 |
| 8 | Irvine, Calif. | $42,123,294 |
| 9 | Los Angeles, Calif. | $42,097,846 |
| 10 | Boston, Mass. | $41,985,904 |

**LEAST Expensive Headquarters Locations**

| | Location | Total Annual Operating Costs |
|---|---|---|
| 1 | Halifax, Nova Scotia | $32,854,402 |
| 2 | Edmonton, Alberta | $32,886,701 |
| 3 | Winnipeg, Manitoba | $33,397,152 |
| 4 | Calgary, Alberta | $35,192,475 |
| 5 | Indianapolis, Ind. | $35,653,841 |
| 6 | Charlotte, N.C. | $35,908,948 |
| 7 | Ottawa, Ontario | $35,939,147 |
| 8 | Cincinnati, Ohio | $36,198,075 |
| 9 | Richmond, Va. | $36,248,356 |
| 10 | Kansas City, Kan.-Mo. | $36,347,161 |

Photo courtesy of HDR Architecture, Inc.; © 2011 Chris Humphreys

# Powering Florida

**Re-energized with a new website, resource center and special discount rate, FPL bolsters community efforts to facilitate expansion projects around the Sunshine State.**

by RON STARNER
ron.starner@siteselection.com

When **Cheney Brothers Inc.** needed room to expand, **Florida Power & Light Company** delivered not just the electricity but also the deal-sealing resources that made sure the company kept its food distribution business growing in its home base of Florida.

Thanks to FPL's help, Cheney is adding 300 jobs at a $100-million, 250,000-sq.-ft. distribution center in Punta Gorda, just off Interstate 75 near Fort Myers. The expansion continues the Riviera Beach-based company's 88-year tradition of doing business in the Sunshine State.

Bill Foley, president of Cheney Brothers, said that FPL's special discounted economic development rate helped make the expansion decision an easy one.

"FPL has played an integral role in our project," says Foley. "The special economic development rate allowed us to get in and set up our systems."

FPL, headquartered in Juno Beach, offers an economic development rate for commercial and industrial businesses. The discount is available to new or expanding customers that add at least 350 kilowatts of new load and add 10 new jobs per 350 kilowatts of added load. In the first year, eligible business customers receive a 20 percent discount on their electric rate. In year two, the discount is 15 percent. In year three, it is 10 percent; and in year four, it is 5 percent.

If the eligible business customer is expanding in commercial or industrial space

Photos courtesy of Florida Power & Light Co.

**FPL is investing more than $3 billion to modernize the 1960s-era oil-and-gas-fired Cape Canaveral, Riviera Beach and Port Everglades power plants into high-efficiency natural gas energy centers that will be 33 percent more efficient and 90 percent cleaner. Combined, the plants are projected to save customers more than $1 billion in fuel and other costs during their operating lifetimes while also dramatically reducing emissions and helping to ensure system reliability. The Riviera Beach Clean Energy Center, shown here under construction, is scheduled to open in 2014.**

that has been vacant for more than six months, the discount increases to 25 percent in the first year and 20 percent in the second year. Following that, the discount drops by 5 percent a year and goes through year five.

**Lynn Pitts, director of economic development, FPL**

FPL's new economic development rates can potentially save a 350-kW business customer an additional $9,500 to $12,000 in the first year — a savings that helps offset startup, expansion or moving costs for many Florida businesses.

"We already have the cheapest rates of any of the 55 electric utility companies in the state," says Lynn Pitts, director of economic development for FPL. "Our rates are very competitive with Georgia Power, Alabama Power and Santee Cooper in South Carolina. This new economic development discount rate will only make us even more competitive."


Photo courtesy of FPL

**Eric Silagy presents PoweringFlorida.com to Governor Rick Scott with FPL Director of Economic Development Lynn Pitts and VP of External Affairs and Development Pam Rauch looking on.**

Since launching the new rate program last year, FPL has signed agreements with six expanding companies that are creating a total of 287 new jobs. In addition, FPL has 12 pending agreements that could lead to another 1,500 full-time jobs being created by growing firms in the state.

The special rate is but one of several new programs that FPL is rolling out around Florida to make it easier for businesses to grow. A new website and resource center — accessible at PoweringFlorida.com — are also aimed at helping site selectors find just the right location for their company in Florida.

## A Clean Fleet and a New Attitude

The largest electric utility in Florida and one of the largest rate-regulated utilities in the U.S., FPL serves about 4.6 million customer accounts and employs approximately 10,000 workers across 27,000 square miles in Florida. FPL's typical residential customer bills are about 25 percent below the national average.

FPL's footprint is extensive, serving 35 Florida counties, stretching from Nassau County (north of Jacksonville) in the northeast to the southern tip of Miami-Dade County and from the Atlantic Coast west to Bradenton-Sarasota. FPL also operates 40 power generation units around the state, generating a total of 23,722 megawatts of net capability. It purchases another 2,078 MW, giving FPL a system-wide total of 25,800 MW in Florida.

FPL's power generation portfolio is also very clean … combining nuclear, natural gas, solar and other fuels.

Pitts says that FPL wants to be known for its economic development track record as much as its green portfolio performance. "We need to diversify our economy and recruit new businesses to offset the effects of the next recession," says Pitts. "We need to compete with North Carolina and Texas and how aggressive and responsive they are to get deals done on projects."

That's why FPL launched PoweringFlorida.com earlier this year, notes Pitts. "Our new website and resource center feature a sites and buildings database, and a comprehensive community profile database, that are unmatched anyplace else," he says. "The site selection consultants that we interviewed extensively before launching this product told us that those two things were the two most critical resources needed on an economic development website."

The collection of research tools on PoweringFlorida.com — which are available for free to all participating Florida communities — is exhaustive. The site features a Corporate Inventory section that includes an extensive database of companies, complete with contact information, for each county in Florida. A Location Factor Matching Tool enables economic developers to rate their communities on how closely they measure up to site selector-determined industry location standards.

Other components include a Regional

**Eric Silagy, left, is president of FPL. Gray Swoope is secretary of commerce of Florida and president and CEO of Enterprise Florida Inc., the state's official economic development agency.** Photo courtesy of FPL

Evaluation section, Regional Profile Comparison, Expansion Alerts, and access to data from GIS Planning and EMSI.

FPL also plans to launch a certified sites program, adds Pitts. "Our community readiness program will include an element for site certification," he notes. "The main thing we want everyone to know is that we are here to support the efforts of the state and the local economic development organizations to bring more business to Florida and to help existing Florida employers grow."

Eric Silagy, president of FPL, says that "Florida has a lot to offer. We have no state income tax. We are a right-to-work state. We have a well-educated work force. We have great companies in technology, aviation and biosciences. We have a modern transportation infrastructure of ports and rail and highways. And we have the lowest electric rates in the state — rates that are more than 25 percent below the national average."

## 'You Can't Just Rely on Government'

Silagy stresses that FPL is not replacing the economic development efforts of Enterprise Florida or the local communities. "Our job is to try to make those folks as successful as possible," he says. "Our goal is to provide them with the necessary tools and information to help site selectors understand the tremendous attributes that Florida has to offer. Two years ago, I challenged my team and said, 'What can we do to help move Florida forward?' You can't just rely on government and then complain when it doesn't work. The private sector has to step up, and that is exactly what we are doing."

Florida, however, must change its approach to economic development, Silagy says. "For many decades, Florida relied on organic growth. We relied on moving vans moving people south to Florida to ensure that we grew our population and our economy at 3 to 4 percent a year," he says. "But now we live in a global, competitive environment. We compete for workers with Canada, Venezuela, Europe and other places around the world."

Silagy believes that FPL's investment into new, robust tools for economic development — like the PoweringFlorida.com website and resource center — "will help us compete on the global stage."

There is ample evidence that FPL's investment is already paying off. Around the state, corporate facility expansion projects are being announced in FPL's service territory at a steady clip.

In Manatee County on the south side of Tampa Bay, **Air Products** announced plans to expand its LNG heat exchanger manufacturing capacity by constructing a second factory at a new location next to Port Manatee. Air Products completed the purchase of 32 acres for the project in November and plans to open a new 300,000-sq.-ft. plant by 2014, employing 250 workers within four years.

"This site has exactly what we need and we are excited to get started," said Sandy McLauchlin, general manager of Air Products' LNG engineering and manufacturing. "We appreciate greatly the efforts of the Bradenton Area Economic Development Corp. and local and state government officials in finding this location and for their support."

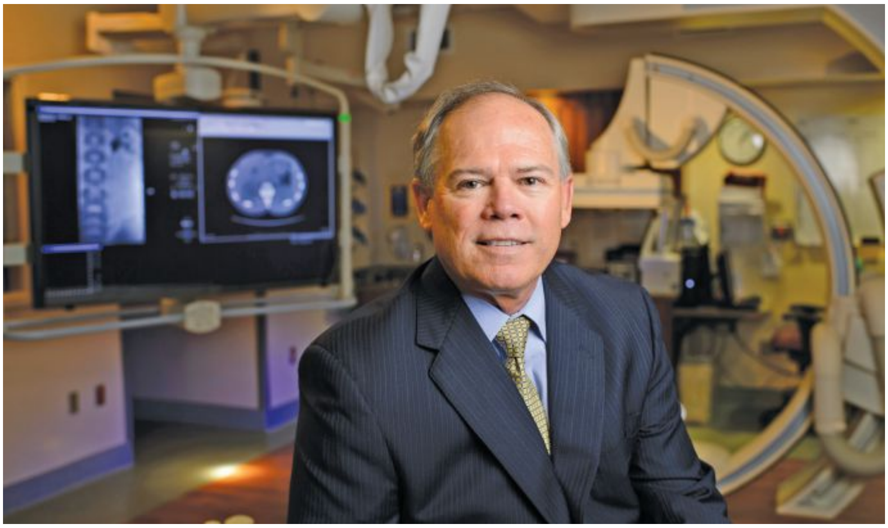
The Bradenton Area EDC worked closely with FPL officials in identifying the site and facilitating the expansion agreement. "Air Products was a competitive project that we worked very hard to win and we won the deal," says Sharon Hillstrom, president and CEO of the Bradenton Area EDC.

In Port St. Lucie on Florida's East Coast, **Martin Health System** celebrated the "topping out" of the 90-bed Tradition Medical Center in October. Once fully operational by next January, the 201,184-sq.-ft. hospital will create more than 400 jobs. About 1,000 construction workers will be employed during the $110-million building project.

"The economic development discount rate was definitely a plus," says Mark Robitaille, president and CEO of Martin Health System. "We needed to reduce our capital costs and our operating costs.


Photo courtesy of Cheney Brothers

**Cheney Brothers, an 88-year-old food distribution business in Florida, is building a new 250,000-sq.-ft. distribution center in Punta Gorda. FPL's special economic development discount rate is providing an energy cost savings that is helping Cheney Brothers expand.**



**Mark Robitaille, president and CEO of Martin Health System, says the FPL economic development rate is making it easier for MHS to build and operate a new 90-bed hospital in Port St. Lucie.** Photo courtesy of Martin Health System

This special rate from FPL provided a reduction for five years on our energy bill. It was a significant benefit to us. This is a community, non-profit health system here in Martin County. We employ 3,400 associates, and FPL's assistance helps us hire and retain many workers."

**Mann Research**, meanwhile, is developing a 45,000-sq.-ft. office building next to Tradition Medical Center. "We are leasing 25,000 square feet from them for our administrative offices and clinical research staff and our physician offices," says Robitaille.

In a joint venture with Health South, Martin Health System is also building a new rehabilitation hospital in Martin County at the firm's South Hospital. The 34-bed facility will be 46,000 sq. ft. upon completion and employ 100 workers when it opens in May.

Robitaille says he senses a new spirit of teamwork on the economic development front in Florida. "One of the key things is that there is a community-minded spirit when it comes to attracting quality businesses to the area," he says. "Look at the history of **Torrey Pines**. They looked at many locations across the country. Everyone here came together to offer whatever assistance they could to make them feel welcome and help them be successful. They expedited the permit approval process for them. We are small enough to be able to collaborate, but large enough to provide a high quality of life."

At **Nova Southeastern University** in Hollywood, Fla., the school took advantage of the special FPL discount rate to build and open a new $50-million Center of Excellence for Coral Reef Ecosystems Research, the largest facility of its kind in the country.

The center created 22 new academic jobs and 300 construction jobs. It also employs 50 graduate students and retains 22 existing academic jobs.

"We are grateful for this discounted rate because savings in operational expenses translates into an increased ability to keep our tuition competitive for our students and conduct research activities that help benefit society," said NSU President George L. Hanbury II.

> **"Two years ago, I challenged my team and said, 'What can we do to help move Florida forward?'"**
>
> *— Eric Silagy, president of FPL*

A startup glass door manufacturer, **Aldora Aluminum and Glass Products**, was actually the very first customer to take advantage of FPL's special economic development rate. The company invested more than $1 million to open its business in a 65,000-sq.-ft. facility in Broward County.

"This is a tough business climate, and the timing of this new rate was perfect for us," said Leon Silverstein, co-owner of Aldora. The firm began with 28 employees and plans to add 40 more workers within a year.

## Looking for FDI from Europe

FPL isn't just looking to help Florida businesses expand; it's also got its sights set on Europe. With the help of Michael Krüger of PlanB Consulting GmbH in Berlin, Germany, FPL is aggressively getting into the business of attracting foreign direct investment.

"I will be assisting FPL with lead generation in Europe," says Krüger. "The new online resource center will provide intelligence on growing companies across Europe who might be interested in evaluating Florida as part of their globalization strategy. The first thing we do is identify those companies that are looking to expand in the U.S."

Krüger, who has been involved in site selection in Germany since 2002, specializes in helping European-based firms find the optimum locations for their businesses in the U.S.

Krüger says his goal is to make contact with 1,000 European companies that fit the industry targets of FPL and Enterprise Florida over the next 12 months. "We will focus on companies in the aviation and life-science sectors," he adds. "We will then see how their requirements fit with what Florida has to offer."

Krüger says he plans to travel to meet with companies in Italy, Spain, Switzerland, Scandinavia, Germany, the U.K. and the Benelux region. "Those are the core countries that are interested in Florida," he says.

"Our prime interest is to support the strategic goals of FPL and Enterprise Florida," he adds. "Florida is a very attractive destination right now for many European companies. It offers an extremely attractive climate, and it is very competitive on costs. We expect this program to be a huge success for FPL and for everyone who's focused on bringing more industry and jobs to Florida." ▼

This Investment Profile was prepared under the auspices of **Florida Power & Light Company**. For more information, contact Crystal Stiles, economic development project manager for FPL, at 561-694-4112, or by email at *Crystal.Stiles@FPL.com*. On the Web, go to *www.PoweringFlorida.com*.

# How to Herd Cats

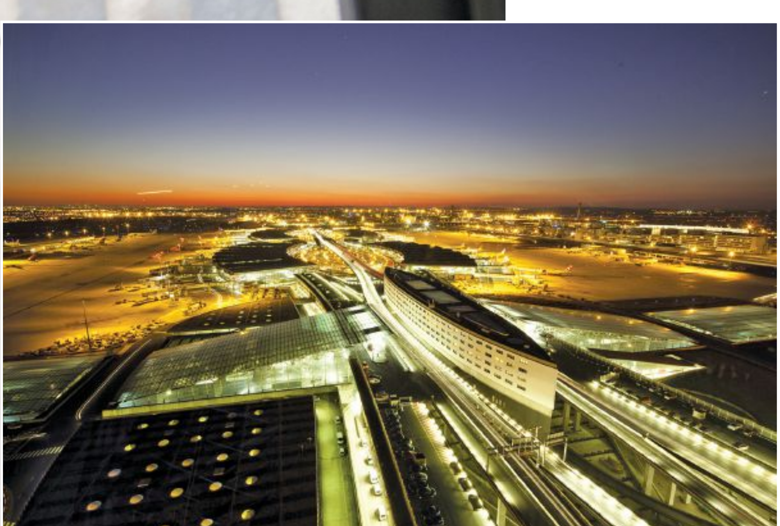
***Hubstart Paris helps investors make sense of the Greater Roissy area's vast network of company resources.***

by MARK AREND
mark.arend@siteselection.com

The region around Paris Charles de Gaulle Airport — Greater Roissy — has figured out a way to coordinate and advance the overlapping agendas of nearly 30 public and private entities. The common denominator is business attraction and a mutual interest in putting Paris' Airport City in a class of its own. But how? The answer is Hubstart Paris, a partnership brand created to facilitate the settlement and growth of international companies in the area.

**Elisabeth Le Masson, delegate for sustainable development at Aéroports de Paris and member of the Hubstart Paris Board of Directors**

"Of course, it is a challenge to work together, with nearly 30 partners — territorial collectivities, state and economic development agencies, companies, chambers of commerce, public land planning offices, competitiveness clusters and associations," says Elisabeth Le Masson, delegate for sustainable development at Aéroports de Paris and member of the Hubstart Paris Board of Directors. Here's how it works: "A Board of Directors, chaired by the vice-president of the Paris Region Regional Council, decides the strategy; an executive committee, representing all stakeholders, proposes and implements actions. There is one action leader for



**Paris Charles de Gaulle Airport, the centerpiece of this airport city, has transport links from the terminals and on-site Sheraton Hotel (foreground) to destinations throughout the region.**

Photos courtesy of Hubstart Paris

each mission, and project groups are created on an ad hoc basis in order to implement our main actions — trade shows, prospecting missions, business tours of the Greater Roissy, for example.

"Some commissions are dedicated to a specific subject, for example the Sustainable Airport Area committee, which organizes each year the Sustainable Airport Areas International Seminar," Le Masson elaborates. "'The commissions together fuel the strategic vision. Since 2009, when Hubstart Paris was launched, we have learned to work together and to trust each other. As you can see, our Alliance works in an organized and very operational manner. Working together, as one team, we are stronger, and more effective. Each year, more than 30 actions are carried out by Hubstart Paris."

### Alliances for a Competitive Edge

In January 2011, Hubstart Paris formed an alliance with Aerotropolis Europe™, Paris to collaborate on global marketing of the assets at and around Paris Roissy-Charles de Gaulle International Airport. Aerotropolis Europe, Paris assembles a dozen business players located within an area combining the sectors from two local authorities around Paris Roissy-Charles de Gaulle international airport.

**Vincent Gollain, chief economic development officer at the Paris Region Economic Development Agency and coordinator of Hubstart Paris**

Since December 2009, the association has been actively promoting the area's economic growth abroad and enhancing its image, especially through the creation of substantial business links with airport centers in the United States at Memphis (America's Aerotropolis), and in China at Guangzhou (Asia's Aerotropolis). The alliance was designed "to strengthen their relationship so as to more intensively put forward the assets of Greater Roissy internationally in the face of competition from other airports, and to conduct together operational initiatives to boost job-creating economic growth throughout the local authorities' sectors," explained a jointly issued press release.

More partnerships are now in place between Paris Charles de Gaulle and U.S. and Chinese airport cities, under-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*ProLogis*

**"Relocation helped grow our workforce and product advancements. We received great support from the DFW development team."**
*Sikorsky*

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*Arizona Tile*

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*Perot Development*

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scoring an emerging trend surrounding cross-border airport alliances designed to benefit investors in both markets — the Dubai and Dallas-Ft. Worth International Airport foreign trade zones inked such a deal in March 2012.

A memorandum of understanding was signed in Pudong (China) on November 7, 2012, between Jean-Claude Dutilleux, chairman of the Paris Region Economic Development Agency, on behalf of the Hubstart Paris alliance, and the chairman of the Shanghai Free Trade Zones Administration, under the auspices and in the presence of Jiang Liang, mayor of Pudong District. The aim of the agreement is to encourage foreign companies to set up and expand around the two major hubs of Shanghai Pudong and Paris Charles-de-Gaulle, thus creating jobs in companies whose economic growth is closely linked to their proximity to the airport. The MOU is similar to one it agreed to in 2011 with Hartsfield-Jackson Atlanta International Airport.



## Greater Than the Sum of Its Parts

Vincent Gollain, chief economic development officer at the Paris Region Economic Development Agency and coordinator of Hubstart Paris, makes the case that the Greater Roissy Paris-Charles de Gaulle airport area is one of the most attractive areas in the Paris Region. It attracted 32 foreign investment projects in 2011, he relates. The Hubstart Paris alliance will give those and yet-to-be-announced capital investors a single point of service for their many project requirements.

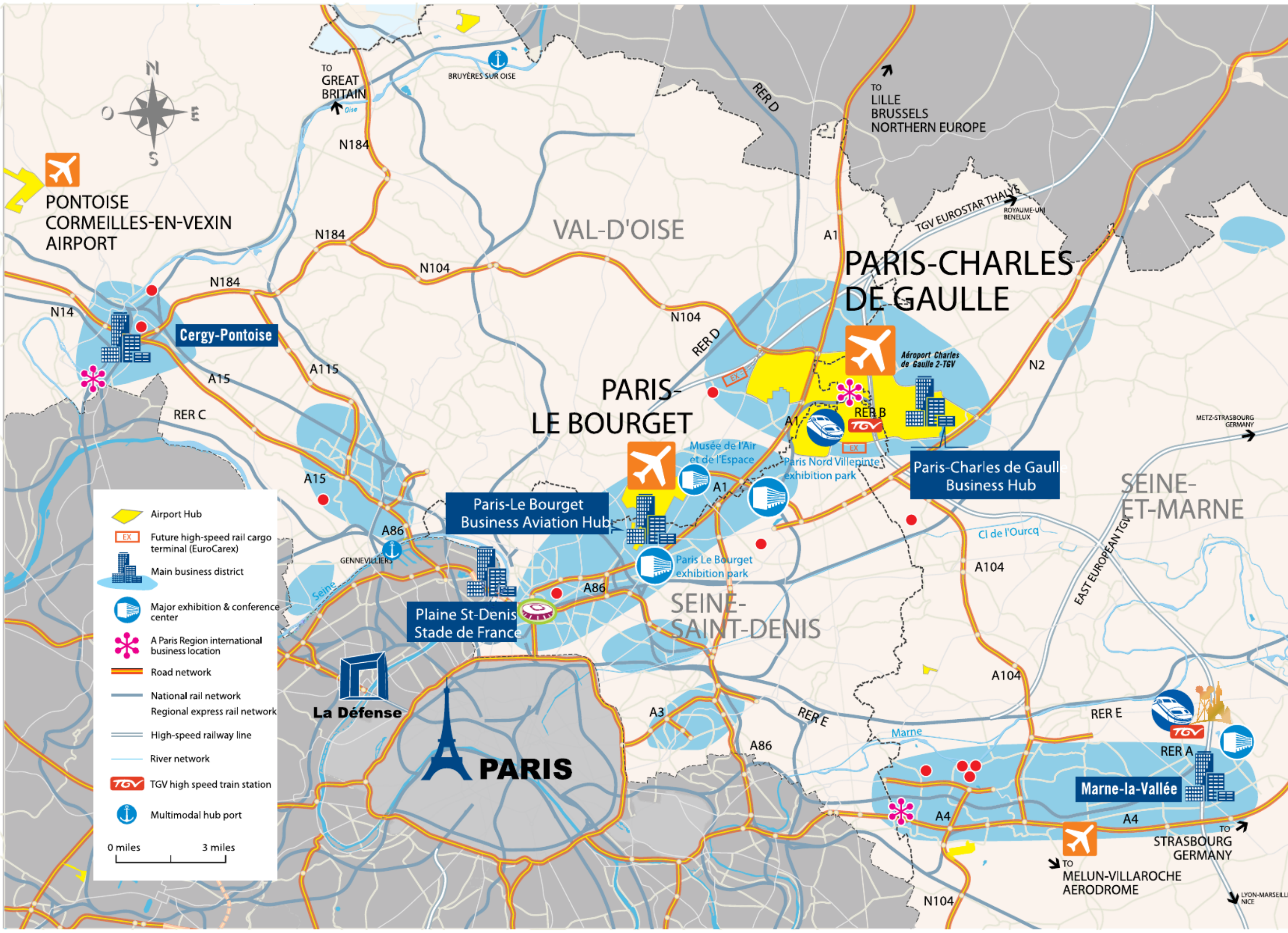
**Hubert Fontanel, real estate director at Aéroports de Paris**

"The attractiveness of the Greater Roissy is derived from the presence of a dense and comprehensive transport network — air, rail, river and road; an extended employment base; significant reserves of land at attractive prices; and sectors of excellence in, for example, aeronautics, freight logistics, business aviation, safety and security, corporate tourism and corporate events," says Gollain. "These new business set-ups, which show a rise compared to 2010, are also the result of various promotional and canvassing campaigns."

How does Hubstart Paris fit in?

"The Hubstart Paris alliance offers a wide range of free, confidential and bespoke services to companies seeking to expand, move or set up their business in the Greater Roissy Airport Area. We provide all the information, support and advice required to assist their business and to maximize their potential in the Paris Region, in France and Europe." Hubstart Paris offers ongoing support as they develop their businesses, connecting them to an extensive network of contacts to create investment opportunities when they set up their business in the Greater Roissy Airport Area.

Companies will find a broad range of




work space in Greater Roissy, says Gollain, from incubators, such as the Hubstart Paris Center located at the heart of Paris CDG International Airport offering flexible contracts tailored to specific needs, to business parks, logistics zones and office zones in and around the airport.

"Hubstart Paris is larger than the Airport City itself," says Hubert Fontanel, real estate director at Aéroports de Paris. "It concerns the whole area around the airport — the Greater Roissy Airport Area, which is one of the most dynamic clusters in France and in Europe."

And one of the most connected. Fontanel cites the following logistics attributes unique to this region:

- Paris-CDG is a leading hub: 7th in the world and 2nd in Europe for passengers; 6th in the world and 2nd in Europe for cargo and mail;
- Paris Le Bourget is 1st in Europe for business aviation;
- High-speed railway network (TGV);
- Intermodal connectivity with the Seine axis and the future Seine-Nord canal;
- Direct accessibility to the core city center;
- Major automatic train project, the "Grand Paris Express."

Key business sites include Roissypole, the international business district of the Airport City, at the heart of Paris-CDG Airport, which hosts many international companies in its 229,000 sq. m. (2.4 million sq. ft.) of office facilities. "Many new projects are scheduled for completion at Roissypole in the years ahead, including offices and hotels," says Fontanel.

Convention and tourism sites include the International Trade Center project: a 13-hectare (32-acre) integrated business and convention complex, the only one of its kind in Europe; at 85,000 sq. m. (914,962 sq. ft.), Aéroville will be one of the largest shopping malls in the Paris Region. There is room to grow, says Fontanel. "There are still significant development and redevelopment capacities both on the airport and in the Airport Area." ▼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# MIA Unveils Details of Its $512m Airport City Project

Miami International Airport has officially announced the latest details of its planned airport city development.

The project includes the development of 33 acres at the gateway into a hospitality centre, business park and convenience centre which will be known as "Airport City at MIA".

Anchored by a four-star hotel linked to the terminals, up to one million square feet of class-A office space and a convenience retail plaza, the airport city will straddle the Central Boulevard entrance to MIA and its parking garages.

Led by Odebrecht USA, as part of a public-private partnership (PPP), the development will cost $512 million to complete, creating around 5,800 jobs with an economic impact of $827 million.

Furthermore, once completed, the airport city is expected to create 10,000 permanent (direct and indirect) jobs with an economic impact of $1.63 billion per year, according to a study by the Washington Economics Group.

The project consists of three major components:

- A $141 million hospitality centre — including a 425-room, four-star hotel and conference centre.
- A $359 million business park — featuring corporate office space with 150 to 300-room limited-service hotel accommodations, retail and restaurant facilities, and new MIA Mover station.
- A $12 million convenience centre — to include convenience retail, dry cleaner, gas station, pet hotel/spa and other services.

Speaking at Miami-Dade County's annual State of the Ports briefing February 13, José Abreu, director of the county's aviation department, which owns and operates MIA, said: "Airport City will put our airport on the global map in ways

BY STEVEN BROOKE

never before dreamed possible.

"In my opinion this is truly a transformational moment in the entire history of all US air transportation."

Odebrecht will finance the entire $512 million project and in return will run the new facilities for 40 years with the option of extending the agreement for 10 more.

During the length of the agreement Odebrecht will pay rent and a percentage of operating revenues to the county, which could amount to $580 million over the 40 years.

Gilberto Neves, CEO of Odebrecht USA, said: "What really drives our passion for this unique project is the opportunity to create a significant impact on our community through thousands of jobs.

"Also, by literally creating new commercial uses on what is today vacant land, and connecting them to the mass-transit lines, we will create a sustainable array of community benefits that will prosper for generations to come."

Odebrecht said it would build the hospitality and convenience centres first, while securing interest in the business park, and the entire project is expected to take five to seven years to complete once construction begins.

Previous airport city plans at Miami International Airport have included transforming it into a medical tourism hub and an energy plant. Both of these ideas, however, have since been scrapped.

The development contract with Odebrecht is expected to be presented to the county's Transportation and Aviation Committee in March and shortly after to the Board of County Commissioners for final approval.

*— Dominic Welling, editor*

## Qatar Unveils Airport City Plans

The State of Qatar has announced plans to transform the area around the country's new Hamad International Airport into an Airport City, in a bid to capitalise on the commercial and business opportunities offered by the gateway.

According to reports in the Qatari national daily the *Gulf Times,* the 10sqkm Airport City development is due to be completed over a 30-year period.

So far, the gateway's master plan consists of four "circular districts" which are connected by a "green spine", running parallel to Hamad International Airport's second runway.

The four zones will comprise a Business District, Aviation Campus, Logistics District and Residential District.

The *Gulf Times* reports that the first 10 years of the master plan will see the development of substantial parts of the Business District and all of the Aviation Campus.

The Aviation Campus will ultimately house the headquarters for Qatar Airways and the Civil Aviation Authority.

A statement from the airport said: "The project demonstrates Qatar's tremendous potential and its unique approach to development, while also providing the flexibility required to support its inevitable future growth."

Meanwhile, the Business District will be centred on a new "Terminal Complex" that will contain a second terminal for the airport and a train station for Doha with the potential for both a metro and long distance rails.

Qatar already plans to have a second terminal at the new Hamad International Airport in time for hosting the FIFA World Cup in 2022.

The new $15.5 billion Hamad International Airport — previously known as New Doha International Airport (NDIA) — will start operations on April 1.

Operated by the national carrier Qatar Airways, the gateway is expected to accommodate 28 million passengers annually when it opens this year, increasing to 50 million after 2015.

*— Dominic Welling, editor*

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INVESTMENT PROFILE:
**TUNISIA**


Sidi Bousaid, Tunisia

# Tunisia, European Know-How at a Competitive Cost

**Tunisia's business-location case is solid, with a strategic location in the heart of the Mediterranean and a work force and work ethic that companies can count on to succeed.**

by MARK AREND
mark.arend@siteselection.com

This market of 10 million will not be deterred. Two years after its revolution, which sparked the Arab Spring, Tunisia is emerging as an island of economic stability, and even one of relative political stability. The protests of early February this year were a reaction to the assassination of a political leader, Chokri Belaid, who was a leading reformer and opponent of measures that would stymie efforts to make this Mediterranean nation an increasingly welcome destination for foreign direct investment (FDI). Even that event will not change the fundamental business case for a Tunisian location, as thousands of foreign companies doing business there can attest.

Let's address Tunisia's perception issue right away, then. In reality, Tunisia is home to a highly educated work force that takes enormous pride in its business and industry. Business owners in the capital city of Tunis, in Sousse, Sfax, Bizerta and other locations will tell you that even as the revolution of early 2011 took place, workers were at their jobs, protecting property and equipment and ensuring that business continuity would never be in jeopardy. Outside, forces of change will always be present. But inside, there is work to be done, orders to fill, customers to supply.

Business sectors benefiting from this work ethic include mechanical and electrical industries — mainly component suppliers to automotive and aerospace concerns, textiles and clothing, agricultural and energy enterprises. The vast majority of products built, grown or assembled in Tunisia are exported, mainly to European Union-based companies, but also to other European countries, the Far East and other destinations. Tunisia's proximity to Italy and France in particular, but to all of Europe, make it a nearby, low-cost location for not only transportation equipment sector suppliers, but also research and development functions. French is widely spoken in Tunisia, giving French companies the added bonus of language commonality, and English is widely spoken in the business community.

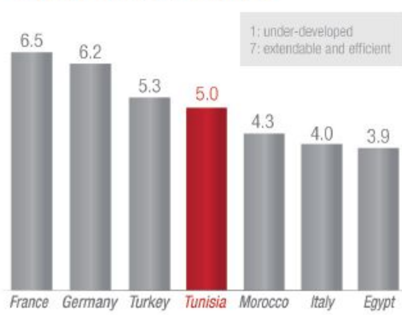
"FDI fell about 25 percent in 2011, due to investor sentiment following the revolution," says Mohamed Mondher Laroui, general manager of statistics at the Central Bank of Tunisia. "But in 2012, it came back in some cases to levels above where

**The Global Competitiveness Index 2011-2012**

| Rank | Country | Score |
|---|---|---|
| 6 | Germany | 5.41 |
| 18 | France | 5.14 |
| **40** | **Tunisia** | **4.47** |
| 43 | Italy | 4.43 |
| 59 | Turkey | 4.28 |
| 73 | Morocco | 4.16 |
| 94 | Egypt | 3.88 |

Source: 2011-2012 Global Competitiveness Report (WEF)

**Quality of infrastructure**




Source: 2011-2012 Global Competitiveness Report (WEF)

**A new, state-of-the-art airport, Enfidha-Hammamet International Airport, opened in 2009 about 80 km. south of Tunis.**

it had been in 2010, prior to the revolution." The manufacturing sector grew 61 percent, but there is general improvement in all sectors, he relates.

Is this growth sustainable, especially in light of recent events?

"Our growth and our sustainable development depend in large part on our openness to the world," says Abdellatif Hmam, chief executive officer at Tunisia Export (CEPEX). "We must take advantage of the geographical position of Tunisia as a natural, regional hub on the north African coast, which is more important after the revolution. Now more than ever, we can not rely on our own capacities, but we must build technology partnerships and financial partnerships and business partnerships with our key contribution being our geographic position." It is up to the government to recognize this and enact the appropriate policies to capitalize on this asset, he adds. Dubai has emerged as a key commercial hub in the Gulf region, because its rulers did just that, he points out. Singapore is another small country that has turned its size and strategic location to its clear advantage.

CEPEX is a key player in Tunisian companies' growth plans in as much as their internal market potential is limited, but their international potential is not. Hmam says that in 2012 there was a 50-percent increase in companies seeking assistance in growing their markets outside Tunisia compared to the previous year. Agribusiness investors would be particularly welcome in Tunisia as demand for locally grown produce increases in the Persian Gulf region, Eastern Europe and elsewhere, he notes.

Clothing and textiles is another growth sector as demand in Europe for goods produced regionally increases. "Companies in this sector want us to accelerate free trade negotiations with the United States," says Hmam, "because they are noticing that exports from Morocco, Jordan and Israel to the U.S. are growing. Morocco is offering free access to U.S. markets, and we must do the same.

"Our growth will be dependent on our openness to business," says Hmam. "We know we must invest in our technology and logistics infrastructure to have a role in the value chain, to make this small country open for business worldwide." If Tunisia's highways, airports, seaports and economic zones are any indication, its infrastructure has seen plenty of investment.

Tunis-Carthage Airport is just 8 kilometers from the capital city, and a new, state-of-the-art airport, Enfidha-Hammamet International Airport, opened in 2009 about 80 km. south of Tunis, near Sousse and other tourist destinations.

## Access to Europe Couldn't Be Easier

Free zones can be found in Tunisia's south, catering to energy-related concerns, and at Bizerta on the north coast, which is a key commercial gateway to European markets and the Mediterranean region. Tunisia is home to 10 existing technology parks, and 14 are under construction. The Bizerta Economic Activities Park (BEAP), a free trade zone on three sites (two are 30 hectares, and one is 21 hectares), opened in 1993 as a public-private partnership for promoting investment in Tunisia. Park administration serves as a one-stop shop for operators situated there, assisting in permitting procedures, building authorizations, work-force recruiting and liaising with local agencies, among other functions. Customs representatives are on site at the park, facilitating export activities, and the latest in security technology is in place throughout the park.

BEAP is just 60 kilometers from Tunis by highway and affords easy access to European seaports. Bizerta has an industrial heritage of 200 years and is known for its supply of labor. As of February, 82 projects were resident in the park, representing 57 industries, including pleasure boat manufacturers, electronic components for cars, textiles and garments, food processing, iron and steel metallurgy, packaging, call centers and software development. Aeronautics and pharmaceuticals are among the more recent sectors represented at BEAP. Companies that employ 100 to 150 workers per hectare occupied and invest on average €2.5 million are considered ideal candidates for a BEAP location.

More than 5,300 people work at the park, where approximately $500 million has been invested to date, 95 percent of which is foreign direct investment mainly from Italian, French, Swiss and U.S. companies. Casco is a U.S. automotive supplier that makes electronic power outlets and wire harness assemblies for BMW and other manufacturers at BEAP's Menzel Bourguiba location, where it employs 400. Beji Baligh, financial controller, says the Bizerta site is a low-cost solution with plenty of available labor and fast delivery options to its European automotive customers.

Similarly, Italian die casting specialist Taurus '80 opened a plant at Menzel Bourguiba in 2008 to produce zinc alloy


components used in automotive manufacturing at a lower cost than at its plant in Grosso Canavese, Italy. Plant manager Alessandro Buiati says the company plans to expand at the site to take on more production volume, given the location's clear cost advantages.

## Engineers in Abundance

In Tunis, STMicroelectronics opened a design center for R&D at the El Ghazala Pole technology park, because it could find engineers in better supply than it could in France, and at a level of technical expertise that was comparable, says Hichem Ben Hamida, director. "There is no problem finding engineers here in Tunis," he relates. An initial staff of eight has grown to 220 engineers in the past several years, now occupying three buildings at the technology park. The team conducts R&D on semiconductors, hardware and software, acting as an extension of ST's southern France operation. Transit between Tunis and Marseilles is quick and easy, and the language commonality makes the Tunisian center a natural fit, he points out.

ST is immune from turnover issues at the moment, says Ben Hamida, as the rate of new companies coming to Tunis for R&D talent dropped off following the revolution in 2011 and a European business climate that is hampering companies' expansion plans. "I have engineers here with 10 years' experience, though the average is five to seven years," he notes. "Each year we hire about 20 additional people."

Why Tunisia is not better recognized as an R&D center is not clear to Ben Hamida, because the higher education resources are plentiful. "The majority of engineering professors have years of corporate lab experience in Europe and the U.S. So language skills in the R&D community in Tunisia are superior, which benefits companies here greatly." A bigger benefit, he adds, is the fact that the cost of the R&D talent in Tunisia is one third the cost of the same talent in Europe

Ardia produces 3 million to 4 million electronic boards per year for European automotive companies at a factory in Tunis where it employs about 800. "The parent company, headquartered in Toulouse, France, had two needs — an increase in production and more R&D," says Walid Rouis, general manager. "The strategy was to create a really dedicated R&D center in a near-shore country. At the time, I had seen studies of Morocco, Tunisia and Turkey, all of which are not far from Toulouse. It was decided to locate the new site here in Tunisia for proximity to the headquarters. I can fly there in the morning for meetings in the afternoon, which is very convenient. Also we have the infrastructure here and engineering schools that are comparable to those in France in terms of the degree programs."

The company began operations in Tunis in 2005 with six engineers working initially on what Rouis terms repetitive and simple development tasks. Today, the site employs 184 engineers working all competencies needed for product development, including a mechanical department, a 30-person software development team and a group that works on embedded software for calculators in automotive components. The facility has become Ardia's most important, says Rouis, given the high volume of product made and the R&D capabilities that point to more growth. In fact, a new China operation was shut down and the work consolidated at Tunis due to high turnover, cumbersome training requirements and the distance from Toulouse.

"We have highly skilled, well-trained engineers here in Tunisia," says Rouis. "This is very important. We have the competencies. Second, we are well-equipped in terms of IT infrastructure — comparable to what you will find in India or China or Europe. And we can count on our employees being here for a long time, unlike in China or India where turnover is very

### Common Incentives

- Tax relief on reinvested profits and income up to 35% of the income or profits subject to tax.
- Customs duties exemption for capital goods that have no locally made counterparts.
- VAT limited on capital goods imports (1999 Finance Act provisions).

### Specific Incentives

- Advantages to fully-exporting companies
- Full tax exemption on exports-derived profits for the first 10 years and taxation at a low rate of 10% after this periode of ten years for the life of the company.
- Full exemption on reinvested profits and income.
- Duty free profits for capital goods including merchandise transport vehicles, raw materials, semi-finished products and services needed by the business.
- Possibility of selling on the local market: 30% of turnover for industrial goods and agricultural products, along with payment of applicable duty and levies. Totally exporting companies can sell a share of their production in the local market during the year 2012, within the limit of 40% of their turnover in exports realized during the year 2010.

high. You can invest in your people, your human resources here and know that they will provide return on that investment."

What should investors make of Tunisia's political situation?

"The Tunisian people, and my engineers in particular, are quite mature," says Rouis. "People here are very attached to stability and to having a good atmosphere. They are very much in favor of openness and steps that can be taken to encourage foreign direct investment. They want a healthy business environment. This is a country of services, and people know that their future is closely linked to the stability of the country."

## How To Beat U.S. Competitors

Eurocast, an aerospace components manufacturer, was established in Tunis in 2000 on the recommendation of a parent company in the U.S. that was under a cost-reduction directive from its main customer, General Electric, a leading commercial aircraft engine manufacturer. Another key customer is Woodward, based in Rockford, Ill. The company makes fuel injection systems made of cobalt and nickel alloys for the current generation of Boeing 737 commercial aircraft, among dozens of other parts, and is in line for work on the next generation engines now in development. Among the incentives of interest to the investor were Tunisia's 10-year tax exemption and duty-free import and export provisions. "We located in the most industrial area of Tunis because it is close to the airport and we did not want to risk not having an adequate supply of labor, especially in aerospace," says Adel Saoudi, director of operations. The population of qualified workers here is high." The company employs 140 directly at the Tunis site and another 40 indirectly.

The location is paying off handsomely, says Saoudi. It began work on the GE business with an order for just 20 percent of its order for the fuel injectors. It now has 100 percent, having competed successfully against PCC, a supplier in the U.S. "In 2011, our business was $9 million. In 2012, it was $14.5 million. This year, we will be $18 million, so we will have doubled in two years, taking business from a U.S. company."

GE would prefer to have the part built in Tunis and shipped to its engine plants in Massachusetts and Ohio, incurring higher transportation costs, than to have its competitor build the part in the U.S., Saoudi points out.

## FDI Set To Ramp Up

Tunisia has weathered two years of economic challenges — the revolution of 2011 and European economic contraction throughout 2012, and the European Union is Tunisia's chief trading partner.

"But foreign direct investment is doing extremely well," says Hichem Elloumi, President of the Electrical and Automotive Industries Federation (UTICA). "But this is due largely to privatization, not industry as much since 2010."

**The headquarters of FIPA, the Tunisia Foreign Investment Promotion Agency**

But Tunisia is very competitive, Elloumi argues, more so than Morocco and Eastern Europe. "We are always improving incentives for Tunisian and foreign companies, and the Ministry of Investment is right now preparing a new incentives program, which we are contributing input on." Simplifying investment procedures is a central part of this plan and of an effort headed by the IFC to improve investment conditions.

And its strategic location remains a central asset, he points out, with easy access to the European Union and all of the Maghreb — north Africa and its 90 million population — as well as a host of Arabic countries in close proximity. "We are in an excellent location, logistically speaking."

Elloumi says Tunisia will need to increase its visibility on the global investment stage, which it is doing, and will need to ensure social stability at places of employment and in general. To that end, UTICA helped compose a social contract between government, employers and unions. The goal is to make companies more competitive and their workers more content in terms of security and wage prospects. Workers and their employers will benefit. The government is addressing security, he notes, but U.S. companies that invest routinely in Mexico, Brazil and other markets would do well to weigh Tunisia's strengths in that area, which are relatively enviable.

"In my experience, there has never been a security problem for investors here," says Elloumi. Even before the constitution is finalized and a more permanent government is in place, all of which is scheduled to take place in 2013, investors will find a highly educated and motivated work force and low-cost investment climate.

"We are working to be more competitive with more growth and more employees using a system that will help companies be more productive. Tunisian and foreign companies we have shared this vision with have been very appreciative and supportive. We are in a transition period, but I am very optimistic about the future," says Elloumi.

FIPA Tunisia's director general, Noureddine Zekri, meets regularly with potential investors. His message, like STMicroelectonics' Hichem Ben Hamida, is clear: "Tunisia delivers European know-how at a competitive cost." ▼

This Investment Profile was prepared under the auspices of the **Tunisia Foreign Investment Promotion Agency**. For more information, contact Mokhtar Chouari, international marketing director, at (216-71) 75 25 40, or visit *www.investintunisia.tn*.

# Brain Trust

**For insights into global biotech and pharmaceutical industry location issues, it helps to enter a conversational clean room.**

by ADAM BRUNS
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**Even as it moved its corporate headquarters from the 13th arrondissement to the 8th arrondissement in the heart of Paris (bottom photo), Sanofi's biggest moves are taking place in emerging markets, where the company on Feb. 7 reported a nearly 7-percent increase in sales, led by double-digit sales growth in Latin America, Asia and the Middle East, and total sales surpassing €1 billion for the first time in Africa and in the Middle East. Pictured (from top) are pharmaceuticals manufacturing sites in Ain Sebâa, Morocco; Thu Duc, Vietnam ; and Sao Paulo, Brazil.**

Photos by Daniel Rousselot, Renzo Gosteli/Rapho, Dung Vo Trung/Interlinks Image, and Eric Larrayadieu/Interlinks courtesy of Sanofi

Site Selection in early February hosted a roundtable conference call with a select group of corporate real estate and facilities pros from some of the most powerful biopharma organizations in the world, who spoke on condition of anonymity.

Asked where they're seeing the most progressive policies being implemented in support of life sciences industry growth, one noted, "We're seeing this within the Americas, specifically Canada, as it relates to housing late-stage clinical staff in country, with significant tax incentives. That has impacted some of our decisions."

Support from Québec has helped vaccine firm Medicago, which announced, one day after the roundtable discussion, that Investissement Québec had agreed to a three-year extension of the maturity date of its 2003 loan made under the BioLevier program, in exchange for a piece of the company.

Another roundtable participant highlighted the attention his company is giving to the Asia Pacific, especially China, where a change in national healthcare that extends benefits to more of the populace makes for more of a benefit than a risk in the eyes of some biopharma companies.

Another manager cites one Asia-Pacific city-state in particular: "In Singapore, we've had very good encouragement with tax incentives and activities."

Has new legislation influenced location strategy? Participants were nearly universal in observing that the Affordable Care Act in the U.S. is a "grin and bear it" situation, due to the importance of the U.S. marketplace. Also, it remains to be seen whether such developments as the new 2.3-percent medical device excise tax are balanced out by the promise of 30 million new customers and expedited FDA review procedures.

Data on buildings and properties in most locations is now at a high level, but other emerging spots on the globe still lag when it comes to the availability of detailed information about real estate and facilities.

"With respect to Latin America," said one corporate executive with global responsibilities, "Even though there is more work there, we still have a hard time getting accurate information from resources down there."

## Together and Apart

One pattern evident in project data is change in how corporate functions and divisions are organized. Some firms are centralizing, some are decentralizing. Some campuses are becoming more specialized, while others appear to be incorporating more functions in order to instill collaboration as well as control costs.

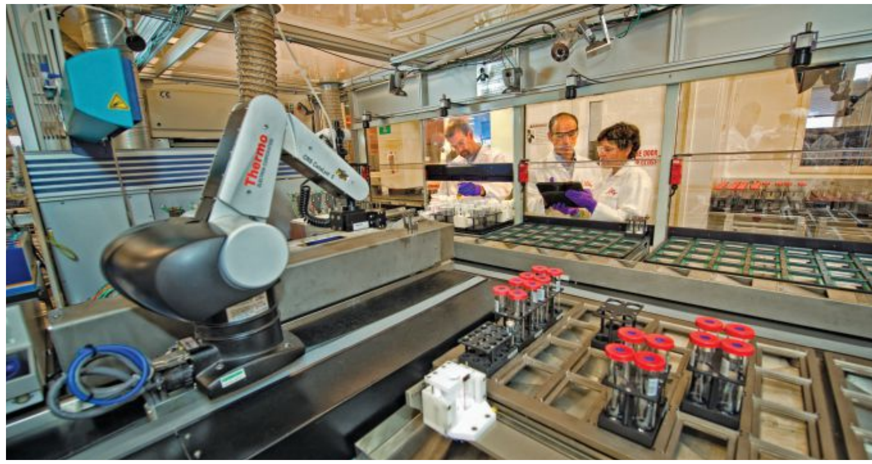
An executive from one company that's reeling in divisions toward its main campus says, "We feel that by bringing those other parts of the company onto campus, we gain a knowledge base and a mass of talent that we've been missing out on because we've been separated geographically. And economically, since we still have quite a bit of space to build on, it's still cheaper to build on land we're paying for than go out and purchase additional office space. So we are beginning to cluster the different parts of the organization within major campuses."

Another multinational is going the opposite direction, and streaming different functions out from its main sites. Roundtable participants agreed that company culture plays as big a role as cost specifics and square footage in determining which approach is best. They also sounded a note of caution about multifunctional facilities.

"From an asset disposition perspective, large multifunctional sites can be very challenging," says one executive. "We're being very strategic in how we set them up. Office, sales and marketing are flexible and dynamic. Manufacturing and R&D sites are siloed."

Environmental issues unique to life sciences — animal health sites, for example — add to a unique list of site challenges when shutting down a location, including decommissioning and decontamination. "A lot of times," says one experienced executive, "you're not going to find a like-kind user. And it gets expensive when you have to take the place apart, or even demolish. Depending on what the use was, you may have to scrap it, or clean it to an acceptable standard where it can be reused."

Some of those headaches are being removed by the increasingly superior workspace and campuses purveyed by such REITS




**With the slogan "Global Innovation for Value Creation," Chorus, an autonomous unit of Eli Lilly and Co. aimed at cost-effective drug discovery and development, operates on a virtual model that includes some 200 provider partners covering much of the globe, including Lilly's own labs (pictured).**

as Biomed Realty and Alexandria.

"We're just finishing up a lease on space in California with BioMed," says one executive. "It's an attractive way to get in when you don't want to go through the expense of building a facility, and an attractive way to get in fairly small. We'll see more of that as we continue to partner with small start-ups. It gives us flexibility. We can just take space in the existing building, sign a fairly short-term lease, and if the product takes off, great, we can move it to an owned facility. Those organizations will come to have a prominent place in our business."

Indeed, partnering with institutes and with academic institutions continues to be a prime avenue to the leading life sciences location factor: talent. Cambridge, Mass. (with Harvard, MIT and Mass General nearby), and San Diego, Calif. (with the Salk Institute, Scripps and UCSD, among others), are stars in this universe.

"We're working right now with a university on a new product," says a roundtable participant. "We don't have the corner on the market when it comes to R&D. If we can partner with universities, it just makes us stronger."

"With my previous employer, that's why we went to the innovation hubs," says another. "With the advancements in biology, they wanted to be in those hotbeds. For the company I'm with now, some of their development is in Europe in a university setting. You follow the talent."

## R&D (R)evolution

Since so much of that talent is entrepreneurial in nature, several collaborative workspace models have made their debut recently. In some cases these centers can even help solve some of those asset disposition headaches.

"As part of the disposition of our Montreal facility, we formed a public-private partnership with the Quebec government and a couple of local startups," says one roundtable participant.

Other examples include the Chorus virtual lab concept from Eli Lilly & Co. and Pfizer's Centers for Therapeutic Innovation at four dedicated labs in Boston, New York City, San Francisco and San Diego. From the healthcare side, United Health Group's Optum subsidiary in January joined with Mayo Clinic to launch OptumLabs, which they describe as "an open, collaborative research and development facility with a singular goal: improving patient care."

The launch location for OptumLabs? Cambridge, Mass. — the beating heart of a Greater Boston area that was again recognized this year by Jones Lang LaSalle's annual "Global Life Sciences Cluster Report" as the No. 1 cluster in the nation.

Another example is blooming on formerly under-utilized Johnson & Johnson property in San Diego, where the company's Janssen Labs operation (which includes J&J's own R&D center) just celebrated its first anniversary in January. The idea is no-strings-attached workspace and equipment provision for entrepreneurial biopharma firms.

Janssen Labs offers singular bench tops, modular wet lab units and office space on a short-term basis, allowing companies to pay only for the space they need, with an option to quickly expand when they have the resources to do so. Companies residing at Janssen Labs also have access to core research labs hosting specialized capital

**Diego Miralles, M.D., is head of Janssen West Coast Research Center, a Janssen Labs operation on formerly underutilized Johnson & Johnson property.**

equipment and shared administrative areas. Janssen lab space and space occupied by the tenants is carefully separated by magnetic doors.

Diego Miralles, M.D., head of Janssen West Coast Research Center, says the biggest hurdle at the outset was convincing people Janssen really meant what it said.

"People said, 'No, tell the truth. What's the catch?' he says. "The open approach is really one of the biggest elements of its success. Entrepreneurs like to be free, and if you constrain those choices, they are not interested. They have other options."

Janssen R&D does not take an equity stake in the companies occupying Janssen Labs, and the companies are free to develop products either on their own, or by initiating a separate external partnership with Janssen or with any other company. Miralles says the goal is to make the site "the best place to start a biotech company in the world. I would say by the testimonials we have, we are going that direction."

Eighteen companies have been accepted into the space since it launched, from a pool of applicants that numbers more than 200. While several hail from the San Diego life sciences hotbed, they also come from Louisiana, Michigan and North Carolina, as well as Mexico and Italy.

One firm already has graduated to a larger building in the region, after doubling in size and then outgrowing Janssen's capacity. Miralles expects the number of tenants to grow to 20 or 22 by this spring.

Providing a professional level of management was critical, unlike at some incubators where the basic message is "Good luck, here's your bench, and call the fire department if you have problems," says Miralles. Prescience International, which also manages an operation in San Jose, Calif., provides that level of professionalism, which includes thorough training of the tenants in everything from hazmat to legal to equipment maintenance. The deal with Janssen even includes corporate communications.

"It's all provided for in your lease," says Miralles, so the companies' focus is on value creation.

Asked how the site pays for itself, Miralles explains that it's not a real estate play. While most incubators are after being full and generating revenue, "Our goal is to have it *meaningfully* full, with projects from good companies."

Asked if he's looking for other places to take the Janssen concept, he says, "Indeed. We want to build on our brand." The scope of his research is global, and it's open to partnerships with other organizations.

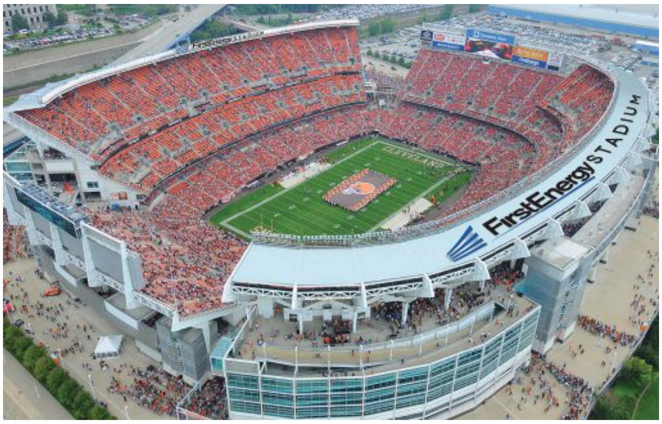
"I'm looking at places where innovation is very active," he says. "You want the place to be thriving, full of energy, creating a real ecosystem." ▼

SITE SELECTION

# Annual Directory Of Utilities

Following is Site Selection's annual directory of U.S. utilities. The full global directory is available online at *www.siteselection.com*. Updates may be sent to Karen Medernach, editorial database manager, at *karen.medernach@conway.com*.

**PLEASE NOTE:** Advertisers within the past year are listed in **boldface**, while those advertising in this issue are shown with a **colored box**. The **blue entries** indicate IAMC member companies.




Rendering courtesy of FirstEnergy

**In January, FirstEnergy and the Cleveland Browns announced the team's home will now be renamed FirstEnergy Stadium. "By joining two Ohio traditions, this partnership and regional branding opportunity makes good business sense," said FirstEnergy President and CEO Tony Alexander.**

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www.progress-energy.com/
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**Columbus, OH 43229**
**614-846-5757**
**www.buckeye**
**power.com**

**Duke Energy Ohio/**
**Kentucky**
**Box 960, 575M**
**Cincinnati, OH 45201**
**513-419-5972**
**www.locationcincinnati**
**usa.com**

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**Akron, OH 44308**
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**www.firstenergycorp.**
**com/ed**

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Tulsa, OK 74119
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OG&E Electric Services
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Oklahoma City, OK 73101
405-553-3000
www.oge.com

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Portland, OR 97232
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www.pacificorp.com

Portland General
Electric Co.
121 SW Salmon St.
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Portland, OR 97204
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www.portland
general.com

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**Reading, PA 19605**
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**corp.com**

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**Moncks Corner, SC 29461**
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Mail Code 027
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Columbia, SC 29201
803-217-9000
www.scana.com

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**Columbia, SC 29201**
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**www.scpower**
**team.com**

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Rapid City, SD 57709
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**Nashville, TN 37229**
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**www.tvaed.com**

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866-237-8933
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Houston, TX 77210
713-659-2111
www.centerpoint
energy.com

CPS Energy
Box 1771
San Antonio, TX 78296
210-353-3776
www.cpsenergy.com

Entergy Services, Inc./
Gulf States Utilities Co.
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Beaumont, TX 77701
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Mountain Power
201 S. Main St., #2200
Salt Lake City, UT 84140
801-220-4358
www.rockymountain
power.net

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Power Corp.
163 Acorn Lane
Colchester, VT 05446
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power.com

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540-985-2623
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**Richmond, VA 23219**
**804-771-3406**
**www.dom.com**

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**Cooperative**
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**South Boston, VA 24592**
**434-570-1300**
**www.mbc-va.com**

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4301 Wilson Blvd.
Arlington, VA 22203
703-907-5670
www.nreca.coop

## WASHINGTON

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1411 E. Mission Ave.
Spokane, WA 99220
509-495-4174
www.avistacorp.com

Benton Rural Electric
402 7th St.
Prosser, WA 99350
509-786-2913
www.bentonrea.org

Puget Sound Energy
10885 NE Fourth St.
Bellevue, WA 98009
888-225-5773
www.pse.com

## WEST VIRGINIA

American Electric
Power Co.
Box 949
Beckley, WV 25802
304-256-4861
www.aep.com

**American**
**Municipal Power**
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**Columbus, OH 43229**
**614-540-0849**
**www.search**
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## WISCONSIN

Alliant Energy
4902 N. Biltmore Lane,
#1000
Madison, WI 53718
608-458-5753
www.midwestsites.com

We Energies
231 W. Michigan St.
Milwaukee, WI 53203
414-221-2345
www.we-energies.com

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Service Corp.
Box 19003
Green Bay, WI 54307
920-433-1627
www.wisconsin
publicservice.com

## WYOMING

Cheyenne Light
108 W. 18th St.
Cheyenne, WY 82001
307-638-3361
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Pacific Power & Light
2840 E. Yellowstone Hwy.
Casper, WY 82609
307-577-6921
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Puerto Rico
Electric Power Auth.
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San Juan, PR 00936
787-521-3434
www.prepa.com

***The full global directory of utilities can be viewed online at SiteSelection.com.***

# Many Happy Landings

International companies find Greater Fort Lauderdale to be a haven for headquarters operations.

by RON STARNER
ron.starner@siteselection.com

Above: Private Jet Charter selected Fort Lauderdale for its North American headquarters after a search that took the company to New York, Chicago and Las Vegas.
Photo courtesy of Private Jet Charter

**Private Jet Charter**, a London-based company that arranges upscale chartered flights for clients around the world, could have chosen virtually any major market in the U.S. for its North American headquarters.

The search for a U.S. home led the U.K. firm to Fort Lauderdale, where the rapidly growing company is establishing a regional headquarters that will facilitate its expansion throughout the continent.

"We were looking at several options — New York, Chicago, Las Vegas and other locations — and all of the most important site selection factors led us to Fort Lauderdale," says Hugh Courtenay, founder and CEO of PJC. "Fort Lauderdale has a very busy private jet airport. It has the second largest number of private jet movements in the U.S. That factor, combined with tax incentives and other desirable qualities, convinced us to locate our North American regional headquarters in Fort Lauderdale."

PJC is now one of more than 150 corporate, division and international regional headquarters operations that call Greater Fort Lauderdale home.

Courtenay tells Site Selection that Fort Lauderdale offered everything PJC was seeking in a permanent home base in America. "The airport here is very easily accessible, and the people who run it are very nice," he says. "We opened an office in the U.S. because we were getting more and more American business. We used to have staff that were on call in Europe almost 24 hours a day. We decided, after a nationwide search, to open an office in Florida, and we are looking to open one in California in a few years."

The folks at the Greater Fort Lauderdale Alliance CEO Council were especially helpful, notes Courtenay. "They were fantastic," he says. "They pointed us in the right direction in getting us into our new offices and getting us set up. From the real estate people to the lawyers, they assisted by connecting us to the right people at each step."

Courtenay adds that "our downtown location is a very good corporate area. A lot of high-net-worth individuals are in this area, and that is who we cater to."

PJC maintains offices in London, Dubai, Moscow and Nice, France. "We have six people working in the Fort Lauderdale office, but we are looking to expand the business here and grow," says Courtenay. "Our business is picking up. It takes a couple of years to make the right contacts, but we expect to grow rapidly since this area is a gateway to Latin America."

## A Global Gateway Emerges

They are saying the same thing at the Latin American headquarters of **Emerson**, a diversified manufacturing and technology company that recently announced its own expansion in Sunrise.

Emerson initially leased about 18,000 sq. ft. of space in Lake Shore Plaza II in July 2011. On Feb. 6, Emerson exercised its option to take an additional 9,500 sq. ft. and hire 20 new workers at an average annual wage of $96,000. The company will also invest about $400,000 into construction, remodeling and equipment.

"Latin America continues to be a major growth market opportunity for Emerson, and our U.S.-based executives here in Sunrise engage with our customers and our operations throughout Latin America," said Alex Blochtein, president of Emerson Network Power, Latin America. "The cost efficiencies achieved by consolidating our regional headquarters in Sunrise have been significant, and the ability to take advantage of direct air travel, proximity to a large number of Latin America-related companies and branch offices, enhanced collaboration among our businesses, and the availability of a large multi-lingual labor force made Sunrise a logical choice for our Latin America regional headquarters."

Blochtein noted that Enterprise Florida, the City of Sunrise and the Greater Fort Lauderdale Alliance CEO Council all played a role in facilitating the deal.

Emerson employs 16,000 workers at 30 manufacturing locations around Latin America. In 2012, the company registered sales of $1.4 billion in Latin America and $24.4 billion worldwide.

Also on the international front, U.K.-based **SmartWater CSI** made the decision to open its first-ever U.S. headquarters in Fort Lauderdale. The company moved into space last fall at 110 East Broward Boulevard and plans to have more than 100 employees there by mid-2014.

A company that has developed a revolutionary technology that deters theft and reduces crime, SmartWater selected Fort


**Emerson Network Power selected Fort Lauderdale for its Latin American headquarters and then quickly decided to expand the operation.** Photo courtesy of Stiles Realty

Lauderdale after considering locations in New York, Boston and other places on the East Coast.

"We settled on Florida primarily because of the attitude we encountered here," says Phil Cleary, founder and CEO of SmartWater. "We did a pilot test of our theft-deterrent system in Tallahassee in 2007 and achieved a 33 percent reduction in burglaries there. We were comfortable that our system would work in the U.S., and so we started looking at various locations in Florida."

SmartWater produces and markets an asset protection system that involves the application of a clear liquid that contains a unique forensic code that is extremely robust and guaranteed to last a minimum of five years in all kinds of weather. The firm's clients include Rolls-Royce, British Telecom and Shell, among others.

"While we looked initially at other cities in Florida, we honed in on Fort Lauderdale because the lines of communication here were very good," says Cleary. "The reception we received compared to other cities was the highest level we found in the whole state. The lines of logistics were very good here too, in terms of getting to and from the U.K., and the police chief in Fort Lauderdale embraced the new technology. The talent pool in Broward County in forensics and business was very good for our company, and that made it easy to locate here."

Cleary adds that "Enterprise Florida and the Greater Fort Lauderdale Alliance CEO Council were the catalysts for doing the deal. They gave us the confidence that, if we suddenly started expanding our business rapidly, we knew the infrastructure could handle it. I can't overstate the importance of that help."

## Style Matters, Says Clothier

Domestic firms are choosing Fort Lauderdale as well. **Astor & Black Custom Clothiers**, a leading direct-to-consumer clothing company, recently announced the relocation of its corporate headquarters from Columbus, Ohio, to Pembroke Pines in Broward County.

Astor & Black is creating 62 high-wage jobs and leasing about 22,000 sq. ft. at the Miami Herald Building at 2010 N.W. 150th Avenue in Pembroke Pines. The company is investing $1.475 million in capital expenditures for construction, renovation and equipment.

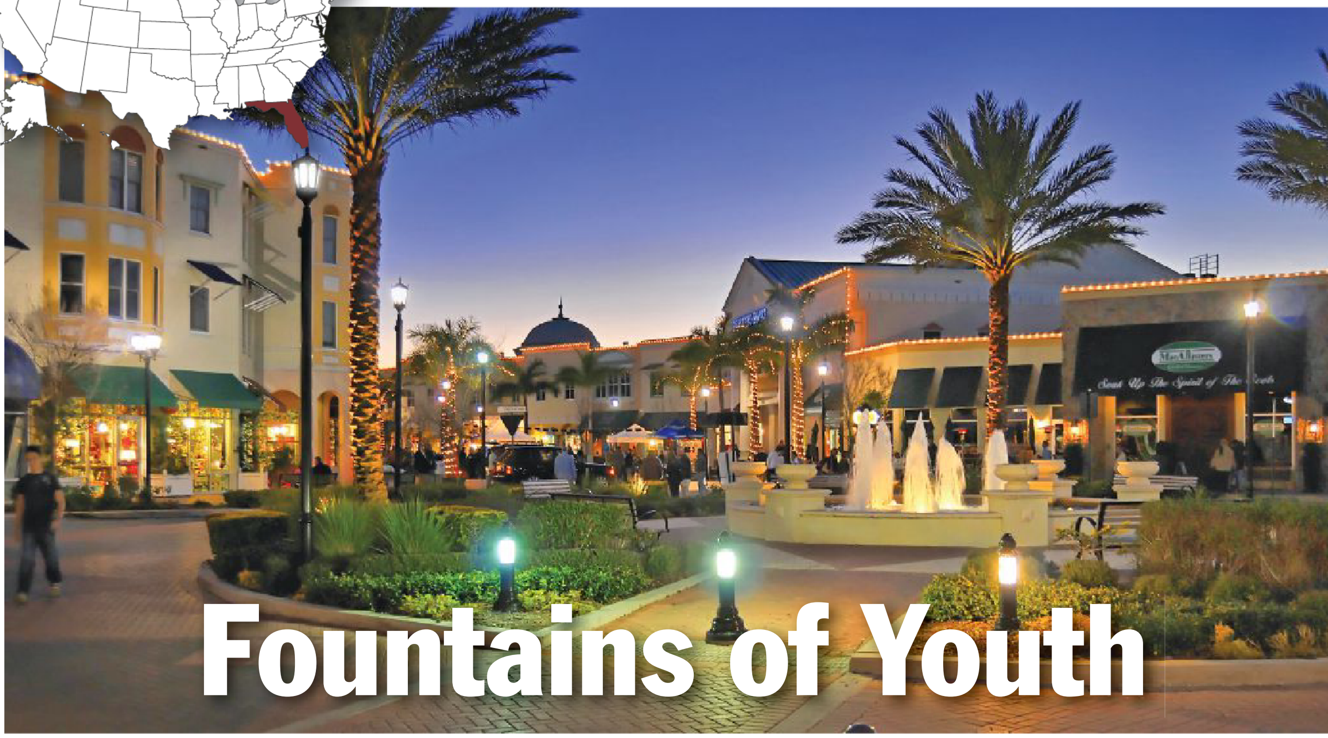
Richard Dent, CEO of Astor & Black, says the firm considered headquarters locations in Ohio, New York and Florida.

**Richard Dent, CEO, Astor & Black**

"We reached out to Enterprise Florida and it became a simple conversation," he says. "The level of aggressiveness of Gov. Rick Scott and Enterprise Florida was amazing."

The site search in Florida "came to Miami-Dade, Broward and Palm Beach counties," says Dent. "We wanted to be close to the airports in both Miami and Fort Lauderdale. When we met Robin Ronne [managing director of the Greater Fort Lauderdale Alliance CEO Council], that really sealed the deal. They took care of everything we needed. We chose Pembroke Pines because it is such a convenient location. There are a lot of hotels there, it is easy to get to fine shops and restaurants, and it is very close to the airports and all of the major highways." ▼

This Investment Profile was prepared under the auspices of the Greater Fort Lauderdale Alliance. For more information, contact Robin Ronne, managing director of the CEO Council of the Alliance, at 954-627-0126 or email him at *rronne@gflalliance.org*.
On the Web, go to *www.gflalliance.org*.



# Fountains of Youth

## Younger entrepreneurs lead a wave of investment in North Florida.

by RON STARNER
ron.starner@siteselection.com

**Main Street of Lakewood Ranch in Bradenton, Fla., is not the only place springing forth fountains in the Sunshine State. All across the peninsula, innovative ideas are coming from young entrepreneurs who are finding Florida to be a welcoming haven for business.**

Above photo courtesy of Bradenton Area EDC

Foreign investors, entrepreneurs and defense-related companies are transforming two once-sleepy North Florida markets from raw material-dependent communities into thriving high-tech centers of global commerce.

In Jacksonville and Pensacola, money is flowing into the local economy as younger entrepreneurs capitalize on a talented work force, a rapidly growing population base, and an influx of technology investment.

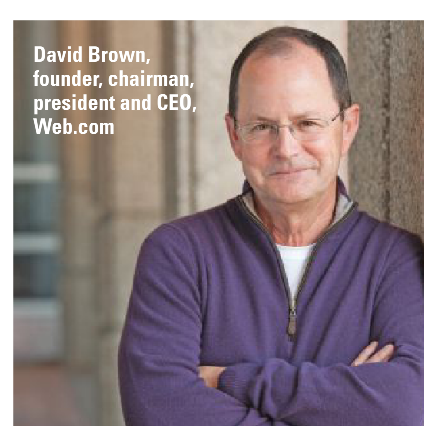
If agriculture, timberland management and paper mills once ruled the day in North Florida, the region more recently has been revitalized through a combination of research-driven innovation and progressive leadership.

David Brown — founder, chairman, president and CEO of **Web.com** in Jacksonville — says he could build his website development company virtually anywhere in the world, but he deliberately chose Duval County in Northeast Florida as the firm's home base.

"We are very fortunate," says Brown. "We serve small businesses, and that market is just beginning to embrace the Internet as a sales and marketing medium. We have added 300 people in the last 18 months in Jacksonville. We reside in a 120,000-square-foot office building on the south side of Jacksonville. We are only three years into our 10-year lease, and we are now taking on more space in an adjacent building. At the rate we are growing, we will take on more space in chunks."

Big chunks, apparently. Web.com more than doubled its 2011 revenues of $234 million to about $500 million in 2012, and it continues to experience rapid growth in the first quarter of 2013. The firm now employs 500 workers in Duval County and 1,400 more in additional locations around the country.

Web.com is getting more exposure, too, as evidenced by its recent sponsorship of



**David Brown, founder, chairman, president and CEO, Web.com**

the second-highest professional golf tour in the U.S. "We are now the umbrella sponsor for the Web.com Tour. It used to be known as the Nationwide Tour," says Brown. "It is the pathway for professional golfers to reach the PGA Tour. It gets our name out there. Our business now has over 3 million customers, and that number is growing every day.

"Our financial metrics show that our growth rate is accelerating," Brown adds. "That will continue for the foreseeable future. We focus on creating tools that make our employees more effective. We have no trouble hiring and retaining people here. Jacksonville has a good university system, and lots of graduates are looking for employment here. We hire a lot of recent college graduates."

Brown says he likes Jacksonville, a metropolitan area of 1.37 million people, for a number of reasons. "There are many technology professionals in Jacksonville because it is a pretty good place to live," he notes. "When we recruit executives from New York or Chicago or Washington, D.C., it is very easy to get them to relocate and come live here. Taxes are low in Florida relative to most of the states where our people come from, and Jacksonville has a lot of positive attributes — golf, tennis, boating, recreation of any kind — and we have a great airport."

Web.com has been based in Jacksonville since Brown founded it in 1999. "We survived during the difficult days following the burst of the dot-com bubble and took the company public in 2005," he says. "Almost all of the companies in our space failed during the burst, but we endured and are now stronger than ever."

## Grocer Produces in Jacksonville

Randall Onstead, president and CEO of **Bi-Lo Holdings LLC**, says his own firm is in growth mode following its recent acquisition of Winn-Dixie Stores Inc. Bi-Lo announced last March it would move the parent company headquarters from Greenville, S.C., to Jacksonville.

Taking advantage of more than $6 million in state and local incentives, Bi-Lo is investing $84 million to consolidate its headquarters in the Florida home of Winn-Dixie. "Jacksonville and Greenville were both considered, but Jacksonville was chosen for a number of reasons," says Onstead. "The state and local entities really worked well with us. They offered us incentives that helped us make the decision. Plus, we already had an infrastructure in place that could handle the new company in Jacksonville.

"Jacksonville also has a very good work force available to us, and the quality-of-life issues here are attractive to us in recruiting talent to our organization going forward," he adds. "Greenville is a wonderful place too, but Jacksonville became our first choice."

Following the merger, Bi-Lo now has 1,100 employees at the corporate headquarters and about 6,000 total workers in the Jacksonville area. The supermarket chain operates nearly 700 stores across the Southeast.

"We certainly intend to grow the business," Onstead says. "We have a lot of capacity in our existing stores, but we do want to grow the business through remodeling our stores, adding new stores and making further acquisitions."

Gray Swoope, secretary of commerce for Florida and president and CEO of Enterprise Florida, says that Gov. Rick Scott is committed to making the 19.2-million-resident Sunshine State an even hotter business climate for expanding firms like Web.com and Bi-Lo.

"We are one of the few states left with a tax on equipment. We want to eliminate it totally as we set a strategy for manufacturing," says Swoope. "We are doubling the amount of quick-response training for manufacturing jobs and asking to eliminate the sales and use tax on equipment."

The governor's goal is to create 700,000 new jobs for Floridians in seven years. "In our first year, 2011, we focused on building our key partnerships again — working with our economic developers around the state and letting people know that Florida can compete," Swoope says. "In 2012, we focused on external site selection audiences. We conducted seven international trade missions under Governor Scott and strengthened the tools in our toolbox. This year we are unveiling a brand strategy for Florida and coming out with a comprehensive sites database."

The latest project tallies show that Florida's new approach to economic development is reaping some big wins. From **Univision's** $274-million new headquarters in Doral in Miami-Dade County to **Verizon Communications'** $50-million financial services center in Lake Mary in Seminole County, Florida is attracting a bevy of both foreign and domestic capital investments.

## New Energy Revives Pensacola

A case in point is Pensacola, Florida's western-most metro area,

**"When we recruit executives from New York or Chicago or Washington, D.C., it is very easy to get them to relocate and come live here."**

*— David Brown, founder, chairman, president and CEO, Web.com*


**After Bi-Lo Holdings LLC of Greenville, S.C., acquired Winn-Dixie Stores Inc., based in Jacksonville, the newly combined company decided to consolidate the corporate headquarters of the merged entities at the existing campus of Winn-Dixie in Duval County, Fla.** Photo courtesy of Bi-Lo Holdings

**In addition to its sunshine and inviting beaches, Pensacola is home to a rapidly growing industrial base orchestrated by a progressive mayor and transplanted entrepreneurs.**

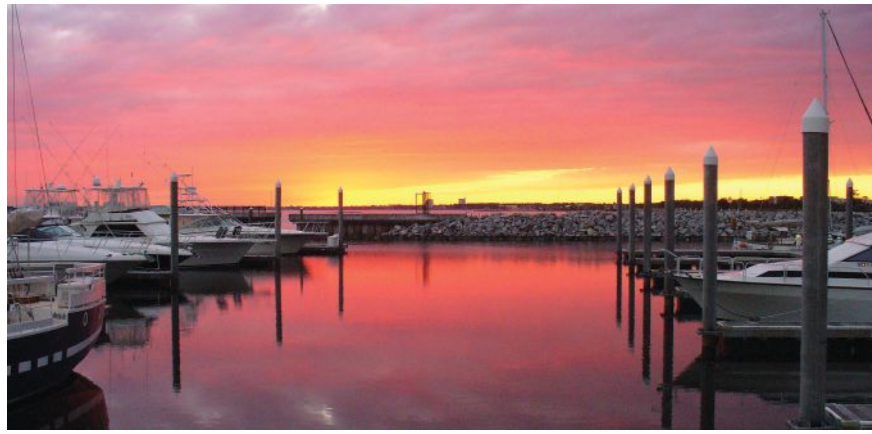


Photo courtesy of The Zimmerman Agency

where a combination of entrepreneurs and defense-related firms is changing the landscape of the regional economy.

The **Navy Federal Credit Union** is growing so fast in Pensacola that expansion is virtually constant. Since coming to Escambia County in 2003, NFCU has grown to over 2,800 employees in a four-building campus on the western outskirts of Pensacola.

"We are still growing," says Debbie Calder, senior vice president of the Greater Pensacola Operations of NFCU. "We added 644 jobs last year, and the year before that it was 447. We will add another 200 jobs in the first quarter of this year. Our continued membership growth in the credit union is driving this."

Calder says NFCU likes the 450,000-resident Pensacola MSA for many reasons. "Pensacola has a strong labor force, a good concentration of our own membership, land availability and affordability, and useful incentives," she says. "Jacksonville, Hampton Roads, Virginia, and Pensacola were the three finalists out of 75 sites that we initially considered all across the country a decade ago. We were so impressed with the available and hard-working work force here that we made a corporate decision to grow our business in Pensacola."

Calder points out that "all branches of the U.S. Armed Forces serve at the Pensacola Naval Air Station. A lot of dependents and retired Navy personnel work here too. That makes for an excellent labor pool for us."

Calder adds that NFCU has "a phenomenal relationship with the University of West Florida and Pensacola State College. They have both gone out of their way to show their value to us. We have several certificate programs with UWF, where they teach our employees right on our campus. We also have a tuition reimbursement program at Navy Federal, and that helps our employees too."

Now that NFCU is maximizing its space on campus, Calder notes that "we would like to expand here again. That is why we acquired the property next door, but we do have options. We wouldn't be very smart if we didn't."

Much of the energy behind Pensacola's resurgence is coming out of Mayor Ashton Hayward's office. Just 43 years old, Hayward is helping to transform a city that five centuries ago was the very first European settlement in America.

"Pensacola is a diamond in the rough," he says. "For so long, we had an inferiority complex, and Pensacola was not known as a city that was friendly to business. When I ran for mayor and got elected a little over two years ago, I pledged to change that."

Since taking office in January 2011, Hayward has revitalized downtown and spearheaded an 87-percent increase in CBD occupancy, completed an $82-million expansion of the Pensacola airport, enticed **UPS** to move its regional distribution hub from Mobile to Pensacola, and launched an "Upside of Florida" branding campaign to inject a positive message into the community's economic development marketing.

**Pensacola Mayor Ashton Hayward**

"You have to show businesses the benefits, solutions and value that you as a city bring to the table," says Hayward. "That is why we built new community centers and brought new landscaping to Main Street and the Bayfront Parkway. That's why we lowered the millage rate a quarter point and secured a $3.6-million grant from the state to enhance our port. That's why we beefed up code enforcement."

## Blue Wahoos Hit Home Run

Developers are taking notice and betting big on Pensacola's future. One of them is Quint Studer, founder and owner of **The Studer Group** and the Blue Wahoos, the minor league baseball team based in Pensacola.

A recipient of the 2010 Malcolm Baldri60ge National Quality Award, The Studer Group teaches hospital management teams how to implement best practices and produce industry-leading results. Founded in 1998 with just two employees, The Studer Group now employs 200 people and achieves $60 million in annual revenue.

Based in Gulf Breeze, The Studer Group is investing $12 million to develop a new 60,000-sq.-ft. (5,574-sq.-m.) headquarters that will open in downtown Pensacola in the spring of 2014.

"Human capital is the number one thing that companies need to be successful," says Studer, who has authored numerous best-selling business books, including "Hardwiring Excellence" and "Results That Last." "We all need talent, and that is Pensacola's key advantage. Also, people like living here and it is affordable."

Speaking of affordable, Studer recently opened a brand new waterfront ballpark in downtown Pensacola. It cost $15 million to build.

"It was the least expensive stadium that opened anywhere in America in the last decade," he says. "We won stadium of the year and organization of the year in multiple publications."

In its first year, 2012, the 5,038-seat stadium for the Blue Wahoos sold out 48 games out of 68 home dates. A big reason was Billy Hamilton, considered the best prospect in the Cincinnati Reds' organization. He was the shining star for the Double-A Wahoos and helped fill up the stadium on a nightly basis.

"Scouts come here and bring their families," says Studer. "We decided that in our community, people come to our ballpark to socialize, and so we made this a very fun place to be." ▼

The 2012 Governor's Cup

# How To Win, Texas Style

*Lots of companies need to be in Texas. But increasingly companies want to be in Texas. That combination in 2012 resulted in a landslide win for the Lone Star State in its run for the Governor's Cup.*

by MARK AREND
mark.arend@siteselection.com

Not so fast, Buckeyes. Texas is back in a big way with a commanding first-place finish in the 2012 facilities race to claim the Governor's Cup after a 34-project loss to Ohio last year. Not only did Texas reclaim the coveted trophy, but it did so with a whopping 761 projects, 270 more than first runner-up Ohio, which held its own relative to last year's tally with just seven fewer projects (491). Pennsylvania keeps its third-place finish (430), and Michigan (337) and Illinois (322) round out the top five.

Site Selection awards the Governor's Cup each year to the governor of the state with the highest number of qualified capital investment projects the previous calendar year. The publication's proprietary New Plant database is populated with private-sector projects that meet one or more of these criteria: an investment of at least US$1 million, creation of 50 or more new jobs or construction of new space of at least 20,000 square feet (1,860 sq. m.). The magazine does not count equipment upgrades or additions nor construction jobs in its final numbers.

"This is a confirmation of the men and women of the Texas legislature understanding that if we will continue with the predictability and stability of tax and regulation and legal policy that allows entrepreneurs to keep more of what they earn, then we will become the job creation magnet in America," Gov. Rick Perry told Site Selection on February 21st. "That is what has happened."

The Lone Star State's business attraction story did not begin in 2012. Site Selection has awarded several Governor's Cups to Gov. Perry in recent years, and his make-the-business-climate-better agenda is the main driver of his economic development success. That and economic development expertise in the state's cities and towns that mirror his intent to make Texas a natural home for business is a combination that delivers results. Site Selection's Top Metros and Top Micropolitans include numerous Texas communi-


Datacert, a leading provider of enterprise legal management solutions, will relocate its headquarters to 50,000 sq. ft. (4,645 sq. m.) of space in this LEED-Platinum Skanska USA development in the Uptown/Galleria submarket of Houston when it opens in summer 2013.

## 2012 Top States

BY NUMBER OF PROJECTS

| Rank | State | Count |
|---|---|---|
| **1** | **Texas** | **761** |
| 2 | Ohio | 491 |
| 3 | Pennsylvania | 430 |
| 4 | Michigan | 337 |
| 5 | Illinois | 322 |
| 6 | Georgia | 296 |
| 7 | North Carolina | 280 |
| 8 | Tennessee | 231 |
| 9 | Virginia | 199 |
| 10 | Kentucky | 196 |

*Source: Conway Data, Inc.'s New Plant Database*

ties (see Top Metros, page 94, for how they secured those wins).

It's hard for other states not to notice Texas' success. Whether cases of blatant imitation or the political will finally being in place, states are now doing what Texas has been doing for years. In his State of the State address in late January, Gov. Perry pointed to his Louisiana counterpart Bobby Jindal's interest in doing away with his state's income tax. He mentioned Michigan becoming a right-to-work state in 2012. He noted Florida Gov. Rick Scott enacting education reform policies like those of Texas. Gov. Perry told this publication after winning a previous Governor's Cup that he welcomes such competition, because it keeps his and other states on their game, being proactive in winning capital investment and creating prosperity.

### The Varsity Team

Five sectors drove Texas' return to the front of the pack in 2012, each with significant, illustrative capital investment projects:

**Energy:** Booming shale plays, particularly the Eagle Ford Shale in South Texas, have driven hundreds of millions of dollars in capital investment in Texas. San Antonio, Corpus Christi and dozens of small towns across the region, particularly Pearsall and Carrizo Springs, saw major energy companies move in, build operations centers, and inject millions into the local economies. In Houston, several energy giants made big announcements. **Exxon Mobil** began building a monumental $1 billion new campus north of Houston. **Anadarko Petroleum**, **Shell Oil**, and **Phillips 66** all announced plans to build new high-rise towers in Houston, with price tags ranging from $125 million to $180 million each.

**Chemicals:** Affordable and plentiful natural gas in Texas has attracted a resurgence in chemical manufacturing investments, particularly along the Gulf Coast. Examples include: **Dow Chemical**, Freeport, $1.7 billion; **Celanese**, Pasadena, $500 million; **Lyondell-Basell**, Channelview/La Porte, $500 million; and **Kuraray Americas**, Pasadena, $300 million.

**Machinery Manufacturing:** Texas manufacturing investments were particularly strong in transportation equipment and oil and gas equipment. Headline projects include: **General Motors** expanding its Arlington assembly plant, $500 million; **Weatherford International** to build a new oil & gas equipment plant in Katy, $100 million; and **Bell Helicopter** building a new helicopter plant in Amarillo, $27 million.

**Professional Services:** Texas also saw strong investment in corporate office projects. Headline deals include: **Apple** doubles its corporate campus, Austin, $300 million; **Southwest Airlines**' new headquarters complex in Dallas, $100 million; **Capital One**'s new campus facilities, Plano, $96 million; **Ericsson**'s expansion at its North American headquarters, Plano, $54 million; and **State Farm Insurance** signs the largest lease in Dallas area history (1 million sq. ft.).

**Data Centers:** Texas experienced strong data center activity in 2012. Four companies — **Digital Realty**, **Stream Data Centers**, **T5 Data Centers**, and **CyrusOne** — invested a combined $250 million to build or upgrade data center facilities across Texas (Richardson, Carrollton, Plano, Austin and The Woodlands).

Several of these projects, including Apple, Dow Chemical, Kuraray, and Visa, received Texas Enterprise Fund awards to help secure the projects for Texas. In total


**Bell Helicopter broke ground in October 2012 on its new headquarters in Fort Worth. "Texas' commitment to our strong, conservative fiscal principles, like low taxes, reasonable regulations, fair courts and a skilled work force, keeps companies like Bell Helicopter healthy and happy, and continues to attract employers and individuals alike to the Lone Star State," noted Gov. Perry at the event.**


UnitedHealth Group is growing its payroll in Texas with the addition of 330 jobs in Sugar Land, 800 in Irving, 250 in San Antonio and 115 in Harlingen. "This is an employer that knows Texas and knows Texans," Gov. Perry said at a June 26th event in Irving. "They've witnessed first-hand what we have to offer, and as a result, they're continuing to invest their future in the Lone Star State. This vote of confidence affirms our efforts to create a jobs-friendly climate that will attract and keep employers like UnitedHealth Group here in Texas."


in 2012, the TEF contracted with 14 companies that committed to more than $2.6 billion in combined capital investment in Texas over the next 10 years.

### Pipe Project Illustrates Team Effort

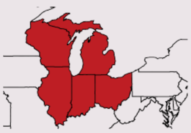
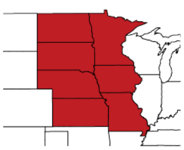
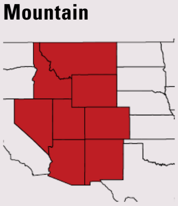
If the first two months of 2013 are any indication, Texas is off to a promising start in this year's facilities race. On February 15th, **Tenaris** announced that it will build its first U.S. seamless pipe mill in Bay City, Matagorda County, Texas. With an estimated investment of $1.3 billion, the new facility will have an annual production capacity of 600,000 tons of high quality seamless pipe.

With its proximity to Houston, the world's energy capital, and to Tenaris' North American headquarters, the location offers a combination of favorable geography, operational logistics and availability of a skilled work force.

"Our new facility will complement our integrated global manufacturing network and work closely with our existing North American operations to further strengthen domestic production," said Paolo Rocca, chairman and CEO. Gov. Perry was on hand to help mark the occasion.

"This announcement is only possible

# **Regional Rankings** — New Facilities and Expansions

| REGION, RANK & STATE | | | TOTALS | | MANUFACTURING (New) | | MANUFACTURING (Expansion) | | OTHER FACILITIES* | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 2012 | 3 Year Total 2010-12 | 2012 | 3 Year Total 2010-12 | 2012 | 3 Year Total 2010-12 | 2012 | 3 Year Total 2010-12 |
| **Northeast** | 1 | Pennsylvania | 430 | 1,220 | 139 | 403 | 97 | 289 | 194 | 528 |
|  | 2 | New York | 119 | 455 | 26 | 93 | 48 | 151 | 45 | 211 |
| | 3 | Massachusetts | 68 | 117 | 7 | 15 | 31 | 37 | 30 | 65 |
| | 4 | New Jersey | 63 | 162 | 13 | 48 | 6 | 14 | 44 | 100 |
| | 5 | Connecticut | 25 | 52 | 8 | 14 | 2 | 8 | 15 | 30 |
| | 6 | Rhode Island | 10 | 22 | 0 | 3 | 5 | 12 | 5 | 7 |
| | 7 | Maine | 9 | 19 | 4 | 6 | 2 | 2 | 3 | 11 |
| | 8 | Vermont | 8 | 23 | 2 | 8 | 6 | 11 | 0 | 4 |
| | 9 | New Hampshire | 3 | 16 | 2 | 7 | 0 | 6 | 1 | 3 |
| | | **Region Totals** | **735** | **2,086** | **201** | **597** | **197** | **530** | **337** | **959** |
| **East North Central** | 1 | Ohio | 491 | 1365 | 59 | 204 | 208 | 570 | 224 | 591 |
|  | 2 | Michigan | 337 | 635 | 90 | 150 | 160 | 254 | 87 | 231 |
| | 3 | Illinois | 322 | 743 | 51 | 107 | 66 | 192 | 205 | 444 |
| | 4 | Indiana | 168 | 508 | 41 | 123 | 79 | 229 | 48 | 156 |
| | 5 | Wisconsin | 43 | 145 | 9 | 30 | 20 | 78 | 14 | 37 |
| | | **Region Totals** | **1,361** | **3,396** | **250** | **614** | **533** | **1,323** | **578** | **1,459** |
| **West North Central** | 1 | Kansas | 122 | 274 | 17 | 43 | 32 | 80 | 73 | 151 |
|  | 2 | Minnesota | 107 | 238 | 28 | 55 | 22 | 67 | 57 | 116 |
| | 3 | Iowa | 74 | 196 | 7 | 21 | 38 | 66 | 29 | 109 |
| | 4 | Nebraska | 73 | 174 | 32 | 80 | 4 | 27 | 37 | 67 |
| | 5 | Missouri | 68 | 268 | 13 | 62 | 24 | 99 | 31 | 107 |
| | 6 | North Dakota | 15 | 38 | 10 | 14 | 5 | 15 | 0 | 9 |
| | 7 | South Dakota | 6 | 24 | 2 | 5 | 4 | 15 | 0 | 4 |
| | | **Region Totals** | **465** | **1,212** | **109** | **280** | **129** | **369** | **227** | **563** |
| **South Atlantic** | 1 | Georgia | 296 | 781 | 70 | 199 | 103 | 260 | 123 | 322 |
|  | 2 | North Carolina | 280 | 816 | 71 | 195 | 98 | 306 | 111 | 315 |
| | 3 | Virginia | 199 | 662 | 23 | 68 | 70 | 211 | 106 | 383 |
| | 4 | South Carolina | 106 | 397 | 30 | 131 | 47 | 164 | 29 | 102 |
| | 5 | Florida | 97 | 334 | 24 | 116 | 14 | 53 | 59 | 165 |
| | 6 | West Virginia | 42 | 106 | 6 | 18 | 23 | 54 | 13 | 34 |
| | 7 | Maryland | 40 | 160 | 6 | 22 | 10 | 29 | 24 | 109 |
| | 8 | Delaware | 10 | 28 | 1 | 6 | 4 | 7 | 5 | 15 |
| | 9 | District of Columbia | 7 | 13 | 0 | 0 | 0 | 0 | 7 | 13 |
| | | **Region Totals** | **1,077** | **3,297** | **231** | **755** | **369** | **1,084** | **477** | **1,458** |
| **South Central** | 1 | Texas | 761 | 1,649 | 161 | 339 | 164 | 355 | 436 | 955 |
|  | 2 | Tennessee | 231 | 554 | 23 | 78 | 140 | 295 | 68 | 181 |
| | 3 | Kentucky | 196 | 559 | 20 | 72 | 108 | 318 | 68 | 169 |
| | 4 | Louisiana | 139 | 667 | 42 | 145 | 59 | 334 | 38 | 188 |
| | 5 | Alabama | 97 | 315 | 27 | 75 | 44 | 165 | 26 | 75 |
| | 6 | Oklahoma | 82 | 211 | 10 | 33 | 42 | 94 | 30 | 84 |
| | T7 | Arkansas | 14 | 87 | 3 | 17 | 6 | 57 | 5 | 13 |
| | T7 | Mississippi | 14 | 83 | 6 | 26 | 5 | 34 | 3 | 23 |
| | | **Region Totals** | **1,534** | **4,125** | **292** | **785** | **568** | **1,652** | **674** | **1,688** |
| **Mountain** | 1 | Arizona | 90 | 192 | 32 | 74 | 15 | 22 | 43 | 96 |
|  | 2 | Utah | 71 | 135 | 4 | 22 | 15 | 30 | 52 | 83 |
| | 3 | Colorado | 27 | 74 | 7 | 16 | 1 | 11 | 19 | 47 |
| | 4 | New Mexico | 23 | 33 | 5 | 10 | 1 | 1 | 17 | 22 |
| | 5 | Idaho | 16 | 46 | 8 | 16 | 7 | 17 | 1 | 13 |
| | 6 | Montana | 8 | 15 | 3 | 3 | 1 | 6 | 4 | 6 |
| | 7 | Nevada | 4 | 45 | 2 | 12 | 0 | 6 | 2 | 27 |
| | 8 | Wyoming | 3 | 21 | 1 | 10 | 1 | 3 | 1 | 8 |
| | | **Region Totals** | **242** | **561** | **62** | **163** | **41** | **96** | **139** | **302** |
| **Pacific**  | 1 | California | 112 | 362 | 22 | 110 | 4 | 20 | 86 | 232 |
| | 2 | Washington | 30 | 74 | 8 | 25 | 4 | 13 | 18 | 36 |
| | 3 | Oregon | 18 | 51 | 5 | 20 | 3 | 9 | 10 | 22 |
| | 4 | Alaska | 4 | 7 | 3 | 4 | 0 | 1 | 1 | 2 |
| | 5 | Hawaii | 2 | 9 | 2 | 6 | 0 | 0 | 0 | 3 |
| | | **Region Totals** | **166** | **503** | **40** | **165** | **11** | **43** | **115** | **295** |
| | | **GRAND TOTALS** | **5,580** | **15,180** | **1,185** | **3,359** | **1,848** | **5,097** | **2,547** | **6,724** |

*** Other Facilities** include offices, headquarters, distribution centers, research and development facilities and mixed-use facilities.

*Source: Conway Data Inc.'s New Plant Database. Researched by Karen Medernach and Mike O'Connor.*

thanks to the hard work of state and local officials, as well as the area business community, which always plays a major role in decisions like this," he said. "The most profound statement about our favorable economic climate comes when companies like Tenaris make an investment of this size in our state. That says that not only is Texas the best place to grow your business now, but they're confident that we'll remain that way moving forward."

The new plant will generate 600 direct manufacturing jobs and offer substantial direct and indirect economic impact in Matagorda County as well as in the surrounding areas.

"With this investment, we will strengthen our local production and service capabilities to address the growing demands of the energy industry," Germán Curá, president, Tenaris North America said. "We are grateful for the support we have had from the State of Texas, Matagorda County and Bay City."

"We had been working on this for seven months intensively," relates Owen Bludau, executive director of the Matagorda


**Tenaris announced a $1.3-billion seamless pipe mill for Bay City, in Matagorda County, creating 600 jobs. Gov. Perry greets Tenaris North America President Germán Curá at the February announcement.**

County Economic Development Corp. "We got a lot of cooperation from a lot of individuals. It was a big team effort. The Governor's Office contributed $6 million from the Texas Enterprise Fund. That was very helpful."

Tenaris looked at five sites in Texas, multiple sites in Louisiana and one in Alabama, Bludau tells Site Selection.

"We gave them a good site and the transportation access they needed. We identified seven sites before the process was over with. We initially proposed two, and then they asked for more. They chose one of those two. The incentives helped, but they were not the determining factor."

Among the site's advantages to Tenaris, says Bludau, are good highway frontage and long rail frontage, very flat land requiring a minimal amount of site work, good access to utilities and proximity to a municipal general aviation airport.

"They liked our training facility," he adds. "We have a branch of the community college that will easily allow them to develop the tailored curriculum in the same facility. And they liked our own Grow Your Own Workers efforts that have been here for a number of years."

"This is a big win for Texas," says Fred Welch, vice president for regional economic development, Greater Houston Partnership. "Tenaris' expansion into Bay City will greatly benefit the Houston region through increased activity in cargo and goods that will flow into and out of the Port of Houston.

"It is another testament," he says, "to the excellent business climate in our state." ▼

# 'Houston, We Have a Winner'

## Ranking first in the U.S. in total projects, Texas' largest city claims familiar award.

Photo by Hugh Hargrave/courtesy of Greater Houston Convention and Visitors Bureau

**The Uptown Houston District has more than 5 million sq. ft. (464,500 sq. m.) of retail space in more than 1,000 stores.**

by RON STARNER
ron.starner@siteselection.com

America's energy boom has been kind to Houston, the country's fastest-growing job market. As new discoveries of underground shale rich with pockets of natural gas create fertile fields of exploration and harvest for many of the world's largest energy companies, Houston is reaping a windfall of investment.

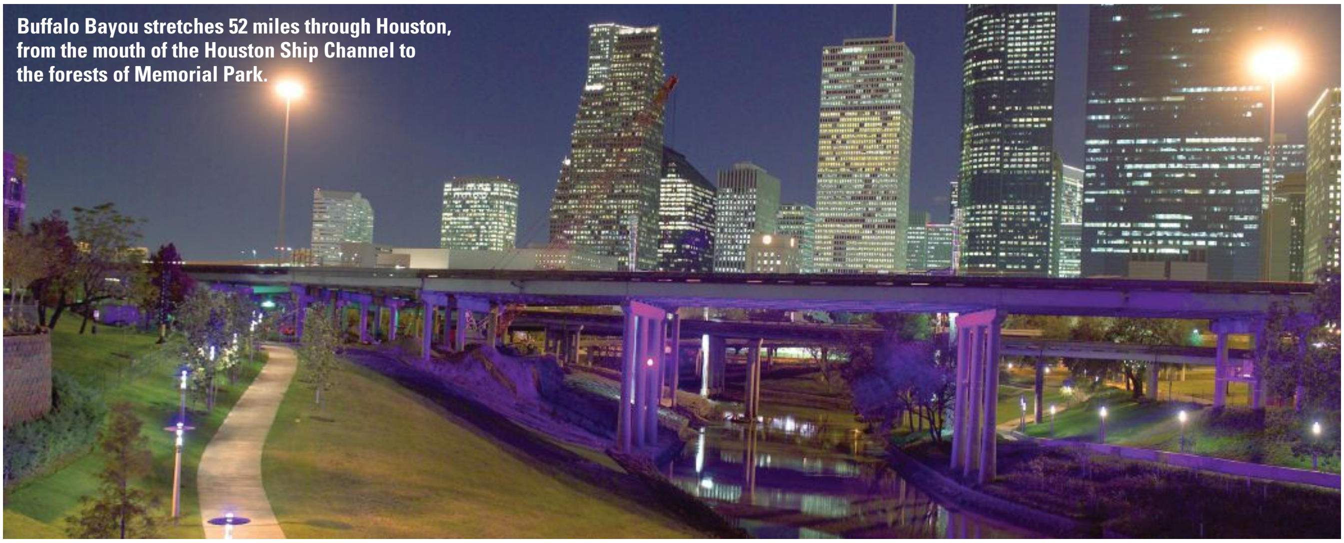
In 2012, Texas' largest city added a bevy of new jobs as it led the nation corporate facility projects, earning Houston the title of Top Metropolitan Area in the U.S.

Houston led all metropolitan areas with 325 facility deals in 2012, ahead of second-place Chicago, which had 311 projects, and third-place Dallas-Fort Worth, which had 224. Atlanta ranked fourth with 165, while Detroit ranked fifth with 144.

It's a familiar ranking for Houston, which also won the honor for 2011.

"We can attribute it to a strong year in all of our major crown jewel industries — energy, life sciences, chemicals manufacturing, headquarters projects and high-tech companies," says Fred Welch, vice president of regional economic development for the Greater Houston Partnership.

"We are seeing more manufacturing and assembly of components in engineering and design. That talent resides here in Houston," Welch says. "The cost of doing



Buffalo Bayou stretches 52 miles through Houston, from the mouth of the Houston Ship Channel to the forests of Memorial Park.

Photo courtesy of Greater Houston Convention and Visitors Bureau

## 2012 Top Metros by Number of Projects

**Metros with population over 1 million**

| | Metro | State | Count |
|---|---|---|---|
| **1** | **Houston-Baytown-Sugar Land** | **Texas** | **325** |
| 2 | Chicago-Naperville-Joliet | Ill.-Ind.-Wis. | 311 |
| 3 | Dallas-Fort Worth-Arlington | Texas | 224 |
| 4 | Atlanta-Sandy Springs-Marietta | Ga. | 165 |
| 5 | Detroit-Warren-Livonia | Mich. | 144 |
| 6 | Pittsburgh | Pa. | 126 |
| 7 | Philadelphia-Camden-Wilmington | Pa.-N.J.-Del.-Md. | 124 |
| 8 | Cincinnati-Middletown | Ohio-Ky.-Ind. | 103 |
| 9 | Kansas City | Mo.-Kan. | 101 |
| 10 | Columbus | Ohio | 81 |

**Metros with population 200,000 to 1 million**

| | Metro | State | Count |
|---|---|---|---|
| **1** | **Dayton** | **Ohio** | **53** |
| 2 | Tulsa | Okla. | 41 |
| 3 | Omaha-Council Bluffs | Neb.-Iowa. | 38 |
| 4 | Baton Rouge | La. | 34 |
| 5 | Lancaster | Pa. | 33 |
| 6 | Greensboro-High Point | N.C. | 30 |
| 7 | Lexington-Fayette | Ky. | 29 |
| 8 | Akron | Ohio | 25 |
| 9 | Allentown-Bethlehem-Easton | Pa.-N.J. | 24 |
| 10 | Grand Rapids-Wyoming | Mich. | 23 |

**Metros with population less than 200,000**

| | Metro | State | Count |
|---|---|---|---|
| **1** | **Sioux City** | **Iowa-Neb.-S.D.** | **23** |
| T2 | Battle Creek | Mich. | 13 |
| T2 | Jackson | Mich. | 13 |
| 4 | Gainesville | Ga. | 11 |
| T5 | Dubuque | Iowa | 10 |
| T5 | Midland | Texas | 10 |
| T7 | Decatur | Ala. | 9 |
| T7 | Jackson | Tenn. | 9 |
| T7 | Saginaw-Saginaw Township North | Mich. | 9 |
| T7 | Victoria | Texas | 9 |
| T7 | Winchester | Va.-W.Va. | 9 |

*Source: Conway Data, Inc.'s New Plant Database*

business affects these companies. They come into the region and operate profitably. In some cases, these are business units that left the country 10 or 12 years ago, and they are coming back."

He adds that Houston "is a low-tax-burden market. There is no income tax here, and it is a very diverse region. One in five people here are from international locations. We have a world-class port and airport and medical complex. Those things all attract people to the Houston region."

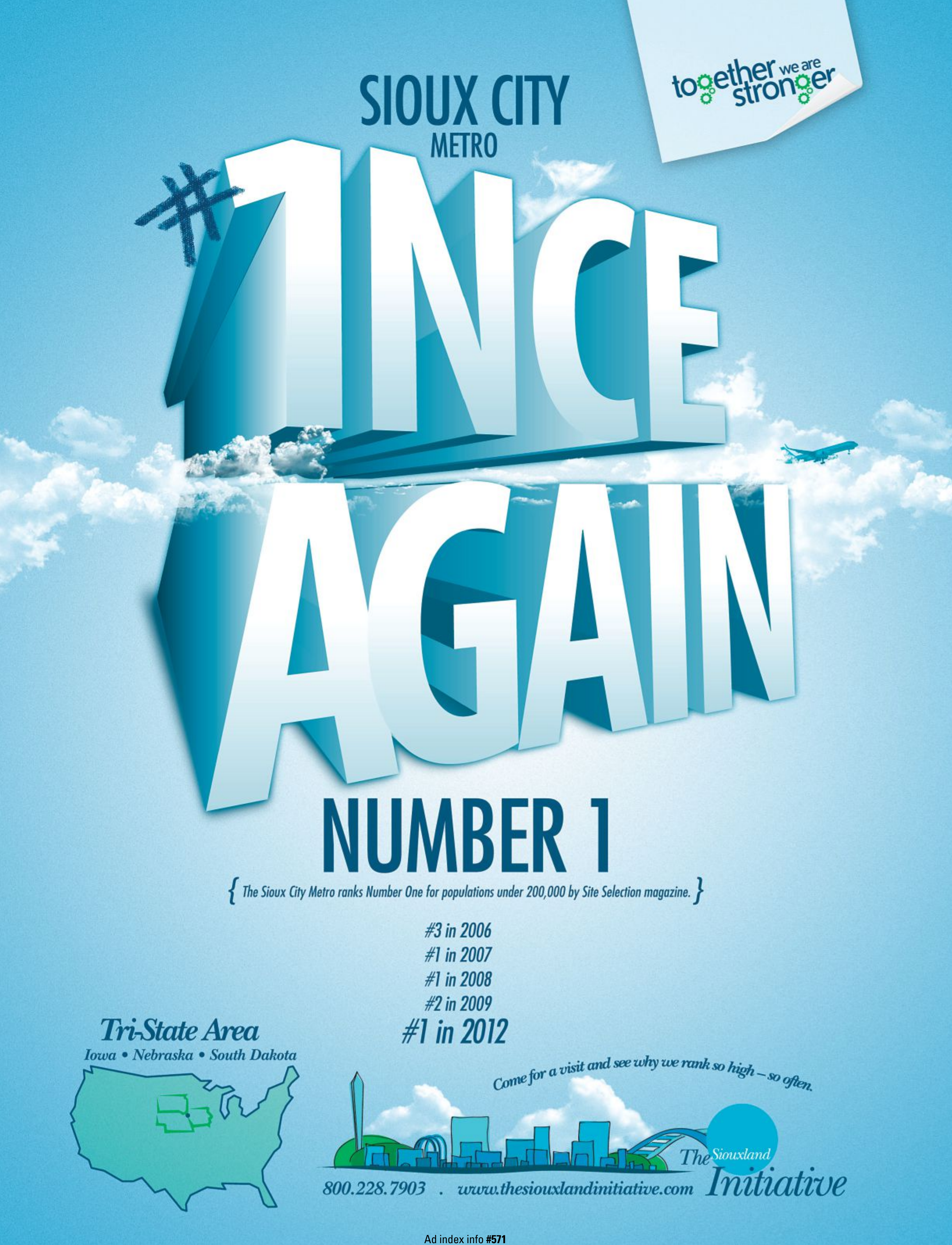
Among Houston's 325 corporate facility investments in 2012 were 20 valued at $100 million or greater. The two largest deals — **Chevron Phillips Chemical Co**. in Sweeny and **Dow Chemical Co**. in Oyster Creek — accounted for $5 billion and $1.7 billion, respectively.

Chevron Phillips is building a new petrochemical manufacturing plant that will employ 400 people, while Dow is developing an ethylene cracker complex that will employ 100.

"Close to $60 billion in energy projects have been either announced, planned or are in design and construction right now in Greater Houston," says Welch. "For every new energy job created in Houston, another eight jobs are generated throughout the regional economy."

Welch notes that the Dow Chemical expansion in Oyster Creek will come online in 2016. "They are well into design and will start construction later this year," he says. "That project will create up to 4,000 construction jobs."

Other large investments are coming from **Ineos USA**, which is spending $1 billion to build a new ethylene plant in La Porte, and **LyondellBasell**, which



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#1 in 2008
#2 in 2009
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> **“Close to $60 billion in energy projects have been either announced, planned or are in design and construction right now in Greater Houston.”**
>
> *— Fred Welch, vice president of regional economic development, Greater Houston Partnership*



is spending $500 million to expand its ethane and methanol R&D complex in Channelview.

**Bodycote**, meanwhile, is investing $473 million into a new manufacturing and flex facility for engineering work in Houston, while **Air Liquide** is investing $400 million to construct a new hydrogen plant and steam methane reformer plant in Pasadena.

### Katy Fits Medline's Culture

Hospital products manufacturer **Medline Industries** selected Katy for a new 500,000-sq.-ft. (46,450-sq. m.) distribution center. The project will create up to 50 new jobs and will be “a vital part of the future growth of Medline,” says Bill Abington, president of global operations for Medline.

“The Houston market is a nationally recognized and growing medical community, in addition to being the fifth-largest metropolitan area in the country,” says Abington. “The Katy location, in addition to providing us with an outstanding business park and location, gives Medline the best access to our Houston and southern Texas customer base so we can continue to efficiently provide our products, clinical programs and supply-chain services to health-care providers in the area.”

Abington says Medline found everything it was looking for in the Houston area. “Having operated in Texas for decades, we find a very high-quality and excellent employment base to recruit from, and this fits our corporate culture very well,” he says. “We received a very warm welcome from all agencies and departments within the state. This includes the State of Texas, the Greater Houston Partnership, the City of Katy, and the Moody Family whose business park we are locating in.”


# Cincinnati USA: Cultivating the growth and success of businesses—in our region and around the globe.

We've spread the word that Cincinnati USA helps businesses grow and succeed, and companies listened.

We told them why there are more FORTUNE® 500 companies per million residents in Cincinnati USA than New York, Boston, Chicago, or Los Angeles. We talked about the hundreds of international firms who have established a presence here and their key reasons for selecting our region. We discussed why we were ranked sixth in the nation for corporate and small business expansion. And we let them know Cincinnati USA is BrandHUB; a region that continues to create and support many of the most iconic and successful brands in the world.

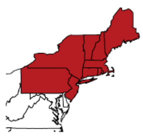
But most importantly, we demonstrated why Cincinnati USA is the best choice for business and our message was loud and clear: world-class resources, assets, talent—and the lowest operating costs of all large cities in the nation—all in one location to fuel business success and growth.

Cincinnati USA Partnership for Economic Development

**Cincinnati USA Partnership**
**513.579.3100 | CincinnatiUSA.org**

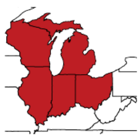
# 2012 Top Metros Projects by Regions

## Northeast



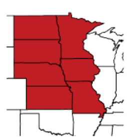
| | Metro | State | Count |
|---|---|---|---|
| **1** | **Pittsburgh** | **Pa.** | **126** |
| 2 | Philadelphia-Camden-Wilmington | Pa.-N.J.-Del.-Md. | 124 |
| 3 | New York-Newark-Edison | N.Y.-N.J.-Pa. | 75 |
| 4 | Boston-Cambridge-Quincy | Mass.-N.H. | 44 |
| 5 | Lancaster | Pa. | 33 |

## East North Central



| | Metro | State | Count |
|---|---|---|---|
| **1** | **Chicago-Naperville-Joliet** | **Ill.-Ind.-Wis.** | **311** |
| 2 | Detroit-Warren-Livonia | Mich. | 144 |
| 3 | Cincinnati-Middletown | Ohio-Ky.-Ind. | 103 |
| 4 | Columbus | Ohio | 81 |
| 5 | Cleveland-Elyria-Mentor | Ohio | 68 |

## West North Central

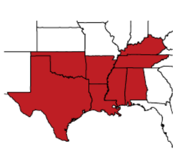


| | Metro | State | Count |
|---|---|---|---|
| **1** | **Kansas City** | **Mo.-Kan.** | **101** |
| 2 | Minneapolis-St. Paul-Bloomington | Minn.-Wis. | 75 |
| 3 | Omaha-Council Bluffs | Neb.-Iowa | 38 |
| 4 | Sioux City | Iowa-Neb.-S.D. | 23 |
| 5 | St. Louis | Mo.-Ill. | 15 |

## South Atlantic

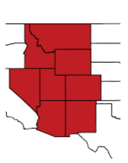
| | Metro | State | Count |
|---|---|---|---|
| **1** | **Atlanta-Sandy Springs-Marietta** | **Ga.** | **165** |
| 2 | Washington-Arlington-Alexandria | D.C.-Va. | 67 |
| 3 | Charlotte-Gastonia-Concord | N.C.-S.C. | 66 |
| 4 | Virginia Beach-Norfolk-Newport News | Va. | 40 |
| 5 | Richmond | Va. | 31 |

## South Central



| | Metro | State | Count |
|---|---|---|---|
| **1** | **Houston-Baytown-Sugar Land** | **Texas** | **325** |
| 2 | Dallas-Fort Worth-Arlington | Texas | 224 |
| 3 | Louisville | Ky.-Ind. | 62 |
| 4 | Austin-Round Rock-San Marcos | Texas | 48 |
| 5 | San Antonio-New Braunfels | Texas | 45 |

## Mountain



| | Metro | State | Count |
|---|---|---|---|
| **1** | **Phoenix-Mesa-Glendale** | **Ariz.** | **68** |
| 2 | Salt Lake City | Utah | 49 |
| 3 | Denver-Aurora | Colo. | 20 |
| T4 | Albuquerque | N.M. | 10 |
| T4 | Tucson | Ariz. | 10 |

## Pacific

| | Metro | State | Count |
|---|---|---|---|
| **1** | **Los Angeles-Long Beach-Santa Ana** | **Calif.** | **38** |
| 2 | San Francisco-Oakland-Fremont | Calif. | 18 |
| T3 | Riverside-San Bernardino-Ontario | Calif. | 15 |
| T3 | San Jose-Sunnyvale-Santa Clara | Calif. | 15 |
| T3 | Seattle-Tacoma-Bellevue | Wash. | 15 |

*Source: Conway Data, Inc.'s New Plant Database*

Abington adds that the new distribution center is "strategically located near major highways and roads to enable us to more efficiently service the medical community in the Greater Houston area and all of South Texas."

Rapidly growing **Niagara Bottling LLC** also selected the Houston area for a sizable expansion last year. The Ontario, Calif.-based company chose Missouri City for a $65-million, 356,000-sq.-ft. (33,072-sq.-m.) bottled water manufacturing facility that will employ 98 workers in its first year of operation.

Derieth Sutton, economic development and government relations manager for Niagara, says the firm selected a 25-acre (10-hectare) site in the Lakeview Business Park "because of its great community fit and closer access to our customer base."

Niagara considered various sites in Texas and Louisiana prior to announcing the Houston suburb as the location of choice, says Sutton. "Niagara has found the work force in Missouri City to be skilled, enthusiastic and in line with the Niagara culture. We believe we've added great team members to the Niagara family."

Sutton adds that "the Greater Houston Partnership was extremely helpful in connecting Niagara to the various communities under consideration within the Houston MSA. In addition, they conducted an economic impact analysis which showed the impact of our project for both Missouri City and Fort Bend County."

### Sugar Land Hits Sweet Spot

One of the biggest winners in metro Houston last year was the City of Sugar Land, which was the beneficiary of major facility investments from **Texas Instruments**, **Fluor Corp**. and **United Health Group**.

Texas Instruments is building a new campus of 160,000 sq. ft. (14,864 sq. m.) for its business and marketing division. The $35-million facility investment creates over 375 new jobs in R&D and business development for TI.

Fluor is investing $165 million to build a new 1-million-sq.-ft.

**Constellation Field in Sugar Land opened in 2012 to rave reviews and sold-out crowds for the Sugar Land Skeeters. Roger Clemens pitched here last year, drawing international attention to this Houston suburb of 85,000 people.** Photos courtesy of City of Sugar Land

(92,900-sq.-m.) office complex. And United Health Group is creating over 330 new jobs in 50,000 sq. ft. (4,645 sq. m.) of office space in Granite Towers on the east side of the city in the Sugar Creek office development.

"Last year was one of our best years ever," says Regina Morales, director of economic development for the City of Sugar Land, about 20 miles southwest of downtown Houston. "We had more than $220 million in capital investment and almost 1,000 new jobs created in the city, plus the 50-acre Fluor campus that retains over 2,000 positions."

Morales says that Corporate America likes Sugar Land, a community of 85,000 residents, for several reasons. "We have the second-lowest tax rate of any community in Texas," she says. "We are a master-planned city and we have zoning — that is unique in Houston. We balance the amount of commercial development relative to residential development. That balanced land use has allowed us to be very fiscally responsible."

Community pride is evident all over Sugar Land, she adds. "We just opened our brand new minor league ballpark in 2012. The Sugar Land Skeeters play there," Morales says. "Roger Clemens came and pitched at some of our games last year."

The $36-million baseball stadium seats up to 7,500 for ballgames and up to 10,000 for concerts. "REO Speedwagon and ZZ Top have played there already," Morales notes.

"We were the third-highest attendance of any triple-A-category ballpark in the country in 2012," she adds. "A lot of the pro sports players in Houston love to live out here, and it's easy to see why. There is something here for everyone." ▼

# Hot and Ready

## Dayton emerges as a market of choice for expanding companies in a variety of industries.

by RON STARNER
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**White Castle** scoured the Ohio River Valley in a quest to find the optimum location to prepare the restaurant company's signature food item — the small, square, mouth-watering hamburger.

Dayton, Ohio, emerged the clear winner after a four-state search, and now White Castle has plenty of company in the city made famous by the Wright brothers.

Landing in the Dayton metropolitan area last year were 53 corporate facility expansion projects, making the Dayton MSA No. 1 in the country for all metro areas of between 200,000 and 1 million in population.

Tulsa, Okla., ranked second with 41 projects, followed by Omaha, Neb., with 38, Baton Rouge, La., with 34, and Lancaster, Pa., with 33.

White Castle is investing $18 million to build a 74,000-sq.-ft. (6,875-sq.-m.) food-processing facility in Vandalia just north of Dayton near the crossroads of Interstates 75 and 70 in southwestern Ohio. The plant will employ 100 workers by the end of 2016, according to an agreement with the city and state.

"We needed to be within a 500-mile [805-km.] radius of our existing food-processing plants in Covington and Louisville, Ky. We looked at locations in four states — Ohio, Kentucky, Indiana and Tennessee," says Rob Camp, vice president and general manager of White Castle Food Products, headquartered in Columbus. "From there we started looking at several key factors: What is the availability of work force that we need to operate the plants? What is the tax environment? What is the availability of land? How close are the major Interstates?"

With the help of CB Richard Ellis representative Doug Goddard, White Castle narrowed its search to a tighter circle encompassing Indianapolis, Columbus and Northern Kentucky. Ohio, where White Castle already employs 1,350 workers, emerged as the location with the most preferred sites.

"We visited a lot of sites," says Camp, "but the Vandalia folks were very aggressive. They bent over backwards to get us all the information we needed to move forward. Greg Shackelford, the assistant city manager in Vandalia, got a meeting together with Ohio DOT and all of the utility companies and city officials for zoning and planning."

Camp says everything went smoothly. "It is a great location," he adds. "There is a good availability of workers in that area. Logistically, it fits within what we need and in relation to our other facilities in the Midwest. We have a meat plant in Zanesville and a bakery in Evendale, Ohio. It is right in the middle of all that."

**White Castle is investing $18 million to build a 74,000-sq.-ft. food-processing plant in Vandalia just north of Dayton, Ohio.** Images courtesy of White Castle

The site is close to the Dayton International Airport and "right off the airport access freeway at Route 40," says Camp. "It has the shortest distance to a major freeway of all the sites we considered. It has direct access to I-75 via a class-one roadway. That means it gets salted and plowed first in the event of a snowstorm."

A labor analysis of Montgomery County revealed that "we would not have a problem hiring people to work in our facility," says Camp. "The Montgomery County Jobs Services group showed us how they could do background checks, provide meeting space for interviews, and help us hire our initial team of workers. They will also help us train our employees for the jobs at the plant. JobsOhio came through with some assistance for job training, and the city came through with training assistance as well."

White Castle is not alone. **Crown Equipment Corp.** is investing $15 million in a 165,500-sq.-ft. (15,375-sq.-m.) facility in Troy for the manufacturing of forklift trucks.

"We're anticipating creating 45 jobs at

the location through a combination of new hires and relocating current employees," says Dave Helmstetter, spokesman for Crown, based in New Bremen, Ohio. "We're grateful to all of the organizations that helped make our expansion possible, and we know from our long-term experience in the region that we're going to benefit from a highly skilled work force."

**Wright-Patterson Air Force Base is the largest single-site employer in the state of Ohio, accounting for more than 60,000 jobs in Dayton.** Photo courtesy of the Dayton Development Coalition

Jeff Hoagland, president and CEO of the Dayton Development Coalition, says that work force is the most critical factor behind the Dayton area's economic success.

"Wright-Patterson Air Force Base in Dayton is the largest single-site employer in the state of Ohio," says Hoagland. "Over 29,000 employees work inside the fence, and another 30,000 to 35,000 work outside the fence. It has a $5-billion economic impact on our region."

The Air Force Research Laboratory spends $4 billion a year on R&D — "twice as much as all state universities in Ohio combined," notes Hoagland. "The defense and aerospace sectors are flourishing here, and startup firms are forming because of that."

The largest deal announced in the Dayton MSA last year was from **Abbott Laboratories**, a $270-million pharmaceutical plant investment that creates 240 jobs in Tipp City.

"We are seeing a lot of activity in health care and human performance, and we are seeing even more logistics and distribution centers opening up," says Hoagland." ▼

# A History of Resilience

## Sioux City weathers many storms en route to first place among tier-three metro areas.

by RON STARNER
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Adversity is no stranger to the people of Sioux City, Iowa. From the alternating floods and droughts of the past two years to the rise and fall of home-grown Gateway Computer in the 1980s and 1990s, this tri-state metropolitan area has weathered more than its fair share of setbacks over the past three decades.

Through it all, a clear picture has emerged: This city is as resilient as they come.

In fact, the city's resilience was made famous on July 19, 1989, when United Airlines Flight 232 crash-landed at the Sioux Gateway Airport, killing 111 of the 285 people on board. The 174 people who survived that crash and resulting fireball explosion owed their lives to the heroic actions of the many emergency responders from Sioux City.

**The Roth Fountain is part of a downtown transformation project that has spanned more than a decade in Sioux City.**
Photo courtesy of Aurora Photography, Chadd Goosmann

That same spirit of perseverance was on display last year as Sioux City overcame a number of obstacles to lead all U.S. metro areas of less than 200,000 people by registering 23 corporate facility expansion projects.

Sioux City, a market of 145,000 people in Iowa, Nebraska and South Dakota, beat out Battle Creek and Jackson, Mich., which tied for second with 13 projects apiece. Gainesville, Ga., finished fourth with 11 facility deals, while Dubuque, Iowa, and Midland, Texas, tied for fifth with 10 projects each.

The win also marked the third time in the past six years that Sioux City emerged victorious among all tier-three metro areas in the nation.

"We are the beneficiaries of being an agri-business and food-processing economy," says Christopher McGowan, president of the Siouxland Chamber of Commerce. "Recession or not, people will continue to eat."

And eat they did. In fact, Americans ate so much meat last year that **Tyson Foods** announced a $90-million expansion of its beef plant in Dakota, City, Neb., part of the Sioux City tri-state metro area. The 80,000-sq.-ft. (7,432-sq.-m.) expansion is expected to add 200 jobs by the time it opens later this year.

"We are an area that is known for our regional cooperation," says McGowan. "We can market Iowa, Nebraska and South Dakota and show companies three different economic development options in a single visit to the Sioux City area."

That same spirit of cooperation won Sioux City an $18-million expansion from **Sabre Industries**, a company that produces cell phone towers and electric utility transmission poles. The 258,000-sq.-ft. (23,968-sq.-m.) project is bringing 200 new jobs to the area.

"This expansion will put all of Sabre into one industry complex on a 150-acre [60-hectare] site," says Connie Aasen, vice president of marketing for Sabre Industries. "It offers us the opportunity to stay in Sioux City, where we have been for 36 years. We can stay and keep our highly skilled work force. Western Iowa Tech provides customized training for our welders. The Iowa Economic Development Authority and the Siouxland Initiative provided assistance as well."

Aasen notes that Sabre considered expansion sites in Pennsylvania, Louisiana and Texas. "Sioux City and Iowa proved to be the best," she says. "This central location works very well for us and gives us a lot of room for future growth. Access to our number one raw material — steel — is great here."

**State Steel Supply Co.**, meanwhile, invested $3 million to restore an historic building in Sioux City and move its administrative offices into it. The 52,000-sq.-ft. (4,831-sq.-m.) facility will eventually support 100 employees.

"We used both federal and state historical building tax credits to do this project," says Dave Bernstein, co-owner and chief marketing officer of State Steel. "We have been working here a long time, well in excess of 60 years. Sioux City is a good place to do business. The cost here is very reasonable. The local landscape of working with the city and the county has been very easy. They are very industrial business-friendly. Other communities are not as welcoming of our industry, which is scrap steel."

Bernstein, who also serves as chair of the Iowa Economic Development Authority, says the fact that Sioux City is served by three major railroads — Union Pacific, Burlington Northern Santa Fe and Canadian National Railway — is a huge plus. "To be able to receive product on three railroads is very helpful," he says. "And we are located on a major Interstate highway as well."

The bottom line, says Bernstein, is that "Sioux City is a very friendly and welcoming community. City Hall is very aggressive at wanting to attract, retain and help local businesses expand. They do whatever they can to help a business grow." ▼

# Speed

## Getting products to market quickly drives industrial plant investment to Statesville-Mooresville, N.C.

by RON STARNER
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**RK Motors** decided to put pedal to metal when the vintage muscle-car restoration business needed room to expand beyond its headquarters in Charlotte, N.C.

The folks at the Mooresville-South Iredell Economic Development Corp. made sure the site search crossed the finish line expeditiously, as RK Motors decided to open a new shop just up Interstate 77 in Mooresville.

Mooresville is one-half of the micropolitan area known as Statesville-Mooresville, N.C., which in 2012 once again led all micropolitan areas in the U.S. in corporate facility projects.

For the ninth time in the last 11 years, Statesville-Mooresville in Iredell County has earned the title of Top Micropolitan Area in the country.

The U.S. Census Bureau defines a micropolitan area as a rural county whose largest city does not exceed a population of 50,000. The U.S. has a total of 576 micropolitan areas.

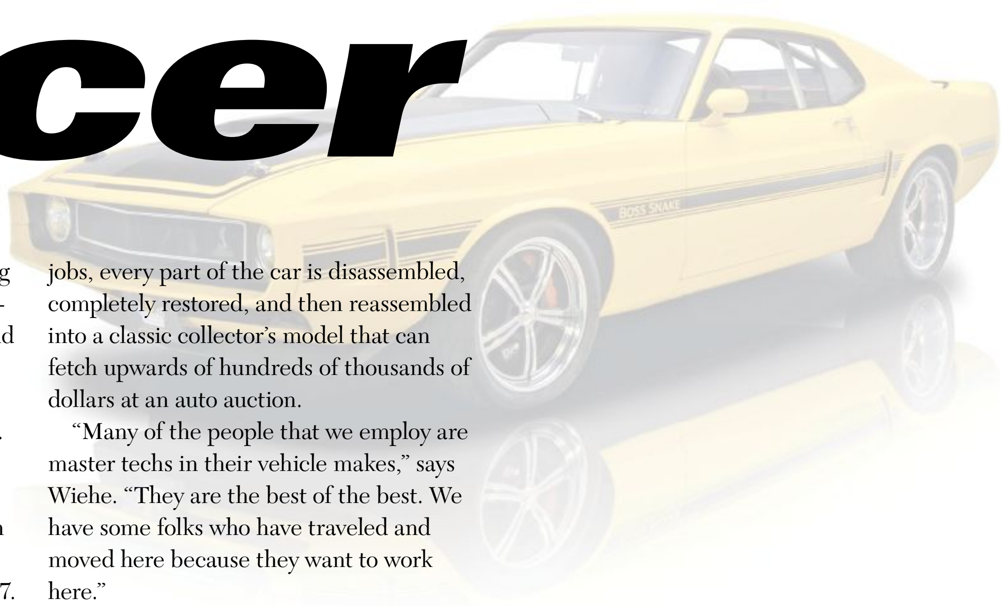
With 20 facility deals last year, Statesville-Mooresville edged out second-place Findlay, Ohio, which had 19 projects, and third-place Lexington-Thomasville, N.C., which had 18. Wooster, Ohio, finished fourth with 13 projects, while Batavia, N.Y., and Shelby, N.C., tied for fifth with 10 projects each.

RK Motors, a division of RK Motors-

**Some 200 meticulously restored classic cars glisten in the showroom of RK Motors in Charlotte. The company now restores vintage automobiles like these at its brand new RKM Performance Center in Mooresville.**

Photos courtesy of RK Motors

# Racer



ports, was one of the projects contributing to Iredell's victory lap. Jamie Wiehe, marketing director for RK, says the firm found everything it was looking for in Mooresville, home of the new 60,000-sq.-ft. (5,574-sq.-m.) RKM Performance Center.

"We had a building in Charlotte, but we outgrew that space," says Wiehe. "We opened our new facility in Mooresville on the first of August next to the famous water tower in Mooresville at Exit 36 off I-77. We now employ 30 people there."

RK Motors restores and builds classic cars, from the Corvette Stingray and Boss Mustang to the Dodge HEMI and vintage Chevelle. "We have 200 vehicles at our showroom in Charlotte, but we restore them in Mooresville," Wiehe says. "It has been a great move for us and a very smooth transition into the Mooresville area."

RK Motors employs ASE certified technicians doing work in metal fabrication, state-of-the-art painting, interior finishing, and rebuilding of engines and transmissions. For complex restoration jobs, every part of the car is disassembled, completely restored, and then reassembled into a classic collector's model that can fetch upwards of hundreds of thousands of dollars at an auto auction.

"Many of the people that we employ are master techs in their vehicle makes," says Wiehe. "They are the best of the best. We have some folks who have traveled and moved here because they want to work here."

The Mooresville location also enables RK Motors to establish even closer ties with some of its partners in the motorsports business in Iredell County.

"Our new shop in Mooresville is close to a lot of our partners, like Roush Performance and others, and the ease of going in and out of that area is great," Wiehe adds. "We are partners with Michael Waltrip Racing at Exit 28 in Cornelius, so our new location is perfect for us."

It has also been good for business, notes Wiehe. "We created a new brand out of this move, and we now have a year-long waiting list for restoration work," she says.

## 2012 Top States

with the most Top Micropolitans

| | State | Count |
|---|---|---|
| **1** | **Ohio** | **17** |
| 2 | North Carolina | 16 |
| 3 | Tennessee | 14 |
| 4 | Pennsylvania | 12 |
| 5 | Kentucky | 10 |
| T6 | Indiana | 9 |
| T6 | Georgia | 9 |
| T8 | Michigan | 8 |
| T8 | South Carolina | 8 |
| 10 | Louisiana | 7 |

*Source: Conway Data, Inc.'s New Plant Database*

> **"It has been a great move for us and a very smooth transition into the Mooresville area."**
>
> *— Jamie Wiehe, director of marketing, RK Motors*

## 2012 Top Micropolitans by Number of Projects

| | Micropolitan | Count |
|---|---|---|
| **1** | **Statesville-Mooresville, N.C.** | **20** |
| 2 | Findlay, Ohio | 19 |
| 3 | Lexington-Thomasville, N.C . | 18 |
| 4 | Wooster, Ohio | 13 |
| T5 | Batavia, N.Y. | 10 |
| T5 | Shelby, N.C. | 10 |
| T7 | Ashtabula, Ohio | 8 |
| T7 | Chambersburg, Pa. | 8 |
| T7 | New Castle, Pa. | 8 |
| T7 | Sayre, Pa. | 8 |
| T11 | Midland, Mich. | 7 |
| T11 | Lincolnton, N.C. | 7 |
| T13 | Fort Payne, Ala. | 6 |
| T13 | Hammond, La. | 6 |
| T13 | Marquette, Mich. | 6 |
| T13 | Traverse City, Mich. | 6 |
| T13 | East Liverpool-Salem, Ohio | 6 |
| T13 | Greenville, Ohio | 6 |
| T13 | New Philadelphia-Dover, Ohio | 6 |
| T13 | Sidney, Ohio | 6 |
| T13 | Chester, S.C. | 6 |
| T13 | Tullahoma, Tenn. | 6 |
| T23 | Frankfort, Ky. | 5 |
| T23 | Glasgow, Ky. | 5 |
| T23 | Sturgis, Mich. | 5 |
| T23 | Defiance, Ohio | 5 |
| T23 | Indiana, Pa. | 5 |
| T23 | Sunbury, Pa. | 5 |
| T23 | Cookeville, Tenn. | 5 |
| T30 | Seymour, Ind. | 4 |
| T30 | Burlington, Iowa/Ill. | 4 |
| T30 | Pittsburg, Kan. | 4 |
| T30 | Paducah, Ky./Ill. | 4 |
| T30 | Richmond, Ky. | 4 |
| T30 | Norfolk, Neb. | 4 |
| T30 | Bellefontaine, Ohio | 4 |
| T30 | Tiffin-Fostoria, Ohio | 4 |
| T30 | Wapakoneta, Ohio | 4 |
| T30 | Stillwater, Okla. | 4 |
| T30 | Humboldt, Tenn. | 4 |
| T30 | Lewisburg, Tenn. | 4 |
| T30 | Shelbyville, Tenn. | 4 |
| T30 | Union City, Tenn./Ky. | 4 |
| T30 | Staunton-Waynesboro, Va. | 4 |
| T45 | Cullman, Ala. | 3 |
| T45 | Talladega-Sylacauga, Ala. | 3 |
| T45 | Batesville, Ark. | 3 |
| T45 | Russellville, Ark. | 3 |
| T45 | Fitzgerald, Ga. | 3 |
| T45 | LaGrange, Ga. | 3 |
| T45 | Angola, Ind. | 3 |
| T45 | Plymouth, Ind. | 3 |
| T45 | Warsaw, Ind. | 3 |
| T45 | Washington, Ind. | 3 |
| T45 | Fort Dodge, Iowa | 3 |
| T45 | Spirit Lake, Iowa | 3 |
| T45 | Garden City, Kan. | 3 |
| T45 | Salina, Kan. | 3 |
| T45 | Campbellsville, Ky. | 3 |
| T45 | Maysville, Ky. | 3 |
| T45 | Somerset, Ky. | 3 |
| T45 | New Iberia, La. | 3 |
| T45 | Ruston, La. | 3 |
| T45 | Iron Mountain, Mich./Wis. | 3 |
| T45 | Bozeman, Mont. | 3 |
| T45 | Forest City, N.C. | 3 |
| T45 | Salisbury, N.C. | 3 |
| T45 | Sanford, N.C. | 3 |
| T45 | Wilson, N.C. | 3 |
| T45 | Cambridge, Ohio | 3 |
| T45 | Fremont, Ohio | 3 |
| T45 | Enid, Okla. | 3 |
| T45 | East Stroudsburg, Pa. | 3 |
| T45 | Meadville, Pa. | 3 |
| T45 | Lancaster, S.C. | 3 |
| T45 | Seneca, S.C. | 3 |
| T45 | Athens, Tenn. | 3 |
| T45 | Greeneville, Tenn. | 3 |
| T45 | Lawrenceburg, Tenn. | 3 |
| T45 | Newport, Tenn. | 3 |
| T45 | Beeville, Texas | 3 |
| T45 | Brigham City, Utah | 3 |
| T45 | Martinsville, Va. | 3 |
| T45 | Moses Lake, Wash. | 3 |
| T45 | Bluefield, W.Va./Va. | 3 |
| T86 | Albertville, Ala. | 2 |
| T86 | Daphne-Fairhope-Foley, Ala. | 2 |
| T86 | Scottsboro, Ala. | 2 |
| T86 | Bainbridge, Ga. | 2 |
| T86 | Douglas, Ga. | 2 |
| T86 | Dublin, Ga. | 2 |
| T86 | Milledgeville, Ga. | 2 |
| T86 | Statesboro, Ga. | 2 |
| T86 | Summerville, Ga. | 2 |
| T86 | Tifton, Ga. | 2 |
| T86 | Twin Falls, Idaho | 2 |
| T86 | Effingham, Ill. | 2 |
| T86 | Crawfordsville, Ind. | 2 |
| T86 | Kendallville, Ind. | 2 |
| T86 | Richmond, Ind. | 2 |
| T86 | Wabash, Ind. | 2 |
| T86 | Great Bend, Kan. | 2 |
| T86 | Hays, Kan. | 2 |
| T86 | Danville, Ky. | 2 |
| T86 | Murray, Ky. | 2 |
| T86 | Abbeville, La. | 2 |
| T86 | Morgan City, La. | 2 |
| T86 | Natchitoches, La. | 2 |
| T86 | Opelousas-Eunice, La. | 2 |
| T86 | Cambridge, Md. | 2 |
| T86 | Adrian, Mich. | 2 |
| T86 | Alma, Mich. | 2 |
| T86 | Coldwater, Mich. | 2 |
| T86 | Bemidji, Minn. | 2 |
| T86 | Lebanon, Mo. | 2 |
| T86 | Mexico, Mo. | 2 |
| T86 | Beatrice, Neb. | 2 |
| T86 | Lexington, Neb. | 2 |
| T86 | Lebanon, N.H.-Vt. | 2 |
| T86 | Gloversville, N.Y. | 2 |
| T86 | Oneonta, N.Y. | 2 |
| T86 | Plattsburgh, N.Y. | 2 |
| T86 | Seneca Falls, N.Y. | 2 |
| T86 | Brevard, N.C. | 2 |
| T86 | Elizabeth City, N.C. | 2 |
| T86 | Kill Devil Hills, N.C. | 2 |
| T86 | Laurinburg, N.C. | 2 |
| T86 | North Wilkesboro, N.C. | 2 |
| T86 | Roanoke Rapids, N.C. | 2 |
| T86 | Rockingham, N.C. | 2 |
| T86 | Washington, N.C. | 2 |
| T86 | Dickinson, N.D. | 2 |
| T86 | Williston, N.D. | 2 |
| T86 | Ashland, Ohio | 2 |
| T86 | Bucyrus, Ohio | 2 |
| T86 | Celina, Ohio | 2 |
| T86 | Zanesville, Ohio | 2 |
| T86 | Miami, Okla. | 2 |
| T86 | Prineville, Ore. | 2 |
| T86 | Bloomsburg-Berwick, Pa. | 2 |
| T86 | DuBois, Pa. | 2 |
| T86 | Gettysburg, Pa. | 2 |
| T86 | Lewistown, Pa. | 2 |
| T86 | Selinsgrove, Pa. | 2 |
| T86 | Gaffney, S.C. | 2 |
| T86 | Hilton Head Island-Beaufort, S.C. | 2 |
| T86 | Orangeburg, S.C. | 2 |
| T86 | Union, S.C. | 2 |
| T86 | Walterboro, S.C. | 2 |
| T86 | Brownsville, Tenn. | 2 |
| T86 | Columbia, Tenn. | 2 |
| T86 | Crossville, Tenn. | 2 |
| T86 | Sevierville, Tenn. | 2 |
| T86 | Levelland, Texas | 2 |
| T86 | Clarksburg, W.Va. | 2 |

*Source: Conway Data, Inc.'s New Plant Database*

Photo courtesy of Statesville Regional Development

**The renovated old City Hall building in downtown Statesville is a popular place for contemporary filmmakers seeking historic sites for period pieces. Many of the scenes in the George Clooney motion picture "Leatherheads" were shot at this location.**

### More 'Quilt' than 'Bullet'

Robby Carney, executive director of the Mooresville-South Iredell Economic Development Corp., says "there is no silver bullet" for why his community has been so successful.

"It is more of a patchwork quilt of items," he says. "Our public and private sectors understand the value of being an employment center. We all highly value growing jobs and tax investments in the community. That is the foundation."

Another advantage is the fact that "Mooresville has only a few large businesses. Lowe's is our one big corporate headquarters, but for the most part we have smaller businesses that are flexible and diversified. They can adapt to market trends. They have the ability to transition quickly and shift to meet the market demand."

Among the companies that expanded in Mooresville last year was **NGK Insulators**, which announced a $93-million investment into its existing factory for the manufacturing of porcelain electrical supplies. The expansion creates 86 jobs.

"We worked on that project for over 18 months," says Carney. "This is their 12th or 13th expansion here. They contacted us and said they had run out of room because their facility was right up against the road. We literally had to move the road to accommodate them. We got assistance from the North Carolina DOT to get road appropriation funds to actually relocate the road a couple of hundred feet south. The NGK project was over 150,000 square feet [13,935 sq. m.] of new space — one of the largest manufacturing expansion projects announced in the state last year."

**SunEnergy1** announced an $11-million investment in Mooresville for a new plant for solar panel manufacturing and distribution. "They are growing every year," says Carney. "They continue to pull down large contracts throughout the Southeast. They are supplying a lot of the panels for the large solar arrays in the region. The firm is run by a former race car driver from Australia, and they are considered one of the top alternative energy companies in the market."

Also in Mooresville, **Hobby Lobby** is investing $6 million into a distribution center, adding 50 jobs in 55,000 sq. ft. (5,110 sq. m.) of new space. **Structure Medical** is investing $7 million into a medical device manufacturing plant, creating 40 jobs. And **Bosch Solar Energy** is investing $2 million into a new headquarters facility, generating 15 jobs.

Other sizable facility investments in Mooresville are coming from **Carolina Beer and Beverage** (50 new jobs); **Boyles Furniture Direct** ($4 million and 15 jobs); **Home Goods Distribution** ($4 million and 16 jobs); and **Medallion Transportation Logistics** ($3 million and 15 jobs).

"Mooresville has a large density of qualified, well-skilled workers, and that really sets us apart," says Carney. "Charlotte is working to be known as the new energy capital of the South, and we have a lot of assets to support that cluster."

### Investing in the Future

Mooresville is not standing pat, either. "We just closed on another 476 acres [192 hectares] of industrial property and plan to have sites ready for development by this time next year," Carney adds. "The community is re-investing to have more

**The Downtown Statesville Streetscape project is but one of several major investments the city has made into beautifying the town.** Photo courtesy of Statesville Regional Development product."

The site, just off North Carolina Highway 801 across from the Mooresville Business Park, is intended to become the city's third major industrial park. Both the Mooresville Business Park and the South Iredell Industrial Park on Mazeppa Road are full.

The South Iredell Community Development Corp. bought the tract from Charlotte developer Forest City Southeast for $5 million. Carney says that long-range plans for the new park include adding rail access.

"We have businesses in this community that are consistently looking for opportunities to expand, and this new site will give them plenty of room to grow right here in Mooresville," says Carney.

Just a few miles up I-77 in Statesville in northern Iredell County, companies are expanding at a steady clip as well.

Mike Smith, executive director for Statesville Regional Development, says, "Our area has consistently shown that we are business-friendly. Our low taxes go along well with our great quality of life. And our local government leadership is dialed in and knows what it takes to win projects."

Smith says the key to Statesville staying competitive during the economic downturn was the fact that "we looked very carefully at product development — developing new sites. We have a strong relationship with Keith Corp., a Charlotte company that developed an industrial shell building that helped us win a project."

Statesville's largest deal of the year involved **Asmo North America**, an auto parts supplier to Toyota, Ford and General Motors. The subsidiary of Japanese giant DENSO makes the small motors that drive power windows, mirrors and seats.

In December, Asmo announced that it planned to pursue a $100-million investment into new machinery and equipment and add 100 jobs in Statesville. Asmo currently employs 320 workers at its 360,000-sq.-ft. (33,444-sq.-m.) facility off Crawford Road near the intersection of I-77 and I-40.

"They have qualified for the Statesville industrial grant program and the Iredell County industrial grant program, which pays back property taxes over a six-year period," says Smith. "The North Carolina Department of Commerce gave assistance through the State of North Carolina Community College System. Here, that is Mitchell Community College. They help fund our existing industry program."

**Origin Food Group** was another international investment in Statesville, notes Smith. The company invested $7 million into a new 20,000-sq.-ft. (1,858-sq.-m.) yogurt plant in a renovated facility just off I-40. The project adds 50 jobs.

"A long-term relationship was formed between a local company and a group out of Ecuador," says Smith. "Gov. [Bev] Perdue came and made the announcement about Origin last January at an old, out-of-date truck stop just off the Interstate. A family that is based here in Statesville made a connection with an Ecuadorian business. Origin is a joint venture of an Ecuadorian entity and Stamey Farms here in Statesville."

### Targeting FDI in Statesville

Smith adds that "this is one of the most significant dairy operations in North Carolina, and it is located right here in Iredell County. A lot of folks don't know that we are the number one dairy county in North Carolina and the number two beef county in the state."

**Rainier Industries**, an outdoor equipment firm, also announced a sizable investment in Statesville, spending $2 million to acquire a 220,000-sq.-ft. (20,438-sq.-m.) facility to open an awning and screen manufacturing plant on a 32-acre (13-hectare) campus. The project creates 25 jobs.

"This facility will be state of the art — capable of producing all our existing and future product lines," said Scott Campbell, president of Seattle-based Rainier, a company that was founded in 1896 to provide tents and other supplies to prospectors in the Alaskan Gold Rush. "Statesville has a great pool of experienced manufacturing talent for us to draw from as we continue our growth."

Smith notes that outdoor equipment makers are "a target industry for this area.

## At a Glance

**Statesville-Mooresville, N.C.**

| | |
|---|---|
| Square Miles | 574 |
| 2012 Population | 162,124 |
| Median Age | 39.2 |
| Median Household Income | $56,206 |
| Per Capita Income | $28,291 |
| Labor Force | 72,948 |
| Percent White Collar | 55.9 |
| Percent Blue Collar | 30.2 |
| CPI | 210.9 |

*Source: DevelopmentAlliance.com*

We see Rainier as continuing to build on a segment that we would really like to build upon."

Statesville also reaped three $1-million capital investments in 2012 from **Pratt Industries**, **Iron World** and **L. Gordon Iron and Metal**. Together, the three projects created some 100 new jobs in the area.

Smith adds that foreign direct investment will remain a focus of Statesville. "We want to continue to build on our bridge with Latin America," he says. "I have traveled to Brazil twice to build upon the ties that we have with **Providencia**," a large non-woven material manufacturer in Statesville. "We now have a direct flight to Rio de Janeiro from Charlotte Douglas International Airport and will soon have a direct flight to Sao Paolo. Our industries relate well to what's going on in Brazil."

Smith is also optimistic that the $89-million project to improve the I-77/I-40 interchange will result in more businesses coming to Statesville.

"The upgrade will be a five-year project," he says. "That interchange was built in the 1960s. The North Carolina DOT has started work on converting it into a double-diverging-diamond interchange. It will make it a lot easier for trucks to get around."

Logistics space users already like Statesville, Smith says, because "we have three U.S. highways — 70, 64 and 21 — and two Interstates here. That gives our customers tremendous logistical advantages, and it's about to get even better." ▼

# Milestones

## Transportation still rules the day, but chemicals are driving fast toward tomorrow.

by ADAM BRUNS
adam.bruns@siteselection.com

### 2012 Top Industries
by Number of Projects

| Industry | New | Exp. | Total |
|---|---|---|---|
| Transportation Equipment | 226 | 325 | 551 |
| Chemicals/ Pharmaceuticals | 276 | 259 | 535 |
| Machinery (excl. Electrical) | 193 | 210 | 403 |
| Fabricated Metal | 160 | 227 | 387 |
| Food Processing | 173 | 208 | 381 |

*Source: Conway Data Inc.'s New Plant Database*

When nine out of the top 10 corporate facility projects in a sector are valued at more than US$1 billion, you've officially arrived as a force to be reckoned with.

That's what happened in the chemicals/pharmaceuticals sector in 2012. The sector outnumbered transportation equipment in new plants, but came in second when expansions of existing plants were included.

One of those top 10 projects is at the **Celanese** acetyl complex in Clear Lake, Texas, where the company last July announced its intention to construct and operate a methanol facility. Celanese produces acetic acid and vinyl acetate monomer at the Clear Lake complex, where it just finalized construction of its TCX® ethanol technology development unit. The company's global acetyl R&D center is also located at the facility.

"The positive developments in the U.S. energy complex and the current and emerging natural gas surplus make it advantageous for us to produce our own methanol requirements for U.S. acetyl production," said Mark Rohr, chairman and CEO of Celanese.

Among the leading projects in the transportation equipment sector is the new $1.7-billion-plus manufacturing plant from **Tata Motors**' Jaguar Land Rover and China's **Chery Automobile Co. Ltd.** Company leaders laid the cornerstone in November 2012, about 10 days before Jaguar Land Rover opened its 100th dealership in China.


**Tata Motors and Chery Automobile officials laid the cornerstone in November 2012 for their new manufacturing plant.** Photo courtesy of Jaguar Land Rover

The Chery Jaguar Land Rover Automotive Company Ltd. complex in Changshu, Jiangsu province, will include an R&D center and an engine plant. Sales of Jaguar and Land Rover products rose 80 percent during the first 10 months of 2012, after rising 60 percent during 2011.

Jaguar Land Rover CEO Dr. Ralf Speth and Chery Chairman and CEO Yin Tongyao said, "We are delighted to have reached this milestone, achieved thanks to the understanding and foresight of the Chinese authorities, and we want to thank them for recognizing the potential of our joint venture in the fast-growing Chinese market."

Completion is expected during 2014. ▼

### 2012 Transportation Equipment

| Company | Location | Country | Product | New/ Expansion | Investment $US millions |
|---|---|---|---|---|---|
| Audi | San José Chiapas | Mexico | Automobiles | N | $2,000 |
| Jaguar Land Rover/Tata Motors | Changshu | China | Automobiles | N | 1,750 |
| Ford | Hermosillo | Mexico | Automobiles | E | 1,300 |
| Jaguar Land Rover/Tata Group | Yanbu | Saudi Arabia | Automobiles | N | 1,200 |
| Shanghai General Motors | Wuhan | China | Automobiles | N | 1,096 |
| General Motors/SAIC Motor Corp./Wuling Motors | Chongqing | China | Automobiles | N | 1,006 |
| Fiat | Saltillo | Mexico | Automobiles | N | 1,000 |
| BMW | Greer, S.C. | USA | Automobiles | E | 900 |
| Nissan Motor Co./Dongfeng Motor Group | Dalian | China | Automobiles | N | 785 |
| Ford | Hangzhou | China | Automobiles | N | 760 |

*Source: Conway Data Inc.'s New Plant Database*

## 2012 Chemicals/Pharmaceuticals

| Company | Location | Country | Product | New/ Expansion | Investment $US millions |
|---|---|---|---|---|---|
| Magnolia LNG | Lake Charles, La. | USA | LNG | N | $2,200 |
| Shell Oil | Beaver Cnty., Pa. | USA | Petrochemicals | N | 2,000 |
| Formosa Plastics | Point Comfort, Texas | USA | Plastics | E | 1,700 |
| Iowa Fertilizer/Orascom Construction Industries | Wever, Iowa | USA | Nitrogen Fertilizer | N | 1,300 |
| Indian Farmers Fertilizer Coop./La Coop federee | Becancour, Que. | Canada | Urea | N | 1,200 |
| Cenex Harvest States | Spiritwood, N.D. | USA | Nitrogenous Fertilizer | N | 1,200 |
| Blue Fuel Energy | Chetwynd, B.C. | Canada | Methanol | N | 1,000 |
| Baxter International | Social Circle, Ga. | USA | Biological Products | N | 1,000 |
| Celanese | Clear Lake, Texas | USA | Methanol | E | 1,000 |
| Ohio Valley Resources | Rockport, Ind. | USA | Nitrogen Fertilizer | N | 952 |

## 2012 Machinery (excluding Electrical)

| Company | Location | Country | Product | New/ Expansion | Investment $US millions |
|---|---|---|---|---|---|
| HiwinTechnologies Corp. | Taichung City | Taiwan | Conveyor Equipment | N | $945 |
| Daimler India Commercial Vehicles | Oragadam-Chennai | India | Industrial Trucks | N | 887 |
| XCMG | Xuzhou | China | Cranes | N | 786 |
| Siam Toyota Manufacturing | Phan Thong | Thailand | Diesel Engines | E | 504 |
| XCMG | Xuzhou | China | Loaders | N | 503 |
| CNH/Fiat | Montes Claros | Brazil | Construction Equipment | N | 342 |
| XCMG | Xuzhou | China | Concrete Mixing Equipment | N | 314 |
| XCMG | Xuzhou | China | Pumping Machinery | N | 314 |
| Cummins Inc. | Seymour, Ind. | USA | Engines | E | 219 |
| Energy Transfer Partners | Karnes City, Texas | USA | Cryogenic | N | 210 |

## 2012 Fabricated Metal

| Company | Location | Country | Product | New/ Expansion | Investment $US millions |
|---|---|---|---|---|---|
| Bodycote | Houston, Texas | USA | Engineering | N | $473 |
| Ternium | | Mexico | Steel | N | 400 |
| Teck Metals Ltd. | Trail, B.C. | Canada | Metal | N | 210 |
| First Step | Port Loko | Sierra Leone | Steel | N | 180 |
| Seaspan Marine Corp. | Vancouver, B.C. | Canada | Large Vessels | N | 160 |
| Groz Beckert (GROB) | Dalian | China | Hand Tools | N | 156 |
| Prolamsa Group | Houston, Texas | USA | Metal | N | 150 |
| Sustainable Building Systems LLC | North Haven, Conn. | USA | Building Panels | N | 97 |
| Toto | Halol | India | Plumbing Fixtures | N | 76 |
| Anheuser Busch | Arnold, Mo. | USA | Aluminum Cans | E | 70 |

## 2012 Food Processing

| Company | Location | Country | Product | New/ Expansion | Investment $US millions |
|---|---|---|---|---|---|
| Agro Farma (Chobani) | Twin Falls, Idaho | USA | Yogurt | N | $450 |
| Heartland Pet Products/Blue Buffalo Co. | Joplin, Mo. | USA | Pet Food | N | 400 |
| Maruchan | San Antonio, Texas | USA | Noodles | N | 330 |
| Nestle Nespresso | Romont | Switzerland | Coffee Products | E | 306 |
| Hershey Co. | Hershey, Pa. | USA | Chocolate | N | 300 |
| Nestle | Schwerin | Germany | Coffee Capsules | N | 293 |
| Bright Dairy and Food | Minhang District | China | Milk | N | 222 |
| Muller Quaker Dairy | Batavia, N.Y. | USA | Yogurt | N | 206 |
| J.R. Simplot | Caldwell, Idaho | USA | Potato Processing | N | 200 |
| Primo Smallgoods | Wacol | Australia | Meat Processing | N | 195 |

*Source: Conway Data Inc.'s New Plant Database*

# 2012 Global Giants

### Top Projects by Capital Investment

| Company | Location | Country | Product | Category | $US millions |
|---|---|---|---|---|---|
| Sino-Kuwaiti | Zhanjiang, Guangdong | China | Petrochemicals | N | $9,267 |
| Chevron Phillips | Basra | Iraq | Petrochemicals | N | 6,000 |
| Sinochem | Quanzhou | China | Refinery | N | 4,600 |
| Hon Hai | Taichung City | Taiwan | Electronic Computers | N | 3,378 |
| Apache Canada Ltd./EOG Resources Inc. | Kitimat, B.C. | Canada | LNG | N | 3,000 |

### Top Projects by Size

| Company | Location | Country | Product | Category | Sq. Ft. x 1,000 |
|---|---|---|---|---|---|
| XCMG | Xuzhou | China | Pumping Machinery | N | 5,059 |
| GenScript | Nanjing | China | Biotechnology | N | 4,682 |
| Audi | San José Chiapa | Mexico | Automobiles | N | 3,200 |
| XCMG | Xuzhou | China | Cranes | N | 2,690 |
| XCMG | Xuzhou | China | Concrete Mixing Equipment | N | 2,583 |

### Top Projects by Jobs Created

| Company | Location | Country | Product | Category | Employees |
|---|---|---|---|---|---|
| Hartalega Holdings Berhad | Bursa | Malaysia | Surgical Gloves | E | 4,600 |
| Tamron | Hanoi | Vietnam | Optical Instruments | N | 2,000 |
| Osram | Wuxi | China | Lighting | N | 1,600 |
| Sumitomo Electric Wiring Systems | Caransebes | Romania | Electric Cables | N | 1,500 |
| Geox | Vranje | Serbia | Footwear | N | 1,250 |

*Source: Conway Data, Inc.'s New Plant Database*

N = New E = Expansion

# 2012 U.S. Giants

### Top Projects by Capital Investment

| Company | City | State | Product | Category | $US millions |
|---|---|---|---|---|---|
| Sempra Energy/Cameron LNG | Hackberry | La. | LNG | N | $6,000 |
| Chevron Phillips Chemical | Sweeny | Texas | Petrochemicals | N | 5,000 |
| Sasol Ltd. | Westlake | La. | LNG | E | 4,387 |
| Intel | Hillsboro | Ore. | Semiconductors | E | 3,000 |
| Magnolia LNG | Lake Charles | La. | LNG | N | 2,200 |

### Top Projects by Size

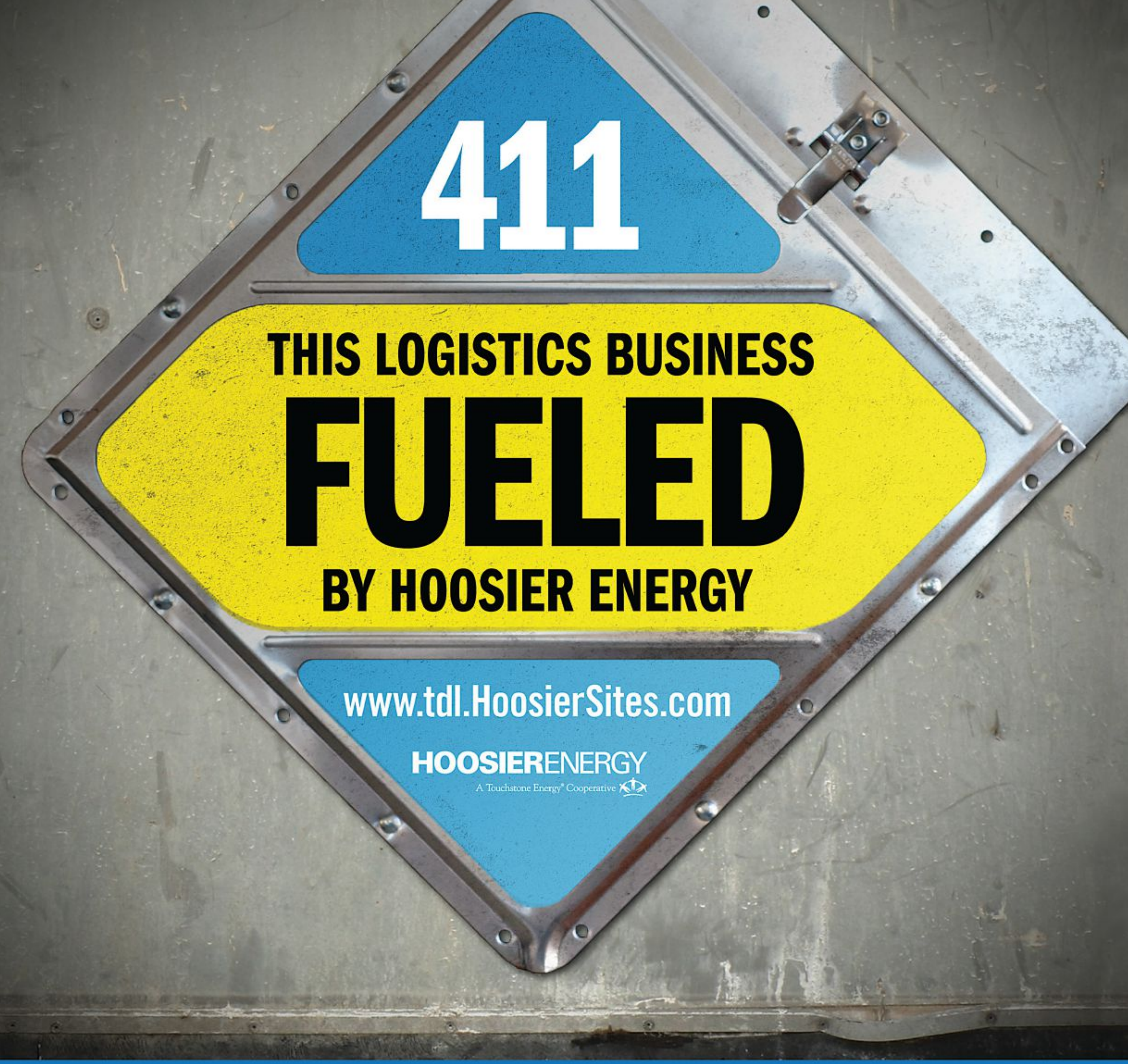
| Company | City | State | Product | Category | Sq. Ft. x 1,000 |
|---|---|---|---|---|---|
| Viacom | New York | N.Y. | Entertainment | N | 1,605 |
| North American Dismantling Group | Lapeer | Mich. | Demolition Services | N | 1,400 |
| Nebraska Furniture | The Colony | Texas | Furniture Distribution | N | 1,300 |
| Amazon.com | Schertz | Texas | Fulfillment Center | N | 1,260 |
| The Quaker Oats Company | Lancaster | Texas | Food Products | E | 1,200 |
| Ross Stores | Rock Hill | S.C. | Clothing | N | 1,200 |

### Top Projects by Jobs Created

| Company | City | State | Product | Category | Employees |
|---|---|---|---|---|---|
| Apple | Austin | Texas | Computers | N | 3,635 |
| Kohl's | Milwaukee | Wis. | Clothing | E | 3,000 |
| Exxon Mobil | Spring | Texas | Petroleum | N | 2,100 |
| Fluor Corporation | Sugar Land | Texas | Engineering | N | 2,000 |
| Shell Oil Company | Katy | Texas | Petroleum | E | 2,000 |

*Source: Conway Data, Inc.'s New Plant Database*

N = New E = Expansion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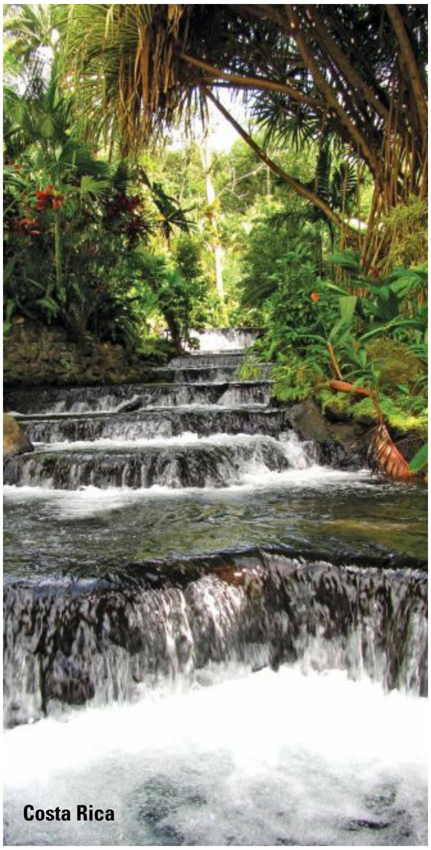
# The Great Dry Canal Race

**Whichever Central American nation can get its own canal project finished first will benefit significantly from the widening of the Panama Canal in 2015.**

by ESTUARDO ROBLES
editor@siteselection.com



Costa Rica

The Panama Canal expansion, on target to be completed by 2015, has certainly put Panama and Central America back on the map. Investor interest in the region will likely surge — the Canal is expected to bring swarms of post-Panamax-size vessels through the region. This expected increase in large container ships is to an extent influencing even the decisions that seaports on the eastern and Gulf coasts of the United States are making with respect to their expansion and capacity increase plans.

The enthusiasm has spread to neighboring countries of the Central American isthmus, where a race for a dry canal connecting the Pacific to Atlantic Ocean has intensified in recent years. Central Americans are making a compelling case on two major fronts: "Who's going to take care of the pre-Panamax ships and the super-post-Panamax ships?" on one side. On the other, they are reminding global investors that they have until 2015 to set up shop and enjoy 10 years of very lenient tax holidays that are set to expire by WTO mandate.

Guatemala, Nicaragua and Costa Rica each have their own version of the dry canal; Honduras has a joint canal project with El Salvador. An ideal future would have a Central American region encompassing a network of many dry canals complemented by one wet Panama Canal. Each of the dry canals is at a different stage in its realization, and each has its own sets of risks and rewards for investors jumping on board early.

## The Case for the Panama Canal and the Dry Canals

Central America could act as a major connector for cargo ships travelling from Asia on their way to Europe, and to the Eastern U.S. It is the primary reason why the Panama Canal expansion makes sense, to allow post-Panamax vessels that previously could not pass through the Canal a direct connection between the Pacific and Atlantic Oceans. While the Panama Canal provides a direct thruway, the "dry canals" could provide rapid drop points for smaller cargo ships on both oceans, and light assembly or logistical redistribution as the cargo moves along the short land portion of its journey. The canals could bring about a manufacturing boom for Central America and elevate its position and importance in global supply chains.

## A Brief History

Central America is often a region of contrasts. Sometimes it is the most collaborative block of countries in the world, and sometimes it is the complete opposite. On the collaboration front, it has been 50 years since the establishment in 1960 of the Central American Common Market, and the region recently completed its electrical backbone interconnection, both accomplishments that have been recognized worldwide as pioneering.

But when it comes to issues such as dry canal megaprojects, you find the countries fighting tooth and nail against each other when courting investors. The first official announcement of a dry canal project was from Nicaragua back in 1994, and for almost 10 years they were the only country promoting the idea. In 2005, El Salvador and Honduras announced a joint canal endeavor, and more recently Guatemala got the green light in early 2012 to begin construction of their project. Soon after Guatemala, Costa Rica officially announced a dry canal which would be financed by China.

## Ahead of Its Time?

Nicaragua was the first to coin the concept of the dry canal. In 1994, they announced a project to build a 234-mile (377-km.) railroad that would transport a massive two-story, 15-mile-long train between the future ports of Monkey Point and Pie del Gigante, with plans to build free-trade zones along the tracks. The CINN (Canal Interoceánico de Nicaragua) remained stuck in the planning phases and garnered little political support, though lots of hype, from one government administration after another. Nicaragua was perhaps too "avant-garde," and since then the other dry canal projects in other countries have taken a more

Photos by Soo Jones-Kelley

realistic approach using existing technologies as their base.

Nicaragua has a second problem. The country lacks a sufficiently large population, only 5.5 million, making some wonder if it could sustain such a megaproject. This is the same problem that Costa Rica, at 4.5 million inhabitants, will face. Panama has already proven this scenario. The country has literally run out of qualified labor for both the high-end and the low-end work needed for the ongoing Panama Canal expansion, and has had to revamp its immigration laws and procedures, expediting everything from work visas to residency in order to attract foreigners to relocate to the country.


**The Dry Canals: 1) Guatemala 2) El Salvador/Honduras 3) Nicaragua and 4) Costa Rica (the Panama Canal is #5).** Map courtesy of Google

## Hurry Up and Wait

Back in 2005, El Salvador announced that it would build the mega port of La Union near the eastern border with Honduras. Construction immediately began on the port, and during that two-year process a great amount of pressure was placed on Honduras to begin building its share of the interconnecting highway, which was set to link the port of La Union with Honduras' existing Puerto Cortez on the Atlantic.

Construction of La Union was completed, but it has taken the Government of El Salvador over three years to name a concessionary, a process which has been mired in corruption and finger-pointing on several fronts. Meanwhile, Honduras has already tendered and awarded the highway to a consortium of multiple construction companies, and has since then suggested that if El Salvador doesn't hurry, it will build its own deepwater port on the Pacific coast of Honduras. The combination of both countries is ideal though: With a combined population of 14 million, they can supply the jobs that will be created.

## Guatemala Looks to Private Sector

The Guatemalan Canal is a completely different case from its neighbors, since it is a completely private-sector-led endeavor. ODEPAL is a consortium of companies dedicated to promoting the Corredor Interoceánico de Guatemala as a single entity that will include two new deepwater ports and a railroad, plus highway, oil and gas pipelines and industrial parks along its route. Guatemala was the first to tout that its project would help the smaller pre-Panamax vessels that would be priced out of the market with the expanded Panama Canal transit prices, but it was also building its ports to be able to support Super Post-Panamax ships, with 8,000 tons of cargo capacity.

**Panama**

Already a total of $400 million has been used to buy the land along the route, and the consortium received the authorization to construct early in 2012 from the Government. Although it is completely private-sector-led, the pro-business administration is helping to promote the project to prospective investors, leading trade delegations to several markets and organizing a large Guatemalan investors forum in April of this year, where certain pre-approved investors will attend.

## Last On Board is Top of Mind

The last country to join the great canal race is Costa Rica, announcing a confirmed mega-investor in mid-2012: China. Even though for years the Nicaraguan CINN promoters would threaten to pack their bags and move their project to neighboring Costa Rica, the latter did little but meddle with the idea.

Costa Rica's entry into the race is affecting the Guatemalan and the El Salvador/Honduras projects, taking investor attention away from these more mature and already "set in motion" projects, to a dry canal that doesn't know yet if it will traverse the center of the country and connect already existing ports, or if it will build new seaports on both coasts.

Costa Rica has traditionally been a country with a fantastic track record of attracting intellectual and human capital and extensive foreign direct investment, but has an equally opposite and terrible track record of infrastructure investment. It took the Costa Rican government 20 years to complete a 50-mile (80-km.) highway from the capital city of San Jose to its Pacific port. Still, the Costa Rican *pura vida* brand is very strong, and will skew investor interest towards this country's dry canal project.

## The Best Bet: Invest Near Central American Ports

Even if Central America doesn't succeed in completing one single dry canal, it is still worth investors taking action today. The Panama Canal expansion is set to launch in 2015, coinciding with the ending of WTO-sanctioned tax holidays. As soon as the wet canal begins operations, a swarm of post-Panamax cargo ships will start going across the isthmus, and there is no doubt that activity will pick up from sheer aggregation across all existing Central American seaports. A good investing bet would be to establish a presence near existing seaports in any Central American country. ▼

*Estuardo Robles is an international business developer, entrepreneur and economic development trainer and is founder of The Americas IT Business & Investors Forum* (www.americasitforum.com)*. He is based in Austin, Texas.*

# Places to Soar

## The start-up mindset invigorates California projects, companies and — best of all — people.

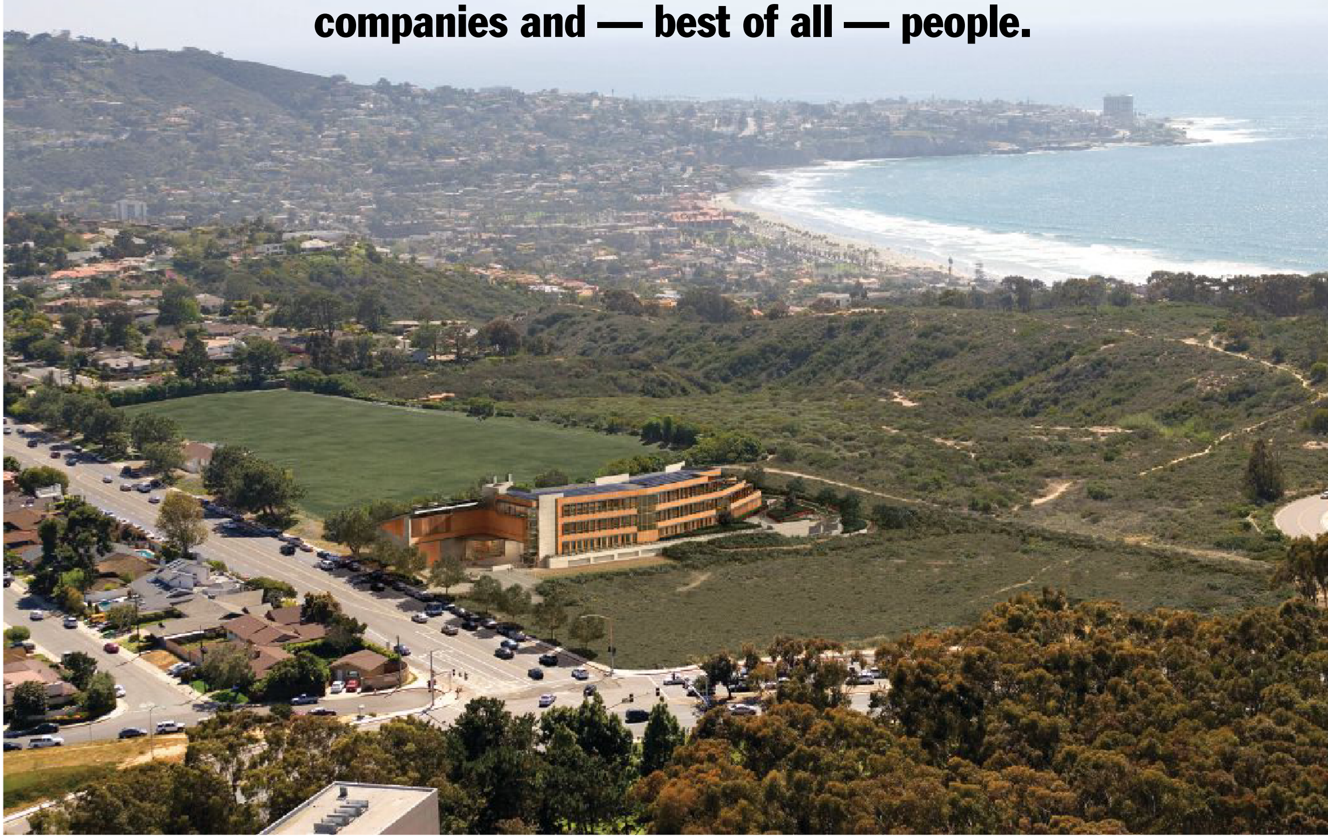


Image courtesy of JCVI

**The J. Craig Venter Institute's forthcoming campus in the San Diego community of La Jolla captures the environmental, talent, institutional and scientific allure of the Golden State. The genomics non-profit's "ultra-green" facility (rendered here) is expected to be complete this year, and will house 125 scientists and staff. It is aiming for net-zero-energy, producing all of its power on site, and is shooting for LEED-Platinum certification. Not far away, Hines is constructing a 13-story building at La Jolla Commons in San Diego that will achieve carbon neutrality on an annual basis through a combination of high-performance building design, directed biogas and on-site fuel cells made by California-based Bloom Energy.**

by ADAM BRUNS
adam.bruns@siteselection.com

Still learning to fly? California knows how to make a nest for you, then kick you out. Chances are you'll then find yourself surrounded by a flock of like-minded folks who already know how to spread their wings. That's why they came there to begin with.

Diego Miralles, M.D., head of Janssen Healthcare Innovation's unique lab complex in San Diego, says California's positives are its environment, people and spirit of entrepreneurship.

"As an entrepreneurial environment, in terms of talent, attitude and lack of hierarchies, this environment is second to none in the world," he says.

At the same time, "for a startup biotech company, the regulations can be cumbersome at times, as a lot of startups don't have a lot of resources. That's an area for improvement." His company's lab, an imaginative reuse of a Johnson & Johnson facility for exactly this breed of startup, is improving things in the meantime. But Miralles thinks the state could also be more proactive in recruiting companies.

"We know what Texas and other states are doing," he says, citing Texas Gov. Rick Perry's most recent recruiting visit to California. Miralles says he'd like to see state officials "putting themselves in a service position — 'How do I help this company come to my state?' It would be refreshing,


**The Lorry I. Lokey Stem Cell Research Building at Stanford (left) provides space for 550 stem cell researchers and staff. It received $50 million from California's stem cell agency, which also helped fund the Eli and Edythe Broad Center of Regeneration Medicine and Stem Cell Research at UCSF (right).**

and make people feel we want them in California."

Similar ambivalence is evident from Donn Tice, chairman and CEO of d.light design, which in January won the prestigious Zayed Future Energy Prize, the world's largest annual award in the renewable energy and sustainability sector. Based in San Francisco, the firm designs, manufactures and distributes solar light and power products throughout the developing world. A for-profit social enterprise whose purpose is "to create new freedoms for customers without access to reliable power so they can enjoy a brighter future," the firm directly employs 200 people, and indirectly employs hundreds more worldwide.

Tice says d.light "is located in San Francisco because it grew from a Stanford Business School start-up. This area is a hotbed of social enterprises and technology innovation which makes it very attractive, along with the quality of talent that is here. However, the high cost and high tax environment are not attractive and were the advantages not here, we would be located somewhere else."

Mary Walshok, Ph.D., is associate vice chancellor for public programs and dean of extension at University of California San Diego. A sociologist, she's also widely known as the co-founder in the 1980s of San Diego's trend-setting networking organization CONNECT, and has been studying how industrial legacies and clusters shape social dynamics and cultural values for 30 years.

"We know, living in California, that what is as important as science, patents, technology transfer and commercialization is the business culture that knows how to take a promising product and run with it," she says. "Make it happen. We call that an entrepreneurial culture. The nimbleness you see in Silicon Valley, in L.A. in the entertainment industry, and in San Diego in the life sciences space — these guys can turn on a dime. If there's a new opportunity in Asia or Brazil, they're chasing that. If it requires law firms to restructure [an arrangement] or accountants to develop new models, they do it. It may start with one technology application and then six months later change direction. It's about management, not capital or technology."

No wonder San Francisco was the place that Facebook CEO Mark Zuckerberg, Google co-founder Sergey Brin and technology investor Yuri Milner launched in February their new Breakthrough Prize in Life Sciences Foundation, awarding $3 million each to 11 researchers, who will serve on a committee to award five such

Sergey Brin (pictured above), co-founder of Google, in February joined wife Anne Wojcicki (right), Facebook CEO Mark Zuckerberg, Zuckerberg's wife and Russian investor Yuri Milner in co-founding the San Francisco-based Breakthrough Prize in Life Sciences Foundation, which will award five prizes annually of $3 million each to deserving scientists and researchers.
Photo courtesy of Google

Photo by Mark Tuschman courtesy of CIRM

**Anne Wojcicki is co-founder and CEO of 23andMe, a personal genetics firm based in Mountain View whose technology provides the science behind the PBS program "Finding Your Roots with Henry Louis Gates, Jr." Below, DNA samples are processed at NGI, a lab the firm contracts with in the area.** Photos courtesy of 23andMe

awards annually going forward. Art Levinson, chairman of the board of Apple and chairman and former CEO of prominent Bay Area company Genentech (now part of Roche) will serve as chairman of the foundation's board.

"Curing a disease should be worth more than a touchdown," said Brin, whose wife Anne Wojcicki, the co-founder of 23andMe Inc., is also a co-founder of the new foundation. Wojcicki's company, like Google, is based in Mountain View, and in December celebrated more than $50 million in new financing, including from new investor and her fellow foundation leader Milner. In comments to The Wall Street Journal, Milner observed about Silicon Valley, "Here I think we will see some sort of merger between the people with the engineering skills and the people with the life sciences skills."

Spokesperson Catherine Afarian says 23andMe has 80 employees. "We are actively hiring across the company to support growth and expansion," she says, referring to an available jobs Web page showing 24 positions, a third of them for scientists.

Corporate activity in the Bay Area is white hot, beginning with life sciences companies, but not limited to them. Active developers include such firms as Kilroy Realty, Hines, J.P Morgan Asset Management, Millennium Partners, Shorenstein Properties and Boston Properties, backing transit-oriented campuses and transit-oriented skyscrapers. Kilroy in December announced it had acquired a site in Sunnyvale where it will develop, own and manage a 587,000-sq.-ft. (54,532-sq.-m.) office complex for **LinkedIn Corp.** under a 12-year lease agreement. Kilroy will invest approximately $315 million to develop three mid-rise Class A office buildings and a parking structure, all designed and pre-certified to meet LEED silver requirements. The development is located along two major traffic arteries, and is just one mile from Caltrain.

**Over 2.4 million students are enrolled in 416 public and private colleges and universities in California, with over 200,000 college graduates per year.**

Kilroy expects to complete the LinkedIn complex in the second half of 2014, adding to a Bay Area development pipeline that now includes four projects under construction aggregating approximately 1.5 million sq. ft. (139,350 sq. m.). The four projects represent a total estimated investment of approximately $800 million and are all pre-leased to leading technology companies, including **salesforce.com**, **Synopsys** and and **Audience**.

Institutions such as University of California-San Francisco continue to pour on the growth in terms of both facilities and industry partnerships, such as the school's efforts with Pfizer.

The California Institute for Quantitative Biosciences (QB3) in March 2012 renewed and expanded a three-year agreement with Pfizer Inc. to collaborate on research projects at the University of California with the potential to transform world-class science into better medicine.

The renewal expands a 2009 QB3-Pfizer collaboration that led to 22 joint projects across the three QB3 campuses — UC Berkeley, UCSF and UC Santa Cruz — addressing a wide range of bioscience research. The expanded partnership will be open to UC Davis researchers, as well. The renewal also includes the opportunity for Pfizer to provide seed funding for startup bioscience companies currently in the QB3 Garage network and to sponsor research that could foster spin-off companies in the future.

"This collaboration has been very productive for Pfizer, and a diversity of scientists from our numerous research centers have enjoyed the scientific interactions we have had with the QB3 network," said Uwe Schoenbeck, chief scientific officer of Pfizer External R&D Innovation.

### Launch Pad for Discovery

Indeed, general economic development in California could take a cue from the life sciences about how to cultivate clusters, talent and pure energy.

The 2012 Jones Lang LaSalle Life Sciences Cluster Report released earlier this year identified and ranked a total of 21 U.S. cities according to weighted scores for total employment in high-tech research and hospital/medical fields; life science establishments; National Institutes of Health (NIH) funding; and venture capital funding. Three of the Top 10 clusters were in California, with San Diego shooting up five spots from last year's report to No. 2, ahead of San Francisco Bay Area (No. 3) and Los Angeles/Orange County (No. 8).

Three days prior to that report's release, the California Biomedical Industry Report published by BayBio, California Healthcare Institute (CHI) and PwC US found that nine of the 39 medicines approved by the U.S. Food and Drug Administration (FDA) in 2012 were developed by California companies. The 2013 report found California to be:

- **No. 1 in jobs:** Biomedical industry employment in California has grown at an average annual rate of 0.5 percent over the past five years, with 269,997 people employed in the total biomedical industry;
- **No. 1 in new treatments to patients:** Twenty-one percent of the nation's biomedical R&D pipeline is coming from California labs;
- **No. 1 in venture capital investments:** California biomedical companies secured $1.98 billion in venture capital investment through the first three quarters of 2012.
- **No. 1 in federal funding:** $3.33 billion in funding from the NIH went to California institutions, more than any other state and 15.1 percent of total national NIH funding.

The Jones Lang LaSalle report said San Diego rose from seventh to second in its cluster analysis in large part due to "a staggering $13.8 billion in M&A activity in the last 12 months, including AstraZeneca's acquisition of Ardea Biosciences, Hologic's purchase of Gen-Probe and Bristol-Myers Squibb's offer to acquire Amlyin Pharmaceuticals. While this type of consolidation could potentially leave empty space on the market, middle-market companies have driven a steadily increasing demand for space in life sciences-oriented facilities, keeping space occupied and rents stable."

Stability in the Golden State comes in large measure from partnership.

"Biomedical innovation is being fueled by a new paradigm to advance R&D through a combination of diverse, alternative sources of funding, non-traditional partnerships and greater collaboration among the biotech, pharmaceutical, the investment community and regulatory bodies," said Tracy Lefteroff, global managing partner, venture capital practice and national life sciences partner, PwC US, in the California report.

Institutional ballast for such collaboration comes from the state's renowned public university system. It also comes from a unique program: California's stem cell agency, the California Institute for Regenerative Medicine (CIRM). CIRM was established in November 2004 with the passage of Proposition 71, the California Stem Cell Research and Cures Act.

Steelhouse, a marketing technology and advertising firm, in January pre-leased one of three industrial facilities at the Hayden Tract in Los Angeles being converted to creative offices at the WorkScapes campus under development by Hackman Capital Partners, LLC. Steelhouse will bring 75 employees to the site.

The statewide ballot measure provided $3 billion in funding for stem cell research at California universities and research institutions. CIRM's first $1.1 billion in grants (through July 2010) created 25,000 job years and $200 million in new tax revenue through 2014, according to an independent economic impact study released in January 2011.

Since the passage of Proposition 71 CIRM has awarded more than $270 million under the Major Facilities Grant Program and used it to attract almost $900 million more in private and philanthropic donations, to help build 12 major research facilities around California.

## A Healthy 'Lunatic Fringe'

Walshok recently completed her own study comparing the industry cluster ecosystems of San Diego, Philadelphia and St. Louis. What she found was a continuum "with San Diego at the lunatic fringe," she jokes, meaning a high failure rate. "But we start so many companies that some of them succeed."

Over the past five years, she says, San Diego saw a high of 21 new technology start-ups per 100,000 in population, compared to 14 in Philadelphia and just under nine in St. Louis. Patents in San Diego numbered 180 per 100,000 residents, compared to 65 in Philadelphia. And venture capital hovered between $1 billion and $2 billion in San Diego during her study period, while it never breached $500 million in Philadelphia.

In releasing its annual global venture capital confidence survey last July, Mark Heesen, president of the National Venture Capital Association, echoed Walshok's description of California entrepreneurs: "Venture capitalists are nimble and can quickly move to where the most promising entrepreneurs, policies and innovations exist."

By all indications, they still exist in California. MoneyTree data from 2012 show a total of 3,698 venture capital deals involving more than $26.5 billion invested. California represented 1,521 of those deals (41 percent) and more than $14 billion of those dollars (53 percent). That's serious sustenance for a thriving entrepreneurial ecosystem.

Walshok says other areas of the country often see entrepreneurs springing from the ranks of large-firm executives in transition. In San Diego, they're serial self-starters, and they rise from a pool of shared knowledge across disciplines and a cultural leaning toward coaching and mentorship — two attributes not often found in those large companies.

Iberdrola Renewables just added the Manzana Wind Power Project in Kern County, Calif., to a portfolio of clean energy projects that now spans 19 states. The project will support the local economy with property tax payments estimated to be more than $50 million and lease payments expected to be more than $30 million over the life of the project.

Photo courtesy of Iberdrola

"We build great start-ups," she says. "Mergers and acquisitions are fine, and sales are fine, because the guys who sell their companies stay here and start the next company. So we get that churn."

Walshok says the model for business development has changed drastically since the days of the vertically integrated company. "They were like nation-states," she says. Globalization and rapid technological change have conspired to promote what she calls a new division of labor, with small, nimble, innovative enterprises accumulating around specific technology areas.

"Then you have these robust global companies which used to do the R&D themselves now looking to be closer to these hubs," she says. And while state policies have indirectly helped foster that environment, the industrial parks and incubators that form that culture's infrastructure are nearly all privately funded. If anything, she says, these companies worry that economic developers in California, pleading for new streams of revenue in the wake of the abolition of redevelopment agencies, will cause taxes to rise on the very engines driving growth in their communities.

"What trumps public money?" she asks. "It turns out to be access to talent. What makes talent gather? In San Diego's case, it was two things — land use decisions that go back to the 1920s and 1950s, and the growth in federal funding for basic research. In my community, there's more concern about NIH, NSF and DOD funding than redevelopment money."

Life sciences growth is now reaching into nearby Carlsbad, where the city just approved a proposal by Bio, Tech and Beyond to create an incubator in a former Farmers Insurance building, and where companies such as Life Technologies, Isis Pharmaceuticals and Genoptix operate. But Walshok says companies still pay a premium to be close to talent. San Diego is Exhibit A: a city that's spread out over 800 sq. miles (2,072 sq. km.), "and yet 90 percent of the high-tech companies are within five miles of UCSD and Torrey Pines," she says. "If they would locate 20 miles inland, the cost would be half. They don't."

### Zones a Big Help

It could be said the California entrepreneurial spirit even infuses the proj-

**"d.light is located in San Francisco because it grew from a Stanford Business School start up. This area is a hotbed of social enterprises and technology innovation which makes it very attractive, along with the quality of talent that is here. However, the high cost and high tax environment are not attractive and were the advantages not here, we would be located somewhere else."**

*— Donn Tice, Chairman & CEO d.light design.*

ects and programs of larger, less nimble organizations also bent on changing the world, whether multinational corporation, developer or even that most intransigent of organizations, government itself. Witness **Samsung**'s recent investments in multiple California locations, as well as **Amazon**'s three new distribution centers in Patterson, San Bernardino and, in January, Tracy in San Joaquin County, following the company's 2011 sales tax collection agreement with the state.

Amazon's investment in Southern California is in the San Bernardino Valley Enterprise Zone, part of a state program that is alive and well and which one observer describes as "the only places in the state attracting large employers and jobs."

Recent reports show that the vacancy rate for industrial space in the Inland Empire region closed the year at 4.9 percent. In the third quarter of 2012 alone, the County of San Bernardino attracted 64 businesses, adding 651 new jobs to the region along with the retention of an estimated 1,982 jobs. Some of the business attraction highlights for the quarter include **Updike Distribution Logistics** in Ontario and **M. Block & Sons** in Redlands. The county saw 68 lease renewals in the quarter as well, including from **Distribution Alternatives** and **Weber Logistics** in Fontana, **Newell Rubbermaid** in Victorville and **The Dial Corp.** in Victorville. In February, Prologis worked a build-to-suit deal with **BMW** that will see a new facility rise in Redlands while Prologis takes on BMW's former facility in Ontario.

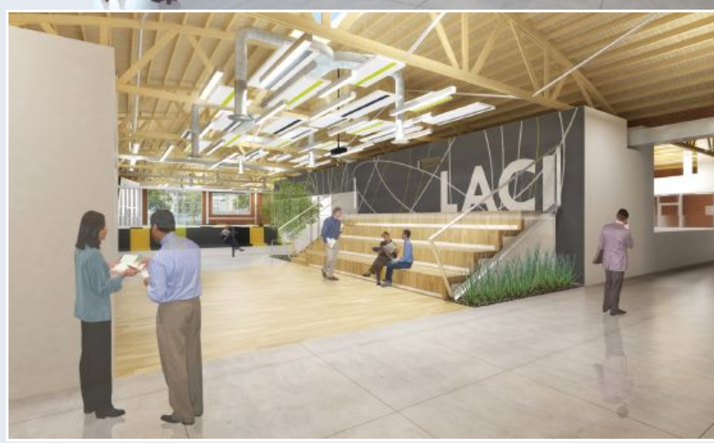
In Los Angeles, a recently expanded SEZ was crucial to **ICON**'s decision to invest in a new 40,000-sq.-ft. (3,716-sq.-m.) headquarters and manufacturing facility in Chatsworth. According to Mayor Antonio Villaraigosa's office, the City of Los Angeles remains in the top four U.S. cities for manufacturing jobs in part because of incentives like the SEZ.

"Earlier this year when our company realized it was time to expand, we took a very careful look at where to relocate," said ICON Lead Designer and CEO Jonathan Ward last June. "We evaluated everything, and after review, decided to stay in the San Fernando Valley where ICON was conceived 16 years ago. The Mayor's role in the expansion of the SEZ to Chatsworth definitely fostered an environment where we could continue to grow the brand here in L.A."

Last May, a new SEZ was created in the city's Harbor Gateway area. Covering portions of San Pedro, Harbor City, Wilming-

# A Place to Rise, A Place to Shine

The La Kretz Innovation Campus is a 60,000-sq.-ft. advanced clean technology center coming to L.A.'s Downtown Arts District in 2013, thanks in part to a $2-million U.S. EDA grant it received in October 2012. The Los Angeles Cleantech Incubator (LACI) is located in the city's Cleantech Corridor in downtown Los Angeles, a four-mile strip between the Los Angeles River and Alameda in the eastern part of downtown. LACI added five more startups to its portfolio in December 2012, bringing its total to 14 tenants. L.A. also has recently welcomed a new HQ and manufacturing facility from auto parts firm ICON, and a new HQ and logistics campus from international fashion company **Forever 21**, retaining 1,800 employees at the company founded in L.A. by Korean immigrants Don Chang and Jin Sook Chang in 1984.



ton, and Harbor Gateway. In 2011, 5,401 businesses participated in the city's two SEZs, retaining over 20,000 jobs and creating over 5,000 new jobs because of their participation. Companies that cite the SEZs as a major motivator have included Costco, Baxter International, LuckyBrand Jeans and electric vehicle manufacturer Boulder Electric Vehicle.

### A Closer Look Up North

Back in the Silicon Valley, Samsung Information Systems America Inc. (SISA), a Samsung Electronics U.S. R&D Center, in September announced its plans for expansion and relocation to a new 8.5-acre (3.4-hectare) campus in Mountain View.

"Our new R&D Center will provide an outstanding environment to support our plans for strategic growth and attracting the very best employees," said Jay Chang, president of SISA. "Our company will benefit from the dynamic location, the culture and the diversity of talent here in

**Mary Walshok, Ph.D., associate vice chancellor for public programs and dean of extension at University of California San Diego, says companies in her region continue to pay a premium to be close to talent.**

the region."

Construction is anticipated to start in the second half of 2013 on the company's two new six-story class-A office buildings totaling approximately 385,000 sq. ft. (35,767 sq. m.) and two parking structures, with occupancy expected in 2014. The project is aiming for LEED-Gold certification, and builds on Samsung's more than 20-year history in the Bay Area.

In August, Samsung Semiconductor Inc. announced the expansion of its 300,000-sq.-ft. (27,870-sq.-m.) San Jose campus. According to EE Times, city tax incentives for the San Jose expansion include $500,000 for capital equipment, a hiring tax credit worth about $37,440, a reduction in traffic impact fee from $12.75 per square foot to $5 per square foot, a reduction in construction taxes from 4.5 percent to 1 percent of valuation and a rebate of up to 50 percent on the 5 percent utility tax paid annually for 10 years. Samsung will also receive an R&D tax credit from California and a discounted rate from Pacific Gas and Electric.

Samsung has also finalized a new office lease in San Francisco.

Amazon's project in Tracy is being developed by Prologis on land the logistics developer acquired in its merger with Catellus in 2005. Ben Peterson, first vice president and market officer for Prologis in the Central Valley region, says the first successful deal on the property was with

Crate & Barrel in 2007-'08. One thing that attracted Amazon.com was that it was ready to go, entitled, with the right zoning and nearly all infrastructure in place.

"All that was left over was to fill the building," he says. "In our world, timing is a big part of the equation."

Scott Lamson, president, Northwest Region, Prologis Americas, says the Amazon.com project in Tracy was two years in the making, and benefited greatly from partnering with both the City of Tracy and the San Joaquin Partnership.

"This latest development in Tracy not only represents good jobs coming to the region but California's strong partnership with Amazon," said Kish Rajan, Director of the Governor's Office of Business and Economic Development. "This third new distribution center marks a commitment by Amazon of over 1,000 California jobs in the last year alone."

Peterson says there's been a tremendous amount of growth in the corridor defined by the line from Sacramento to Stockton to Fresno, and that the area comprising Tracy and Stockton is the sweet spot for industrial users targeting Northern California. One factor limiting choice is finding properties that have already gone through the "really lengthy process" of environmental review required by the state. With that as a criterion, "the list dwindles really fast," he says. "It's difficult to place a facility now, because a lot of companies don't leave themselves enough time. California is tough."

Then again, so is the whole West Coast when it comes to regulations, he says. But he's seen California cities and counties in the past few years step up their games to be business friendly.

"They may be stuck with regulations handed down by the state, but they're trying to improve processes and make it more streamlined," he says. "It's a nice change of pace. When the growth went away, that allowed for cities to stop and look at their own organizational structures for permitting. They took advantage of downtime and are doing really well right now."

Peterson says the state gets a bad rap in general, though he admits to some surprise at how few companies left during the recession. "In my portfolio, I can't think of a single company that got up and left and went to another state."

The same holds for people.

"You hear people say they're moving to Oregon, Idaho or Nevada," he says. "That's absolutely not what's happening. There's no better place to get a job."

## A Future for Manufacturing

The National Governors Association in January 2013 issued a report called " 'Making' Our Future" that focuses on eight states' policy approaches to support manufacturing. The state was highlighted because it and the other seven states renewed their focus on advanced manufacturing because of a recently concluded National Governors Association Center for Best Practices Policy Academy designed to help them do so.

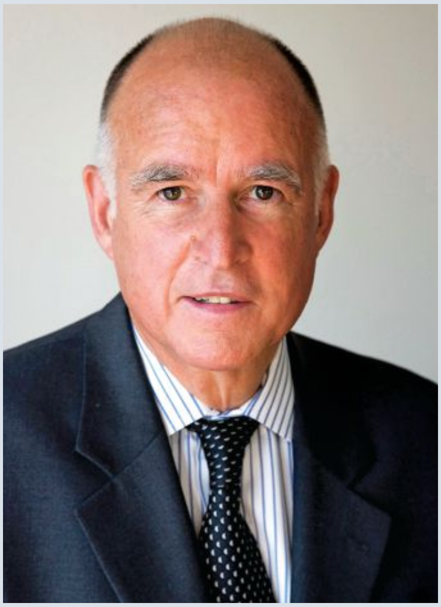
In California's case, legislation was passed to renew and extend the community college initiative that funds manufacturing and other regional industry workforce partnerships. According to the U.S. Bureau of Economic Analysis, California in 2011 accounted for 12.5 percent of total U.S. manufacturing GDP. Moreover, manufacturing's share of state GDP has been on a steady climb since 2004. The average annual manufacturing wage in 2012 in California was $76,649.

Last July, **California Steel Industries in Fontana** announced a $100-million investment in a new pipe mill. The project is expected to add 100 production and logistics jobs to the company's payroll of 1,000. A federal report indicates that manufacturing accounts for less than 9 percent of the state's non-agricultural payrolls. But there is one area of the state where manufacturers account for more than 10 percent: the San Francisco Bay Area. ▼

## Miles to Go

Looking for government innovation? The state may have just passed new taxes on one-percenters, but it's also eliminated some regulatory red tape, and reformed workers' compensation. Gov. Jerry Brown even said this in his January 2013 State of the State address:

"This year, we should change both the Enterprise Zone Program and the Jobs Hiring Credit. They aren't working. We also need to rethink and streamline our regulatory procedures, particularly the California Environmental Quality Act. Our approach needs to be based more on consistent standards that provide greater certainty and cut needless delays."



Jerry Brown, Governor of California

(For those skeptics needing time to digest those words and their source, this parenthetical aside serves as a time to pause, reflect and reread.)

In 2012 Gov. Brown also signed Assembly Bill 2012, which re-establishes the state's international trade offices, beginning with a location in Shanghai.

California's export shipments in 2011 totaled $159.4 billion — an increase of 25 percent since 2009 — which has propelled the state's export totals to historic levels.

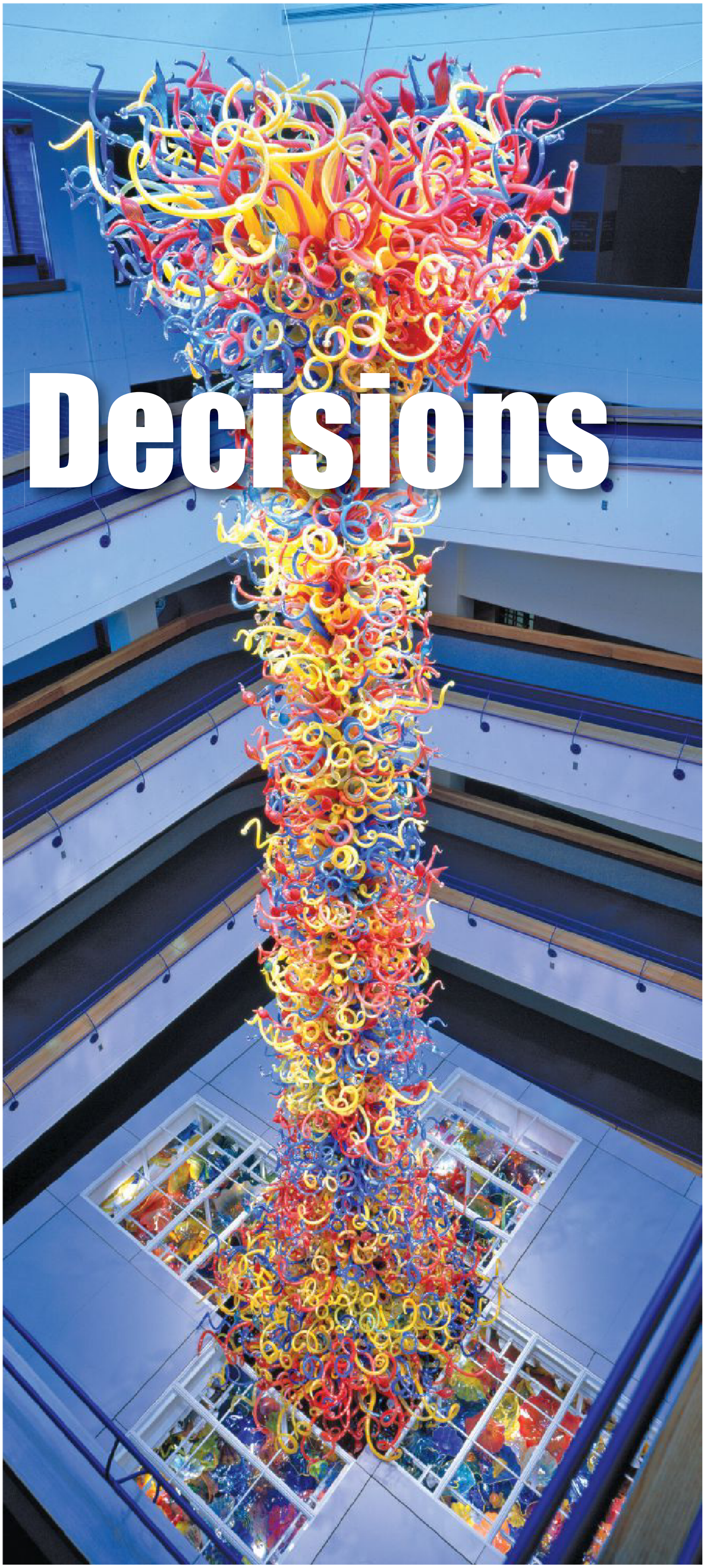
"This law will help attract international business to California by ensuring foreign investors have a point of contact with California in nations like China and Mexico, which will ultimately create thousands of jobs for Californians," said Speaker John A. Pérez, who introduced the measure.

According to the U.S. Department of Commerce, foreign-owned companies employ 561,000 Californians and foreign investment in California is responsible for 4.6 percent of the state's total private-industry employment. Exports from California to 227 foreign markets accounted for 11 percent of total U.S. exports. California's top trading partners are Mexico, Canada, Japan, China and South Korea.

The legislation authorizes the Governor's Office of Business and Economic Development (GO-Biz) to work with nonprofit organizations to operate the offices, using state funds or private donations. GO-Biz will partner with the Bay Area Council to open an international trade and investment office in China. Sixteen percent of the San Francisco metro area's 4.4 million people were born in China.

AB 2012 also transfers the state's one-stop online permit resource center to GO-Biz and will eventually expand the system to serve most of California's industries.

# Easier Decisions



**Site selectors in a mix of industries make the case that Hoosier sites have more pros than cons.**

by MARK AREND
mark.arend@siteselection.com

One fertilizer plant project, in the southwest corner of Indiana, made news in late 2012 because it will happen. Another made news in early 2013, in the same part of the state, because it will *not* happen. In December, **Ohio Valley Resources LLC** (OVR) selected Spencer County as the home for its new $1-billion nitrogen fertilizer plant. The state-of-the-art facility will be located on approximately 150 acres (61 hectares) north of Rockport. OVR also considered a site near Owensboro, Ky., among others.

"We considered numerous sites before narrowing our search down to the Spencer County and Owensboro locations,"

**The Children's Museum of Indianapolis is the largest children's museum in the world. Fireworks of Glass is the largest permanent sculpture of blown glass by renowned artist Dale Chihuly.**

Photo courtesy of Visit Indy


**War Hero: USS LST-325 is a decommissioned tank landing ship of the U.S. Navy that is docked in Evansville. Listed on the U.S. National Register of Historic Places since 2009, LST-325 landed on Omaha Beach in France on D-Day and served throughout World War II and in the Korean War.**



explained OVR President and CEO Doug Wilson. "During the last several months, we have met with representatives of both communities and considered the potential pros and cons of our two best options. We greatly appreciate the cooperation of both communities but feel confident we have picked the best possible location for the new plant."

Access to two interstate natural gas pipelines, convenient rail and highway access and the potential for Ohio River access were key site considerations. OVR's nitrogen fertilizer plant will be the first entirely new facility of its type to be constructed in America by a U.S.-based firm in more than a quarter-century.

The plant will use the latest version of a purifying process from Houston-based KBR and therefore will consume less energy than ammonia plants currently operating in the United States. It will feature state-of-the-art emission-control technologies that comply with current federal and state environmental regulations.

"There is a rapidly growing need for this type of facility," Wilson said. "By providing a reliable source of emissions-control products to support a cleaner environment, we will play a key role in boosting domestic agricultural production. Best of all, we will rely on American workers using domestic sources of natural gas. We are extremely proud that our new plant will help to stabilize the supply and price of nitrogen fertilizers to serve the Eastern Corn Belt and thereby support the regional agricultural economy." The facility will produce approximately 2,420 tons per day of ammonia and 3,000 tons per day of urea ammonium nitrate (UAN) solution for fertilizer.

In early 2013, the state withdrew support for another fertilizer plant, in next-door Posey County, that was to be operated by the Midwest Fertilizer Corp., a unit of Pakistan-based Fatima Group. According to a Feb 1, 2013, report in the Evansville Courier & Press, the Indiana Economic Development Corp. (IEDC) learned January 12th that the Department of Defense had changed its opinion of Fatima based on testimony of a military explosives expert who held the view that Fatima Group was "less than cooperative"

## Indiana Tax Reform Prospects in 2013

The scrutiny lawmakers will be giving to their state and local tax systems presents an extraordinary opportunity to assess and address structural flaws and ensure states have the necessary revenue to provide vital public services now and in the future. Yet, it is already clear that "tax reform" for some state lawmakers may be little more than a vehicle for ideological goals like shrinking government spending or lowering taxes for corporations and the wealthy.

2013 is likely to be a watershed year for tax reform in the states as lawmakers across the country are poised to enact a major overhaul in the way their states collect revenue to pay for public investments. The Institute on Taxation and Economic Policy (ITEP) is closely monitoring proposals in 30 states, including Indiana, as they develop and become more concrete. Following is ITEP's take on the Hoosier State's tax reform prospects:

Indiana's governor-elect, Mike Pence, hopes to follow through on his campaign promise to cut the state's flat income tax rate from 3.4 percent to 3.06 percent, but the likelihood of enactment is far from clear.

Indiana's revenue outlook is uncertain, given recent cuts in the corporate income tax, the repeal of the inheritance tax, and the slump in gambling revenues that has occurred as new gambling venues opened in nearby states.

Legislative leaders, including the House Speaker, have expressed skepticism that the state can afford the cut. And two-thirds of Indiana voters would rather see the money spent on education and work-force training.

ITEP analyzed Pence's proposal and found that more than half of its benefits would go to the best-off 20 percent of Indiana residents — a group that already spends less of its income in state and local taxes than anyone else in the state. Many of the state's poorest taxpayers, by contrast, would receive no tax cut at all, says ITEP.

> **"Being able to do business in a right-to-work state that provides companies with the necessary tools to be successful made the decision to relocate here an easy one."**
>
> *— Rob West, Lake Area Designs, LLC*

with DoD's efforts in the region.

A statement Gov. Mike Pence reads: "Economic development is important, but the safety and security of our troops in harm's way is more important. We are in the process of making a careful evaluation of the appropriateness of Indiana's involvement in this project with those priorities in mind."

## Right-to-Work Anniversary

Meanwhile, Indiana is no longer the only Midwestern state with right-to-work status, as it was in February 2012, when then-Governor Mitch Daniels signed the measure into law. Michigan joined the club later last year, removing a key differentiator between the two states, which share a 100-mile (161-km.) border. But it's still one reason a wood furniture and custom molding manufacturer for the recreational vehicle (RV) and commercial industries feels confident in relocating its operations from Sturgis, Mich., to LaGrange, Ind. **Lake Area Designs, LLC** (LAD) will invest $1.5 million to lease and renovate a 24,000-sq.-ft. (2,230-sq.-m.) facility and will create 34 new jobs by 2016.

"We are very excited to make the move to Indiana to be closer to our customer base in northern Indiana," said Rob West, president of LAD, in February. "Being able to do business in a right-to-work state that provides companies with the necessary tools to be successful made the decision to relocate here an easy one, and we look forward to growing in LaGrange County and the state of Indiana."

The Indiana Economic Development Corporation offered Lake Area Designs, LLC up to $325,000 in conditional tax credits based on the company's job creation plans.

These tax credits are performance-based, meaning until Hoosiers are hired, the company is not eligible to claim incentives. The town of LaGrange approved additional tax abatement at the request of the LaGrange County Economic Development Corporation.

## In-State Benefits

Other companies are relocating operations from outside Indiana, as well. **Scott Pet Products, Inc.**, a pet supplies manufacturer, announced plans in December to relocate its operations from Tishomingo, Okla., to Newport, creating up to 80 new jobs by 2014.

The company, which specializes in natural dog chews, treats and wild bird seed, will open a manufacturing and distribution warehouse located on its nine-acre (3.6-hectare) campus in Vermillion Rise Mega Park. The facility will house the company's beef and pork dog treat operations.

Scott Pet Products, which employs 110 associates at its Rockville, Ind., headquarters, is currently hiring additional positions in quality control, supervision, maintenance and production at its Newport facility.

"With a long history in Indiana, Scott Pet Products is a familiar name among pet owners," said Michael Bassett, president of Scott Pet Products. "We not only chose this location because of its close proximity to our corporate headquarters, but we have come to appreciate Indiana's work force and business-friendly environment."

IEDC offered Scott Pet Products up to $70,000 in performance-based training grants based on the company's job creation plans. Also, the state offered Vermillion County a grant from the Industrial Development Grant Fund of up to $250,000 to assist with off-site infrastructure improvements. The Vermillion County Economic Development Council approved additional incentives at the request of the Newport Chemical Depot Reuse Authority.

**Conn-Selmer, Inc.**, a manufacturer of band and orchestra instruments, is another cross-border investment, with plans announced in December to consolidate operations from LaGrange, Ill., to Elkhart, where it is headquartered, creating up to 23 new jobs in 2013.

The company, a subsidiary of Steinway Musical Instruments, will invest $2.2 million to move its percussion instrument manufacturing operations to its 90,000 sq.-ft. (8,300-sq.-m.) woodwind instrument facility in the northern Indiana city of 51,000. Conn-Selmer currently employs 346 Hoosiers at its four Elkhart facilities and 750 associates nationwide.

"In an effort to remain the only full-line band instrument manufacturer in the United States, consolidating these facilities will help reduce overhead and provide us the best opportunity to achieve this goal," said John Stoner Jr., president and chief executive officer of Conn-Selmer. "We appreciate the support of our project by the city of Elkhart and the state of Indiana." ▼

## 2012 Indiana Top Projects

| Company | City | Product | New/ Expanded | Type | Investment ($millions) | Employees |
|---|---|---|---|---|---|---|
| Ohio Valley Resources | Rockport | Fertilizer | N | MF | $952 | 80 |
| Toyota Motor Corp. | Princeton | Automobiles | E | MF | 400 | 400 |
| Magnetation | Reynolds | Iron Ore Pellets | N | MF | 350 | 100 |
| Roche Diagnostics Corp. | Indianapolis | Diagnostic Substances | E | HQ | 300 | 100 |
| Cummins Inc. | Seymour | Engines | E | MF | 219 | 290 |
| Amazon | Jeffersonville | Retail Merchandise | N | DW | 150 | 1,050 |
| Covance Laboratories | Greenfield | Life Sciences | E | RD | 150 | 465 |
| Eli Lilly and Co. | Indianapolis | Insulin Pens Cartridges | N | MF | 140 | 50 |
| Alcoa | Lafayette | Aluminum | N | MF | 90 | 75 |
| Nantworks | Terre Haute | Pharmaceuticals | E | MF/RD | 86 | 234 |
| PotashCorp | Hammond | Phosphatic Fertilizer | N | DW | 78 | 25 |
| Steel Dynamics | Pittsboro | Steel Products | E | MF | 76 | 50 |
| Subaru | Lafayette | Automobiles | E | MF | 75 | 100 |
| Positron Corp. | Gary | Medical Equipment | N | MF | 65 | 50 |
| Tsuda Industries | Mount Comfort | Auto Parts | N | MF | 56 | 116 |

MF = Manufacturing HQ = Headquarters DW = Distribution/Warehouse RD = Reseach & Development

*Source: Conway Data Inc.'s New Plant Database*

# Purdue Study Quantifies Motorsports' Economic Impact

Indianapolis is known as the "Racing Capital of the World," and a new study shows that the motorsports industry's impact is advancing into other manufacturing sectors throughout Indiana and across the globe. Indiana's motorsports industry contributes more than 23,000 jobs for the state, paying an average annual wage of nearly $63,000, well above the $39,700 state average, a report released December 6th by Purdue University shows. At the same time, the motorsports industry is indirectly responsible for 421,000 jobs. By comparison, Indiana's life sciences industry employs 48,000 people, paying $68,000 annually, and is indirectly responsible for 225,000 jobs.

The study, titled "Race to the Future: The Statewide Impact of Motorsports in Indiana," was formally released in conjunction with the International Motorsports Industry Show at the Indiana Convention Center. To download a PDF of the study, visit *www.pcrd.purdue.edu/mvp.pdf*.

Scott Hutcheson, assistant director, Purdue Center for Regional Development

"Indiana continues to build on its tradition as home to the Indianapolis Motor Speedway and the annual running of the Indianapolis 500 by leveraging this industry's strengths and advancing a vibrant motorsports economy," said Scott Hutcheson, assistant director of the Purdue Center for Regional Development, which led the study.

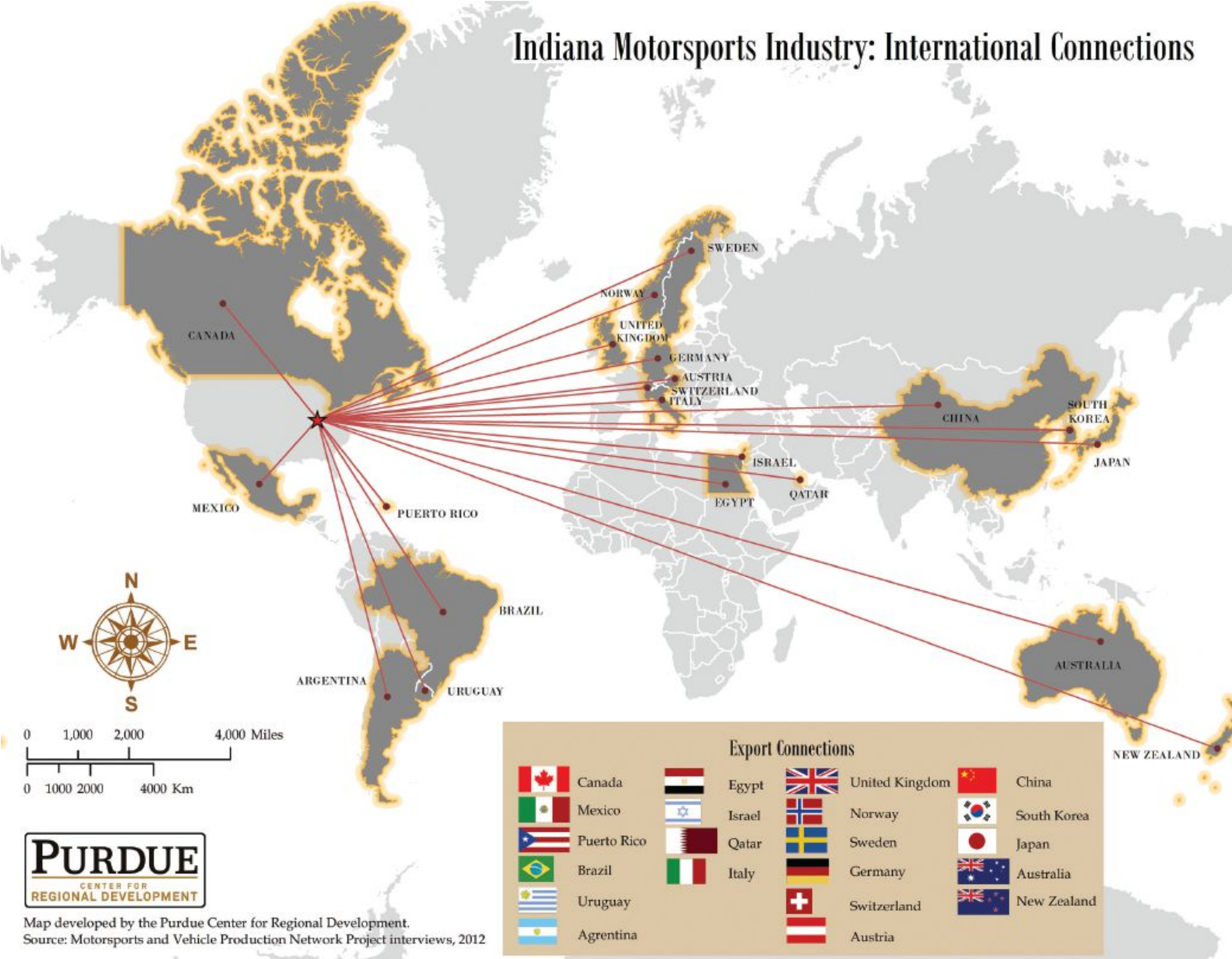
Indiana is one of the top three locations worldwide — the others are England and North Carolina — where the motorsports industry is concentrated. Importantly, Indiana's motorsports companies also are linked to other industries, such as defense and aerospace, passenger vehicle manufacturing and orthopedics, according to the study.

Tom Weisenbach, executive director, Indiana Motorsports Association

For the study, information about motorsports companies was compiled from databases supplied by the Indiana Motorsports Association and quasi-government agency Conexus Indiana. The Indiana University Public Policy Institute also partnered on the study. Funding for the study was provided through a grant from the U.S. Economic Development Administration office in Chicago.

Tom Weisenbach, executive director of the Indiana Motorsports Association, said motorsports in Indiana is spurring innovation. Inventions and innovations in the racing industry are often transferred to other industries to solve problems. Technology used in race helmet design, for

*(Continued on page 142)*


Indiana Motorsports Industry: International Connections
CANADA
MEXICO
PUERTO RICO
BRAZIL
ARGENTINA
URUGUAY
SWEDEN
NORWAY
UNITED KINGDOM
GERMANY
AUSTRIA
SWITZERLAND
ITALY
ISRAEL
EGYPT
QATAR
CHINA
SOUTH KOREA
JAPAN
AUSTRALIA
NEW ZEALAND
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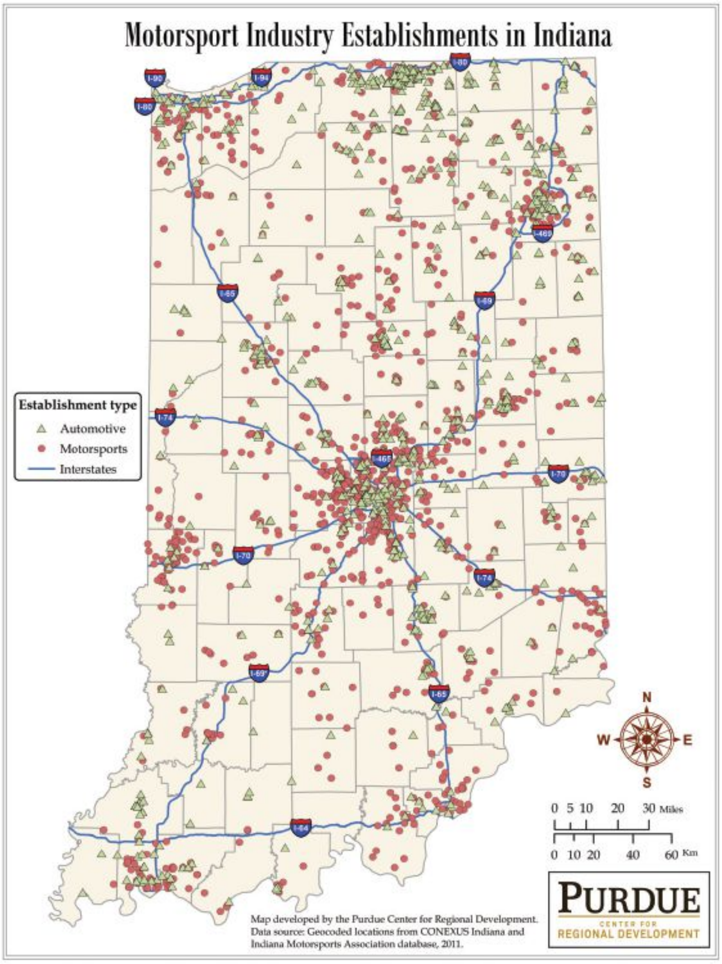
0 1000 2000 4000 Km
PURDUE
CENTER FOR REGIONAL DEVELOPMENT
Map developed by the Purdue Center for Regional Development.
Source: Motorsports and Vehicle Production Network Project interviews, 2012
Export Connections
Canada
Mexico
Puerto Rico
Brazil
Uruguay
Agrentina
Egypt
Israel
Qatar
Italy
United Kingdom
Norway
Sweden
Germany
Switzerland
Austria
China
South Korea
Japan
Australia
New Zealand

**The Brickyard 400 at the Indianapolis Motor Speedway (left) is the largest race of the NASCAR season and is regarded as the second largest single-day sporting event in the world behind the Indianapolis 500.** Photo by Steve Snoddy courtesy of Indianapolis Convention & Visitors Association; visitIndy.com

**The Indianapolis 500-Mile Race is the largest single-day sporting event in the world. The legendary race celebrated its 100th running in 2011.**
Photo courtesy of Indianapolis Convention & Visitors Association; visitIndy.com




*(Continued from page 138)*
example, is helping to produce football helmets that may minimize concussions.

Motorsports touches nearly every one of Indiana's 92 counties in some way. "Beyond racetracks, there are race teams, fabricators, manufacturers, research and development firms, suppliers, marketing and public relations firms, and service providers who compose the whole of the motorsports footprint in the state," Weisenbach said.

Still, a major challenge facing efforts to transfer technology from motorsports to other industries is a relative lack of intellectual property protection, the study indicates.

"Innovation occurs so fast within motorsports that there isn't time to seek patent protection before the next variation is designed," said Drew Klacik, senior policy analyst for the Indiana University Public Policy Institute.

Another essential aspect of motorsports companies in Indiana: Their footprint extends beyond the state, said Rollie Helmling, director of Automotive and Motorsports Development for the Indiana Economic Development Corporation.

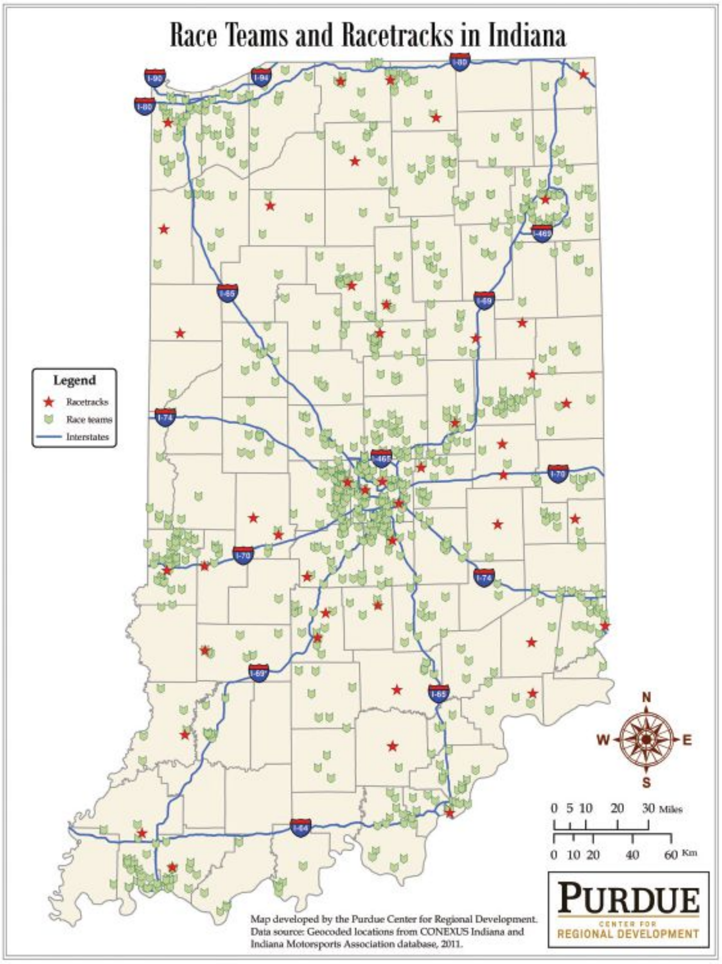
"Racing teams based in Indiana travel all over the country for races, bringing dollars back. Companies that are involved in supplying the motorsports cluster are also sending their wares around the globe with customers in more than 20 countries," Helmling said.

The challenge for Indiana and many communities is defining strategies to grow its motorsports economy. Companies in the cluster were surveyed for the study, indicating that while many expect to grow in the next five years, their growth may be threatened by several factors:

- A lack of qualified candidates for existing job openings; within the next five years, the baby boom cohort retirements will affect motorsports companies' growth plans.
- While there are a number of vocational training entities in the state, they are not always well connected to the motorsports companies, and some of them are under capacity.
- Local economic development officials need assistance to identify the motorsports assets in their backyards and need help developing a toolkit for helping these companies grow and for directing resources and business advice to small motorsports companies.

"The percentage of the entertainment dollar that goes to motorsports is shrinking," Weisenbach said. "The industry needs to diversify its income streams and should look to technology transfer and commercialization of intellectual property to generate new revenue streams."

The Purdue Center for Regional Development, which was launched in 2005, engages in applied research, policy analysis and technical assistance that addresses high-priority regional needs and policy issues. Based in Discovery Park, the center also fosters and brokers networks and partnerships and assists with strategic planning on a regional basis.



# There's Something In the Air

## New Mexico focuses on increasing aerospace industry investment.

by MARK AREND
mark.arend@siteselection.com

Perhaps it's the incentives directed specifically at aerospace company investment. Perhaps it's the presence of three national laboratories and dozens of others, three Air Force bases and three test facilities. Perhaps it's New Mexico's wide open skies (the unrestricted airspace, at least — but even the restricted space is beneficial to developers of certain aircraft) and usually clear weather.

Perhaps it's a combination of these factors, but something is triggering a sonic boom in aerospace investment lately, with companies pulling up stakes and relocating their headquarters to the Land of Enchantment.

In September 2012, Gov. Susana Martinez, Albuquerque Mayor Richard J. Berry, Economic Development Cabinet Secretary Jon Barela and other officials took part in **Air USA**'s announcement that it will relocate its corporate headquarters from Quincy, Ill., to Albuquerque. Air USA provides tactical aircraft services to U. S. defense agencies, defense contractors

**Albuquerque-based Eclipse Aerospace, Inc., began production of its Eclipse 550 very light twin jet in June 2012. Deliveries are scheduled to commence in mid-2013.**

Photo by 2011 Aerialscapes Inc. courtesy of Eclipse Aerospace, Inc.

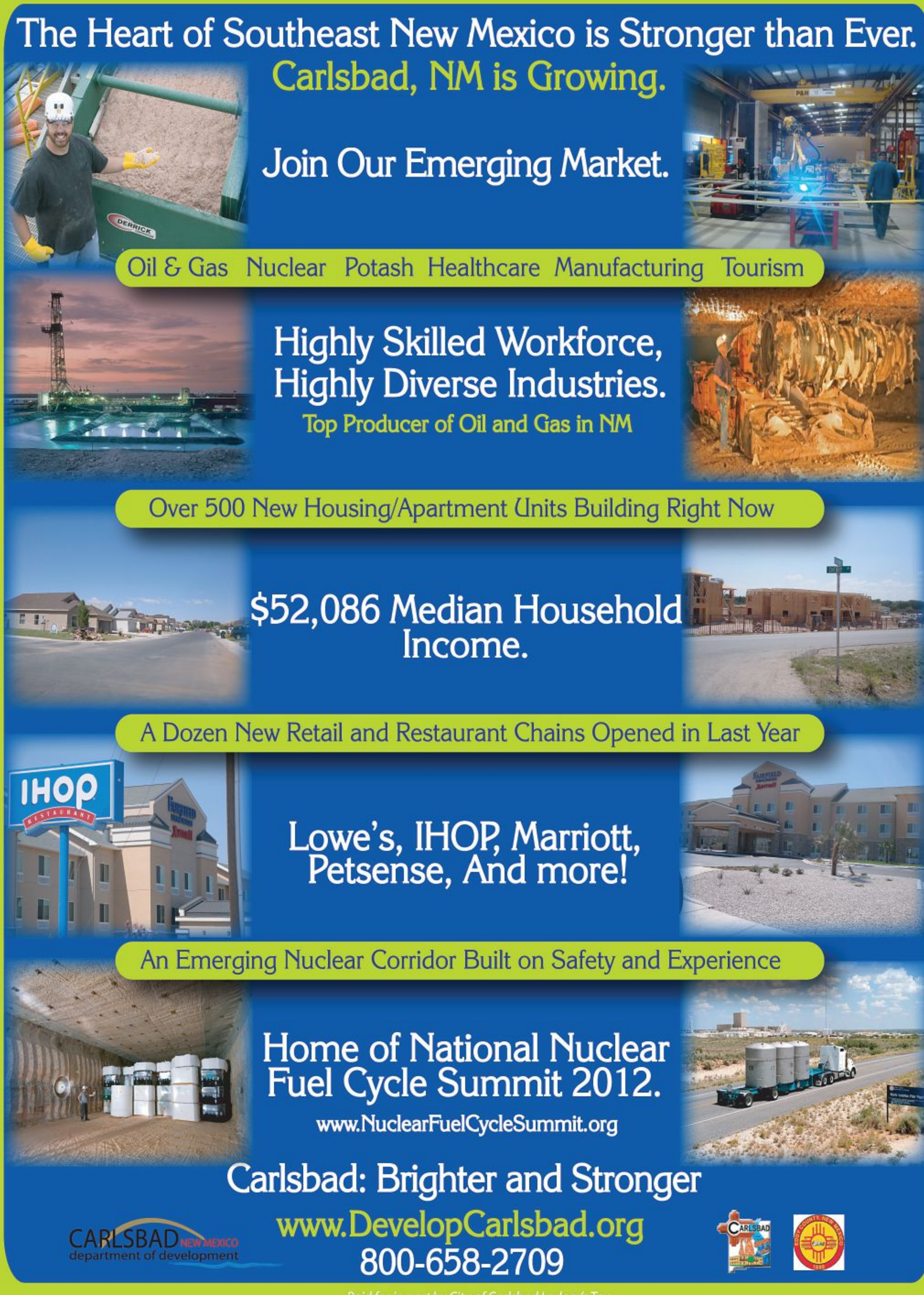

The Heart of Southeast New Mexico is Stronger than Ever.
Carlsbad, NM is Growing.
Join Our Emerging Market.
Oil & Gas Nuclear Potash Healthcare Manufacturing Tourism
Highly Skilled Workforce, Highly Diverse Industries.
Top Producer of Oil and Gas in NM
Over 500 New Housing/Apartment Units Building Right Now
$52,086 Median Household Income.
A Dozen New Retail and Restaurant Chains Opened in Last Year
IHOP
Lowe's, IHOP, Marriott, Petsense, And more!
An Emerging Nuclear Corridor Built on Safety and Experience
Home of National Nuclear Fuel Cycle Summit 2012.
www.NuclearFuelCycleSummit.org
Carlsbad: Brighter and Stronger
CARLSBAD NEW MEXICO department of development
www.DevelopCarlsbad.org
800-658-2709
Paid for in part by City of Carlsbad Lodger's Tax

Photo by Bill Tondreau courtesy of Albuquerque Economic Development, Inc.

**Sandia Peak overlooks the Albuquerque metropolitan area, home to 550,000.**

and NATO allies. It is expected to employ up to 200 personnel at its Albuquerque location and primarily hire U.S. military veterans, many of whom would fill the same type of positions as would be present in an operational fighter squadron.

"Air USA is the kind of company that complements New Mexico's existing work force and infrastructure," Governor Martinez said. "We welcome not only the 200 direct jobs that will be created as a result of their corporate headquarters moving to Albuquerque, but we also anticipate important economic benefit from hosting numerous out-of-state military units that will be traveling to New Mexico throughout the year to train with Air USA's fleet of foreign fighter aircraft."

Air USA will be seeking accountants, contracts experts and proposal writers. Over the next three years Air USA will be seeking additional qualified pilots, crew chiefs, avionics men, weapons loaders, munitions handlers and life support personnel. With growth in personnel, additional middle and upper level management positions will be needed similar to the structure and organizational make-up of an operational fighter squadron.

## Jobs for Veterans

"We are pleased to make New Mexico the new home of Air USA," said Don Kirlin, Air USA founder and president. "New Mexico has a significant veteran population and a local, skilled work force in Albuquerque that understands fighter aircraft operations, and we believe that our proximity to local training ranges and flight test ranges will help us support our customer base and lead to further growth for our company. New Mexico plays such an important role in our national security, and given the state's efforts to encourage and promote business development, we feel New Mexico will be a great fit for the work we do."

Economic Development Secretary Barela said the Martinez Administration is focusing its recruitment efforts on the aerospace and defense industry. "Aerospace companies like Air USA help enhance the use of New Mexico military bases, provide opportunities for military veterans and bring high-wage jobs to the state." Air USA is the second aviation company in the past year to move its headquarters to Albuquerque.

In April 2012, **Bendix/King**, a division of Honeywell Aerospace, a major avion-

## Aerospace Sector Incentives

**Gross Receipts Tax**

In February 2012, Governor Susana Martinez signed new legislation creating a gross receipts tax deduction on consumables used in the manufacturing of a product. New Mexico offers a substantial number of tax incentives for new job creation. Three of these incentives are specific to the aerospace industry. Collectively, these incentives provide substantial gross receipts tax deductions for:

- Receipts of an aircraft manufacturer or affiliate from selling aircraft or aircraft parts, or from selling services performed on aircraft or aircraft components or from selling aircraft flight support, pilot training or maintenance training services may be deducted from gross receipts.
- Receipts from maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier (aircraft) over 10,000 pounds gross landing weight may be deducted from gross receipts.
- Four separate deductions connected with the operation of a spaceport in New Mexico.

The four deductions are:

1. Receipts from launching, operating or recovering space vehicles or payloads;
2. Receipts from preparing a payload in New Mexico;
3. Receipts from operating a spaceport in New Mexico;
4. Receipts from the provision of research, development, testing and evaluation services for the United States Air Force operationally responsive space program.

**Aircraft Manufacturing Tax Deduction**

Receipts of an aircraft manufacturer or affiliate from selling aircraft or aircraft parts, or from selling services performed on aircraft or aircraft components or from selling aircraft flight support, pilot training or maintenance training services may be deducted from gross receipts.

**Aircraft Maintenance or Remodeling Tax Deduction**

Receipts from maintaining, refurbishing, remodeling or otherwise modifying a commercial or military carrier (aircraft) over 10,000 pounds gross landing weight may be deducted from gross receipts.

"We must protect the public investments we've made, such as Spaceport New Mexico. Taxpayers have already spent more than $209 million on this venture. But now, we risk losing this investment. The states competing with us for Spaceport business have passed a bill protecting companies from lawsuit abuse. Because we didn't pass this last year, a company called XCOR Aerospace chose to locate in Texas, over New Mexico. Again, it's about competition. Let's protect our investment in Spaceport and pass lawsuit abuse reform this session."

*— From Gov. Susana Martinez's State of the State address, January 13, 2013*

ics supplier, announced it was moving its headquarters to Albuquerque, creating 140 jobs. Governor Martinez and Economic Development Department Secretary Jon Barela worked closely with executives from Honeywell and Bendix/King to recruit the company to move to New Mexico, employing various state economic development incentives that encourage growth and hiring, such as the state's High Wage Tax Credit and Job Training Incentive Program. The City of Albuquerque and Albuquerque Economic Development also worked with Honeywell and Bendix/King to bring the company's operations to central New Mexico.

**Kevin Gould, president, Bendix/King**

The move paves the way for Bendix/King to operate as a consumer-focused business for the general aviation market. The company will concentrate on developing and delivering a broad offering of panel-mount avionics and accessories to help improve pilots' flying experience and safety. Additionally, while it will operate more autonomously to better serve the consumer market, the company will have access to intellectual property and financial resources of Honeywell Aerospace.

"Albuquerque provides a compelling opportunity for Bendix/King to create a stand-alone headquarters in a city and state focused on supporting the growth and development of the aerospace industry," said Kevin Gould, president, Bendix/King. "With a growing talent base of aerospace professionals, compelling incentives and a better weather environment for year-round flight testing, we're well positioned to leverage our proud legacy of innovative flight system technologies to meet the needs of the next generation of general aviation aircraft pilots."

Bendix/King is a division of Honeywell Aerospace, which is a major employer in New Mexico. The Honeywell Albuquerque facility is one of its largest in the United States. Activities are under way to establish the new Bendix/King headquarters onsite at the existing Honeywell Aerospace Albuquerque facility. ▼

# Feedback Loop

## A penchant for improv is just one of many attributes driving Chicago forward.

by ADAM BRUNS
adam.bruns@siteselection.com

'Satirists Draw Scorn For Creating Actual Jobs.' "No way to treat loyal scoffers," says straight-faced applicant.

So might read a headline treatment from satire kingpin **The Onion** about its own move of corporate operations to Chicago, where the family of publications and other media ventures is relocating some 100 employees to offices and studio space in River North. That's the same area where **SalesForce.com** is adding 200 jobs to its own operation.

"The Onion is very happy to return to its Midwestern roots," said Steve Hannah, president and CEO of Onion, Inc., last July, citing his enterprise's "peculiarly Midwestern sensibility."

"From its spot-on satire of our politics, to its use of our Web video tax credit, The Onion shows that Illinois is a great place to do business and that Chicago is a great comedy town," said Illinois Lt. Governor Sheila Simon.

Indeed, the theatrical and comedy "industry cluster" represented by such anchor institutions as The Second City, iO (formerly ImprovOlympic) and the Steppenwolf Theater Company continues to thrive. But the improvisational spirit such institutions cultivate may be as useful a tool as the city's famous TIFs, sparking positive energy in other sectors, as well as in the city's team-driven approach to economic development.

Built In Chicago's 2012 Digital Startup Report, released in early February, revealed that 197 digital startups were launched in the city in 2012, up from 193 in 2011.

**Above: (l. to r.) Edgar Blackmon, Katie Rich, Holly Laurent, Tim Baltz, Steve Waltien, and Mary Sohn are cast members at The Second City, one of the glittering jewels of Chicago's world-renowned improvisation, comedy and theatre cluster. Plenty of non-theatrical companies also are finding an attractive talent base in the city.** Photo by Michael Brosilow courtesy of The Second City

"The increasing importance of digital to Chicago's economy has been recognized by government, media, large corporations, major universities and investors from around the country," said Matt Moog, founder and CEO of Viewpoints and founder of Built In Chicago. The activity in Chicago has also attracted more than 50 investors from outside Chicago to invest in the city's digital startups in 2012.

### A Cast of Thousands

But you don't have to be a startup to start something in Chicago. Witness the cast of marquee corporate projects to hit town in the past year alone. According to MB Real Estate, in 2012, 10 suburban-based companies signed leases to occupy a combined 886,000 sq. ft. (82,309 sq. m.) in the city's central business district.

**Clayco** is moving its headquarters from St. Louis. The company currently has about 1,000 employees total, with 280 employees in the Chicago office and the field. Clayco expects to nearly double that Chicago number in the next couple of years by adding new architects, designers and project managers; expanding its concrete and infrastructure business in Illinois; and continuing growth through acquisition. Global financial services firm **Guggenheim Partners** plans to increase its Chicago headcount by more than 200 employees in the next 18 months, beginning with the relocation of employees from its office in suburban Lisle to its downtown Chicago headquarters. **KPMG** is investing $165 million at Aon Center and adding 500 jobs to its regional headquarters there.

**“We see Chicago as an integral part of our expansion strategy.”**

*— Bob Clark, Clayco founder, CEO and chairman*

**Hillshire Brands** (formerly Sara Lee Corp.) is moving its 600-person headquarters from suburban Downers Grove to the West Loop. **Federal Savings Bank** from Overland Park, Kan., is locating a 400-job home loan center in the city. Germany’s **ThyssenKrupp** is establishing a 100-person HQ in the Loop. **Google**’s Motorola Mobility is moving its 2,500-person HQ to the Merchandise Mart. **Capital One** announced that it will be relocating multiple Chicagoland locations into 65,000 sq. ft. (6,039 sq. m.) on West Wacker. **Nokia** is moving a mobile phone Internet services division from suburban Itasca, bringing 150 jobs downtown. And **GE Transportation** last May announced it would move its global headquarters from Erie, Pa.

“We have transformed GE Transportation from a North American rail company to a truly global transportation business,” said Lorenzo Simonelli, president and CEO of GE Transportation. “Chicago allows us to more efficiently reach and serve customers around the world in the rail, mining and marine industries.” The company will relocate about 50 people from Erie to Chicago over the next two years, and anticipates having a headquarters staff of approximately 150 in Chicago by 2014.

“Under the leadership of Mayor Emanuel, Chicago has continued to foster a dynamic work force, an entrepreneurial spirit, and a culture of innovation, exploration and commercialization which provides a strong foundation for Dow’s Midwestern Regional Sales Center,” said

**Law firm McDermott Will & Emery just signed a letter of intent to be the anchor tenant at River Point, a downtown Chicago office tower designed by Pickard Chilton that is being developed by Hines and Ivanhoé Cambridge. The project broke ground Jan. 15 and is expected to be complete by spring 2017.** Image courtesy of River Point

Andrew N. Liveris, **Dow Chemical** chairman and CEO, at the center's official opening in December 2012. Dow expects to bring hundreds of jobs downtown over the next several years.

Like most of the others mentioned above, Dow's project received no incentives. Tom Alexander, assistant press secretary for Mayor Rahm Emanuel, says the primary driver behind all the projects isn't incentives. It's the work force.

"We only have used financial incentives in the form of TIF in two or three cases for corporate relocation," he says of an administration that has welcomed projects from 70 companies pledging 25,000 new jobs. "What people are mostly interested in is the talent. People want to work someplace where they want to live. And they want to live in cities right now. The value proposition is if we have the most talented people, companies will come."

Emanuel's administration is focused precisely on creating an environment where that bright and energetic work force wants to be. His team, working with World Business Chicago, has formulated a comprehensive Plan for Economic Growth and Jobs, and has also founded the Office for New Americans to welcome and facilitate citizenship and business processes for the city's diverse immigrant population. The "Building a New Chicago" program launched in 2012 features $7.2 billion in funding over just the next few years, including $4 billion in the Chicago Transit Authority. Starting in September 2012, Millennium Park began offering free wireless Internet to the public, and as part of the city's Broadband Challenge initiative, all parks and open spaces in Chicago will eventually offer free Internet. "The investment in infrastructure is front and center," says Alexander, "and I think companies are intrigued by that."

They're also intrigued by such programs as the city's College to Careers program, which involves matching the city's seven community colleges' curricula to needs in demand by the private sector, including specific curricula geared to healthcare, transportation and logistics, IT, and culinary and hospitality business. "We're already seeing an uptick in enrollment as well as in the graduation rate," says Alexander. "Companies love it. There are 125,000 students in our city colleges, which is more than all the four-year institutions in the city."

Google's Motorola Mobility location decision — which comes as the firm slashes 4,000 jobs globally — came down to Chicago vs. California and Beijing. "The city and state worked together to convince Motorola that Chicago was the place to be," he says. "We needed to keep those jobs in Illinois. A strong Chicago begets a strong region. The mayor fought like crazy to get them to come here."

## Completing the Circle

The best business ecosystem case study in recent months involves not corporate offices or services, but good old Chicago manufacturing. **Smith Electric Vehicles** announced Nov. 28, 2012, that it would open a manufacturing plant in the city, creating hundreds of direct and indirect jobs. The decision was influenced by the Emanuel administration's innovative $15-million voucher system (announced the day before Smith's announcement) created to accelerate the conversion from diesel to EVs, as well as the large number of fleets interested in vehicle electrification, and the development incentives made available to Smith. Chicago will be Smith's third location in the United States, joining their headquarters in Kansas City, Mo., and a manufacturing facility in New York City.

The city is considering additional incentives such as preferential loading zones and decreased registration costs to complement the voucher program. Fleets can stack the State of Illinois' Alternative Fuel Vehicle and EV Charging Station Rebates on top of the city's incentive. The city is also home to 223 alternative fuel stations, including 202 EV charging stations — the densest network of any major city.

"A mass urban deployment of commercial electric vehicles is an important next step in catalyzing mainstream adoption," said Smith CEO Bryan Hansel. "Chicago's location, commitment to adoption in municipal fleets, concentration of commercial vehicles, talented work force and importance to the global business community make it a perfect choice to grow our company and this industry. The leadership being shown with the mayor's CDOT voucher program is a prime example of how Chicago is creating the template for a new energy city."

**Argonne assistant materials scientist Swati V. Pol studies lithium-ion batteries at the Advanced Photon Source, one of several facilities at Argonne, other national labs and universities that form an integral part of the new Joint Center for Energy Storage Research announced by the U.S. Dept. of Energy in late November.** Image courtesy of Argonne National Laboratory

**Longtime Credit Suisse executive Steve Koch is deputy mayor of the City of Chicago.**

Two days after the Smith announcement, on Nov. 30, the U.S. Department of Energy selected a team of five national labs led by Chicago's Argonne National Laboratory to host the Joint Center for Energy Storage Research, with an award of up to $120 million to be invested over five years to establish a new Batteries and Energy Storage Hub.

Illinois Gov. Pat Quinn is providing $5 million through his Illinois Jobs Now! capital construction plan to help build the state-of-the-art JCESR facility. Quinn also has committed to working with the General Assembly to provide an additional $30 million in future capital funding for the building. The hub's university partners include the University of Michigan and four Illinois institutions: Northwestern University, the University of Chicago, the University of Illinois-Chicago and the University of Illinois-Champaign.

"All of these pieces fit together into a comprehensive strategy that will allow Chicago to lead in this industry, from conception to construction to implementation," said Emanuel.

### Straight To the Point

Steve Koch has held a number of senior leadership roles in the mergers and acquisitions and investment banking department during his 27 years at Credit Suisse, and helped Emanuel's transition team navigate the city's fiscal challenges. Last fall he took over as the city's deputy mayor from former R.R. Donnelley CEO Mark Angelson. Koch says the city continues to be "a terrific location for data-heavy financial services," especially when speed, power availability, low data latency and access to the data grid are key factors.

" "We have a lot of the ingredients that are likely to make us successful going forward," says Koch. "But I've spent enough time in financial services to know you never declare victory. Change is constant and rapid."

So are changing perceptions. Koch thinks the city needs to increase its stature on the international stage.

"If you're talking about non-U.S. business people thinking about the U.S., I think we're not top of mind," he says. "We're in the next frame. My job and our job is to make us top of mind."

Tourism helps. Mayor Emanuel's sometimes brash and always straightforward style helps too. As Tom Alexander puts it, "The mayor's viewpoint is that Chicago should not be an option, but a 'must go.' "

"He's very plain-spoken, and people like that," Koch says. "Business people respond very well. He's very focused on the topic. And he's not new to it — he spent some time as a banker. He's got a very 'out there,' direct personality, and most people find that's something they relate to. In the business community, it works extremely well. Either they know him and expect it, or it's like, 'Wow, this guy's telling us stuff, not just old recycled platitudes.'

"He'll call the executives and check in," says Koch of Emanuel's style. "He has that history and personality where it's no different than any other business relationship — people like the fact somebody cares about them and wants to know what they think." ▼

# Urban Renewal 21st Century Style

## Hubs draw digerati and the employers who love them.

by ANN MOLINE
editor@siteselection.com

There's a revival going on in the Northeast as companies across the industry spectrum are discovering anew the location advantages of dense population centers in New York, New Jersey and Pennsylvania. The same urban centers that were dealt knock-out blows from Superstorm Sandy in October 2012 are picking themselves up, drying themselves out, and moving on. Firms in the midst of planned expansions or relocation to the areas hardest hit by Sandy's wrath say they haven't changed their minds about their decisions — though many are re-evaluating their contingency plans, and adding more back-up power, just in case.

Take **Imperial Bag &Paper**, a commercial janitorial supply firm currently based in Bayonne, N.J. Before the storm, the company had closed on a deal to consolidate three facilities into a new, 400,000-sq.-ft. (37,160-sq.-m.), state-of-the-art headquarters and distribution center in Jersey City. The disruptions in operations caused by the storm led company president Jason Tillis to rethink the energy specs of the new facility.

"We were always planning to build a generator into our new facility, allowing us to operate internally, business-as-usual, in the event of an extended power loss," he says. "Post-Sandy, we decided to increase its capacity."

### Hashtag Hoboken

Nowhere is the Northeast's urban renaissance more evident than in places like Hoboken and Jersey City. A remarkable confluence of factors is contributing to a resurgence of these once decaying urban cores, whose central business districts have new appeal for young professionals who make up Lower Manhattan's surging new media and tech work force. These digital workers have discovered lower rents, convenient mass transit and an edginess that is at the heart of cool, setting up a migration that is driving significant new residential, retail and restaurant development.

It's also driving new commercial development and location activity, as white-collar firms like **Pearson** look to move closer to their desired talent pool. Like many companies rooted in the publishing world, Pearson is in the midst of a transition — from publishing house to global learning company with multiple business lines that include education resources, the Financial Times group and the Penguin consumer publishing imprint. The transition hinges on the ability to attract the talent capable of creating interesting new digital service offerings, notes Wendy Spiegel, senior vice president for Pearson Communications.

With leases at several of its New York metro area facilities coming to an end, including 475,000 sq. ft. (44,128 sq. m.) of office space in Saddle River, N.J., the company understood that it had a unique opportunity to leverage facilities decisions as a key aspect of the transition strategy.

"We need tomorrow's digital skill set, and we need to be located where they live and where they want to work," says Richard Berzine, who manages Pearson's U.S. and U.K. real estate portfolio.

At first, the company considered an extreme makeover of the Saddle River space. But aside from the complexities associated with renovating functionally obsolescent space, the location itself, in the heart of suburbia, did not represent a draw for the company's desired talent pool.

"The workers we want are drawn to urban environments, where you can use mass transit, where you don't have to get in your car to go somewhere for lunch, and where you and your co-workers can walk to a restaurant or a pub to socialize after

After an extensive site search throughout New York and New Jersey, Pearson opted to locate at Waterfront Corporate Center III, a green office tower rising along the banks of the Hudson River in Hoboken.

work," Berzine says.

Quickly the company realized that a more urban site would make it easier to attract top talent. After an extensive site search throughout New York and New Jersey, the company opted for a green office tower rising along the banks of the Hudson River in Hoboken. Part of an ambitious, 26-acre (10-hectare) mixed-use re-imaging of the Hoboken waterfront, the site is footsteps from the Hoboken Terminal, a major commuter transit hub and an easy drive to the Holland and Lincoln Tunnels, which connect with Manhattan. The build-to-suit space also gives the company the latitude to create workspaces that invite collaboration and creativity.

"This is definitely not going to be your father's cube farm," Berzine notes.

The Hoboken decision was not a slam dunk. In fact, Berzine says, "We had one foot out the door from New Jersey to consolidate everything in lower Manhattan, where we are also building a new 750,000-squre-foot [69,675-sq.-m.] urban campus to house our New York operations."

The tipping point for Pearson's corporate real estate team was New Jersey's attractive incentives package, which could yield Pearson nearly $80 million in savings over the next 10 years, according to Berzine.

Indeed, experts are crediting two relative new programs — the Urban Transit Hub Tax Credit (UTHTC) and Grow New Jersey — for the rebirth of Jersey's waterfront central business districts, which now boast the lowest vacancies and highest lease rates in the state.

"Among the chief drivers of the surge in economic development activity in places like Jersey City and Hoboken is New Jersey's incentives program, which is

## New Life On the Waterfront

Not to be outdone by other Northeastern cities reawakening waterfront property, Allentown, Pa., is seeing two major projects take advantage of a new Neighborhood Improvement Zone along the Lehigh River, a specially designated 128-acre (52-hectare) area of the city created by 2009 state legislation that enables developers to utilize state tax revenue from the tenants to significantly reduce occupancy costs. City Center Lehigh Valley (above) is a mixed-use project jumpstarted by an arena being built for the Triple-A affiliate of the National Hockey League's Philadelphia Flyers. In October the project welcomed the headquarters relocation of **National Penn Bancshares**. Meanwhile, another project called The Waterfront will house 1 million sq. ft. (92,900 sq. m.) of office, retail and residential buildings along with 2,800 parking spaces.

unmatched," says Robert Kossar, executive managing director for Jones Lang LaSalle, who praises the administration of New Jersey Gov. Chris Christie for driving business-friendly policies and effective incentives programs. "This is an administration focused on good economic development, and it is apparent in some of the companies the state has been able to keep."

These companies include Panasonic, which cast a wide net as it considered sites for a new headquarters facility. A UTHTC incentives package worth more than $100 million over 10 years drew Panasonic to Newark, where it is building a $190-million LEED-certified waterfront office tower.

New Jersey's incentives programs also are attracting users of industrial space. Imperial Bag & Paper's Tillis says they were won over by how much New Jersey wanted them as they conducted a search throughout the New York metropolitan area, including Long Island and the Bronx.

"New York was aggressive but New Jersey was more aggressive and offered a better incentives package," Tillis says. The firm was awarded $29 million in tax credits through the Grow New Jersey program, in exchange for relocating its Bayonne operations within the state.

## New York's Tech Appeal Surges as Industry Lines Blur

Across the river, New York City has emerged as a dominant player in the digital universe, a rise underpinned by the city's traditional strengths in publishing and media.

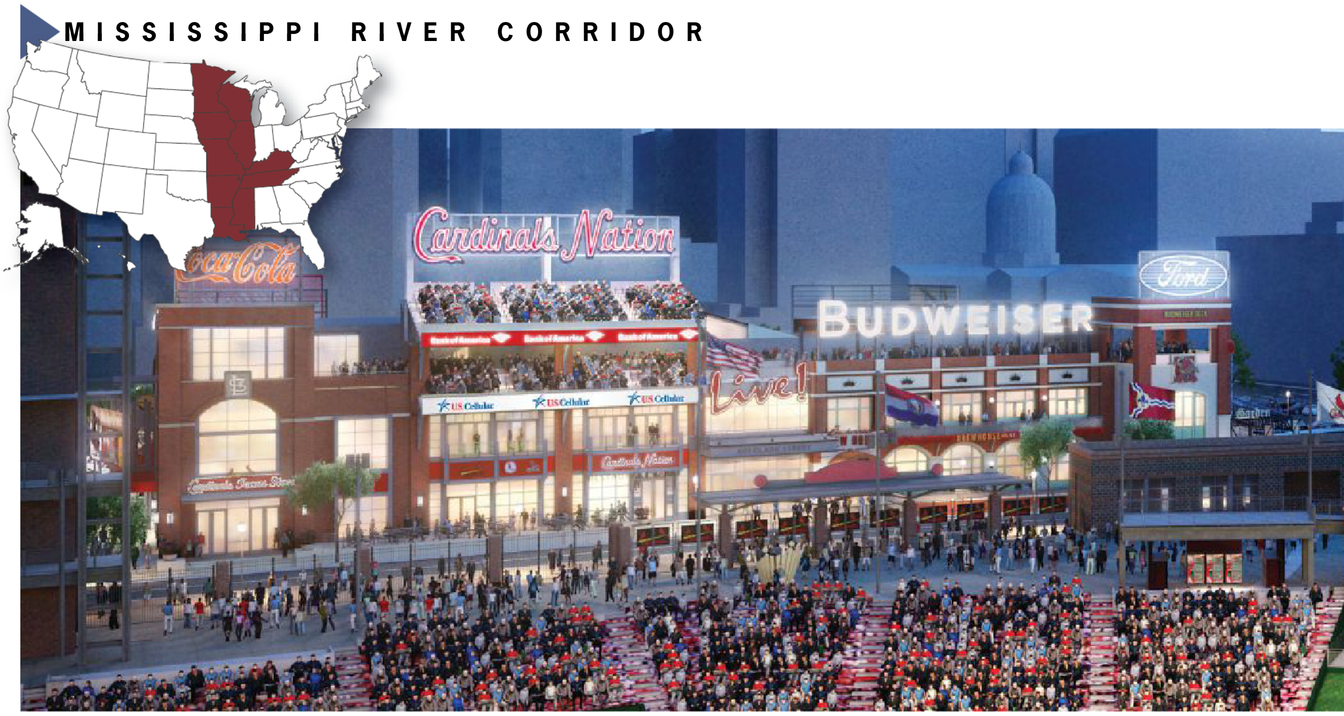
In January 2013, **Microsoft** said it would take 200,000 sq. ft. (18,580 sq. m.) at 11 Times Square. **Facebook** opened an engineering center on Manhattan's East Side in 2012. **EBay** has announced plans to move its Hunch unit into the former home of the B. Altman department store in the Flatiron District. **Twitter** also has set up shop in the city.

**Google**'s 2.9-million-sq.-ft. (269,410-sq.-m.) building in Chelsea not only houses a growing New York work force, but is serving as a high-tech catalyst: In addition to donating office space in early 2012 for the new graduate science school being founded by Israeli university Technion and Cornell, the company in January joined with Mayor Michael Bloomberg to ceremonially cut ethernet cables as it foots the bill for free wifi for an entire section of Chelsea.

Meanwhile, as old-school Manhattan-based publishing houses transition into new media titans, they are engaged in a physical repositioning within city limits. "We are probably saving 30 percent by moving from Midtown to Lower Manhattan," says Pearson's Richard Berzine.

**Condé Nast** is part of this shift, with plans to move out of its long-time midtown digs to 1 million sq. ft. (92,900 sq. m.) at One World Trade Center. In 2014, **HarperCollins** will leave its longtime headquarters at East 53rd Street and head down to 195 Broadway, a historic landmark that underwent a green retrofit in 2008 and also is home to media firm Thomson Reuters. And market research giant **Nielsen** is planning a move from 770 Broadway to 85 Broad Street — the former headquarters of Goldman Sachs.

Smaller digital tech firms are expanding in lower Manhattan and Brooklyn as well, to meet surging demand for digital innovation and creativity. In the last five years, more than 1,000 tech firms have started up in New York, according to a recent study by The Center for an Urban Future. ▼




# Be In That Number

**When it comes to projects along the Mississippi, the 'Saints' have the edge.**

by ADAM BRUNS
adam.bruns@siteselection.com

**Above: The $700-million Ballpark Village project from the St. Louis Cardinals and Cordish Companies broke ground in February after overcoming financing hurdles in a difficult economy. The project eventually will feature commercial office space.**

Image courtesy of Cordish

Site Selection tracked 329 corporate facility projects between July 2011 and December 2012 landing in the dozens of counties lining the Mississippi River. Louisiana led the way among river states. County tallies were led by Hennepin County in the Minneapolis-St. Paul metro area. Dakota County, also part of the metro, came in third.

Among the projects up north are a manufacturing expansion from **Emerson** in Eden Prairie, a distribution project from **Medline Industries** in Rogers, **Cima Nanotech**'s office in St. Paul, an aircraft parts manufacturing expansion in Burnsville from **Goodrich** and **St. Jude Medical**'s plan to add 275,000 sq. ft. (25,548 sq. m.) to a former AGA Medical site in Plymouth, where the St. Paul-based company is consolidating cardiovascular division operations from leased sites in Minnetonka and Maple Grove.

"Because many of the future growth opportunities for St. Jude Medical are expected to arise from devices in the Cardiovascular Division, we're excited to develop a Plymouth Campus that will not only help streamline operations and business activities, but also bring employees together under one roof," said Frank J. Callaghan, president of the St. Jude Medical Cardiovascular Division.

After closing on financing Jan. 30, the St. Louis Cardinals and the Cordish Companies broke ground Feb. 8 in downtown St. Louis on the first $100-million phase of Ballpark Village, a $700-million mixed-use development rising on 10 acres (4 hectares) adjacent to the $411-million, privately financed Busch Stadium that opened in 2006.

Cordish stated that the development team remained committed to the project despite difficult economic conditions, including challenging credit markets. In order to the get the project under way, the St. Louis Cardinals and the Cordish Companies made additional financial commitments to the project, including committing to purchase all of the public infrastructure bonds.

## Industrial Mosaic

Memphis and Shelby County, Tenn., continue to be among the leaders along the river corridor, recently welcoming a $23-million, 486-job expansion from **New Breed Logistics**, a third-party logistics firm. Shelby County has seen other recent logistics projects from **Nike** and **Great American Steamboat Co.** The area also saw a 2012 headquarters expansion from **FedEx**, new manufacturing investments from **Nucor**, **Cummins** and paper products firm **KTG**, and a pharmaceutical manufacturing and R&D expansion from **Oxford Diagnostic Laboratories**.

Among the projects to land in Baton Rouge, La., in 2012 was a 75-person studio from motion picture special effects

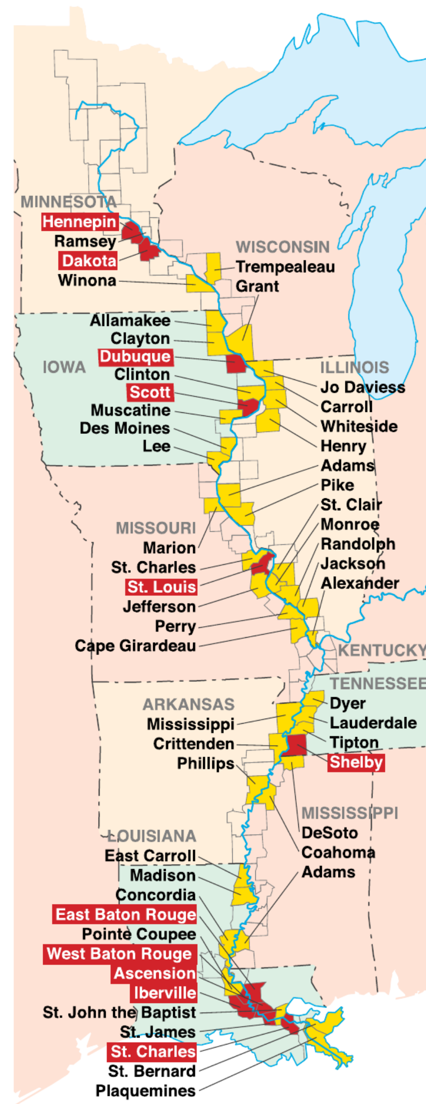
Mosaic Co. operates an integrated supply chain and manufacturing model in Louisiana that features its Uncle Sam site on one side of the river feeding key resources to the Faustina site on the other side.
Photos courtesy of Mosaic and Louisiana Economic Development

firm **Pixomondo**, which is investing $1.2 million and leasing space at the Celtic Media Centre complex, and benefiting from the state's popular motion picture investor tax credit program, as well as other incentives.

But the special effects of heavy industry continue to drive the state's economy. In Ascension Parish, **CF Industries** is expanding its Donaldsonville Nitrogen Complex with a $2.1-billion capital investment that will secure nearly 700 existing jobs at and create 93 new direct jobs. The 1,400-acre (567-hectare) Mississippi River site produces anhydrous ammonia, urea and urea ammonium nitrate. With access to five major natural gas pipelines, the site can harness price and supply advantages of natural gas, a feedstock which can represent more than 70 percent of fertilizer manufacturing costs.

Among the largest investments along the Mississippi in 2012 was Mosaic's planned $700-million ammonia plant in St. James Parish, which will create 53 new jobs and retain 379 at two facilities, while also creating 1,400 construction jobs.

"Mosaic's decision is proof that the River Parishes industrial corridor is booming," said Greater New Orleans Inc. President and CEO Michael Hecht at Mosaic's Dec. 2012 announcement. ▼




## Top River Counties for New Plants and Expansions

July 2011–Dec. 2012

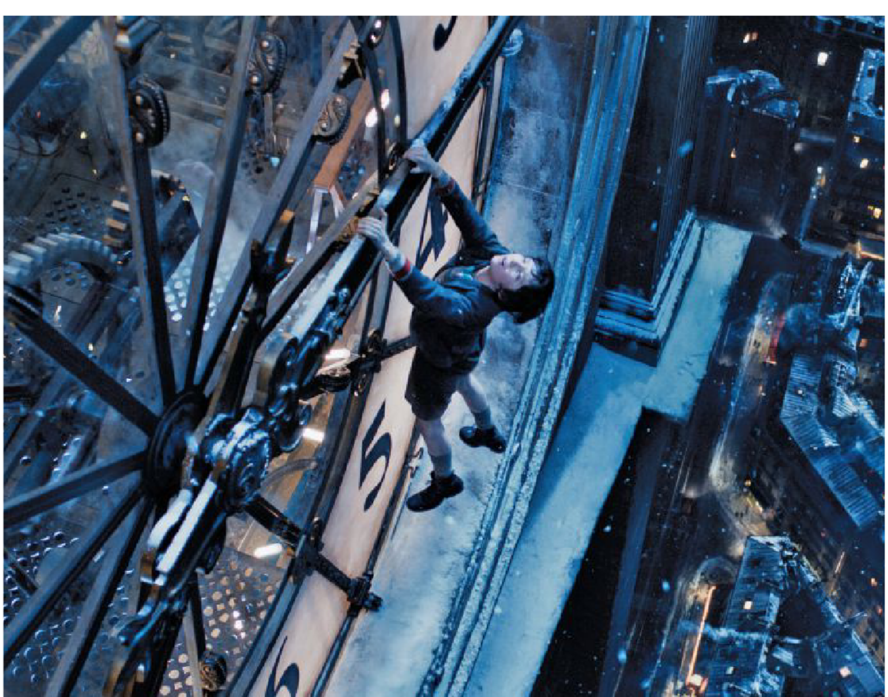
| | | |
|---|---|---|
| **1.** | **Hennepin County, Minn.** | **50** |
| 2. | Shelby County, Tenn. | 45 |
| 3. | Dakota County, Minn. | 29 |
| 4. | East Baton Rouge Parish, La. | 28 |
| 5. | St. Louis County, Mo. | 22 |
| 6. | Ascension Parish, La. | 17 |
| T7. | St. Charles Parish, La. | 13 |
| T7. | Scott County, Iowa | 13 |
| 9. | Dubuque County, Iowa | 12 |
| 10. | Iberville Parish, La. | 11 |
| 11. | West Baton Rouge, La. | 7 |

## Top States by Project Count

July 2011–Dec. 2012

| | | |
|---|---|---|
| **1.** | **Louisiana** | **93** |
| 2. | Minnesota | 84 |
| 3. | Tennessee | 53 |

*Source: Conway Data Inc. New Plant Database*



Pixomondo, which opened its 12th global location in May 2012 in Baton Rouge, La., produced Oscar-winning special effects for the Martin Scorcese film "Hugo." Image courtesy of Pixomondo

# Pre-Cambrian Origins

**After moving for good years ago, Cambria now chooses to grow where it's planted. Here's why.**

Minera from Cambria's Jewel Collection

by ADAM BRUNS
adam.bruns@siteselection.com

Seventy years ago Stanley Davis purchased St. Peter Creamery, in the eponymous town located just north of Mankato and about an hour southwest of Greater Minneapolis-St. Paul. Davisco Foods International was born. Today, still run by the Davis family, Davisco is one of the largest suppliers to Kraft Foods, producing 370 million pounds of cheese and 10 million pounds of whey protein isolates a year, and operating cheese and food ingredient companies in Le Sueur and Nicollet, Minn.; Jerome, Idaho; and Lake Norden, S.D.

You need countertops to serve all that cheese. One of the Davis family's companies aims to feed that demand too.

**Cambria** is the only producer of natural quartz surfaces in the United States (all other brands are imported). It got its start in the late 1990s when Mark Davis, one of Stanley's sons, made a personal investment in a northern Minnesota business start-up on a tip from a friend of his son, Marty, who is now Cambria's president and CEO. (The family also owns Sun Country Airlines, purchased in summer 2011, also on a tip from Marty Davis.)

Last August Cambria, which employs more than 800 people, announced an unprecedented expansion of its Le Sueur production plant that will more than double the size and production capacity of Cambria and accommodate worldwide demand for its designs. When complete this spring, the expanded Cambria plant will total 750,000 sq. ft. (69,675 sq. m.) and employ an additional 220 employees.

**Marty Davis, Cambria President and CEO**
Photo by Star Tribune courtesy of Cambria

"This is Cambria's second plant expansion in six years," said Marty Davis in August. "We are fortunate to have a product that consumers desire, and this expansion demonstrates our long-term commitment to creating unique designs and establishing a strong quality supply channel for our valued partners."

In 2008 Cambria invested $52 million in its Le Sueur facility, originally built in 2000, equipping it with the newest processing technology and more than doubling its size to 350,000 sq. ft. (32,515 sq. m.). In 2010 the company opened two distribution centers in California. Along with a nationwide network of fabricators, Cambria owns fabrication facilities in Minnesota, Toronto, Cleveland and Indianapolis.

The company cites research from The Freedonia Group indicating that quartz products will continue to grow at more than twice the rate of all other stone surfaces.

The decision to invest in its home state might seem like an uncontested choice. But in an interview, Marty Davis, 48, says his team considered options in Ontario and in the northeastern U.S. Ultimately, though, the twin pulls of centralization and heritage drove the company to stay home to grow — a tendency Davis says prevails among many Minnesota-born firms.

"A lot of times, if you're privately held and a family business, it has a lot to do with where you live, where you're from, your roots," he says. Companies not forced to go elsewhere by the need to be near raw materials or a marketplace will build in the state because "they love Minnesota culturally. It's where the family is from. People stay near the nest."

## Work With Me

Cambria's nest is where Davis' team wanted to see the company's R&D, engineering and maintenance expertise centralized. He says that was the tipping point for not going to Canada or the Northeast. Next came his people.

"The quality of the work force is a big deal," he says, a bigger deal than its cost. He finds the work ethic and personal qualities of his employees superior, whether it's unskilled workers whom the company transforms into skilled labor, or company officers. "We're very attracted to the work in rural Minnesota," he says. "They learn trades, and they're good, quality people."

Asked how state and local governments have supported the company, Davis says the local communities have a bigger impact on day-to-day business than the state or the federal government.

"Some burden business with local costs, and are regulatory zealots — that will affect you," he says, citing such an atmosphere as the reason behind the company's move from St. Peter, just to the south, in the late 1990s. "Le Sueur was very industrious," he says. "They worked with businesses to get things done the right way, but a reasonable way, and still meet the merits of the regulations. The city manager and council are really important. We look for that, and the City of Le Sueur has just been outstanding. My father has worked with them for 45 years now."

Regulation is not the problem — it's the deployment of the regulation by the city or county employees, says Davis. "Not that the business wants to get gifts or favors or wants to exploit policy, but you have a working relationship that is mutually collaborative and beneficial," he says. "What is the DNA of a community? What do they want? Understanding culturally what a community wants in its town matters, because they can take the state and federal regulations to engineer the community the way they want."

Davis compliments the Minnesota Pollution Control Agency (PCA), which Davisco's livestock business has worked with closely through the years.

"They are very good to work with — technically knowledgeable, skilled and reasonable," he says. "You can have a good working relationship to achieve the protection of air, water and quality of life and also meet the mission of the industry."

Davis sees the right-to-work discussion as a looming issue for the state. Minnesota is not a right-to-work state, but has seen neighboring territories such as Indiana and Michigan go that direction in the past two years.

"We have to be able to compete," he says. "You earn good labor. And good labor earns jobs."

The state also battles an image problem when it comes to what outsiders perceive

## Seeking Asylum?

Colliers International announced in October 2012 that the City of Fergus Falls, Minn., is seeking a "developer, investor, or visionary group" to purchase the 100-year-old Fergus Falls Regional Treatment Center, known as the Kirkbride Facility (pictured). Built in 1888, the landmark is the most complete intact example of Kirkbride-inspired architecture in the United States, and was placed on the National Register of Historic Places in 1986.

It's also a former asylum for the insane. Dr. Thomas Story Kirkbride was a 19th century physician and asylum superintendent whose ideas influenced asylum design. One interested buyer in October was a management group affiliated with another Kirkbride facility in West Virginia called the Trans-Allegheny Lunatic Asylum, now operated as a tourist attraction.

The property contains over 500,000 sq. ft. (46,450 sq. m.) of existing facilities and rests on 34 acres (13.8 hectares) of land within the city limits of Fergus Falls, the county seat of Otter Tail County, not far from Fargo, N.D. The site is a candidate for millions of dollars of incentives, and sits in an area that is a hub of higher education for the region. As of December, 10 prospects had indicated interest. The city's contract with Colliers extends into March 2013. If no buyer is found, a Dec. 2013 demolition date looms, though the date may be extended. — *Adam Bruns*

as a high-tax territory, he says. But he reiterates what he calls a "reasonable" regulatory scheme, crafted over the years by appointees from both Republican and Democratic administrations.

"I think the DOT is one of the best in the nation," he says. "The PCA is well run. The Department of Natural Resources is well run."

What about state economic development? Has Cambria benefited from incentives from the Minnesota Dept. of Employment and Economic Development?

"Cambria has never taken a nickel from the government," says Davis. "We didn't want any money that the public could lose on our project. In fact, we let them do a TIF [tax-increment finance] project on our property — $1.4 million passed through our hands and we let the city build infrastructure for the industrial park, and we paid $380,000 in cash for our assessment."

Cambria leaders also are going out of their way when it comes to discussing a


Photo courtesy of St. Jude

## Anchor Institution Doesn't Stand Pat

A central player in the Minneapolis-St. Paul medical device cluster, **St. Jude Medical** invested in a headquarters expansion in St. Paul that was completed in 2009. Over the next 20 years, St. Jude Medical has the option to add more buildings and parking on the 10-acre (4-hectare) site. It's also consolidating at a new project in Plymouth, in Hennepin Co.

The 2012 Global Life Sciences Cluster report from Jones Lang LaSalle notes, "Regions anchored by smaller cities are rising in influence, demonstrated by strong showing by Minneapolis-St. Paul [No. 9 in the U.S.] and Philadelphia overshadowing larger cities in their regions, such as Chicago and New York."

possible land swap with the state, says Davis of a situation where some state land is on one end of Cambria land.

"We said, 'Maybe the wayside rest [stop] could be over there," he explains, "and we get to expand. We pay them, they pay us … but even in that situation, we did not try to leverage it. The first thing we told them in the meeting was, 'Don't worry. We're building a plant here whether we do this or not.' If it works, we'd love to do it. But you can't be doing that to people, threatening them."

As for statutory incentive schemes, "I'm not a believer in TIF," says Davis. "I think it's corporate welfare. And the JOBZ program is also corporate welfare. They just don't work the way they're supposed to work."

Job Opportunity Building Zones (JOBZ) were launched by former Gov. Tim Pawlenty to offer tax incentives for companies willing to invest in rural locations, as long as the firms created jobs and paid certain wage levels. The DEED's 2011 annual report credits the program with creating more than 7,100 jobs paying an average hourly wage of $17.36. In 2010 the program cost $26 million in tax expenditures and $14 million in property tax exemptions. The JOBZ program expires in 2015.

### Manufacturing Momentum

Le Sueur is part of a Greater Mankato region that saw another strong year in 2012, according to a February release from Greater Mankato Growth, an agency that considers Blue Earth and Nicollet counties and towns such as Le Sueur within its marketplace, even if official MSA statistics only count Mankato-North Mankato.

Among other stats, between 2011 and 2012 the average number of jobs for all non-farm businesses located in the Mankato-North Mankato MSA grew by 2.3 percent (or 1,220 jobs), the largest gain of any of the six MSAs in the state. Minnesota grew by 1.3 percent. From 2002 to 2012, the Mankato-North Mankato MSA's average job number increased by 7.5 percent, again higher than any other MSA in the state of Minnesota, which saw growth of 1.7 percent over that span.

Minnesota manufacturers are optimistic about 2013, with 85 percent saying they expect production and employment levels to increase or stay the same, according to a November survey by Minnesota DEED and the Federal Reserve Bank of Minneapolis. Forty-four percent of respondents expected orders to grow in 2013 and one-fourth expect to hire more workers.

Count Cambria among them, as it continues to see its family of family-owned enterprises build on the relationships they've cultivated, including with Mankato State University and the University of Minnesota, whose veterinary and medical schools work closely with the dairy farms Marty Davis' brother Mitch runs. The Cambria name also is affiliated with new mortgage and title companies, both based in Eden Prairie, a Twin Cities suburb.

Marty Davis says it helps to have the family's diverse portfolio of companies there to support growth.

"You have veteran DNA around you, and that's very helpful," he says of his family's holdings and network. "You may be in a new business, but you've been in one [before]. The biggest advantage is being able to leverage history and knowledge, based on your background and relationships with vendors and communities." ▼

# Once Lost, Now Found

**The shale oil and gas revolution continues to roll across a region, leaving new money and new investment in its path.**

by DEAN BARBER
editor@siteselection.com

Industry reports and the experts make it clear: A new world order is in the making, with the United States essentially redrawing the world's energy map.

The shale oil boom has transformed lives and local economies throughout the country, but especially so in the South Central neighboring states of Texas, Louisiana, Oklahoma and Arkansas. There energy companies and manufacturers catering to the oil and gas industry are investing tens of billions of dollars in drilling, pipelines, infrastructure, and new plants.

Major project announcements are almost a daily occurrence now in what can only be described as a revolution. And all of this capital investment is happening at a time when natural gas prices in the U.S. are trading at near historic low levels, which has a restrictive effect on drilling and exploration.

In Arkansas, the ancillary manufacturing was evident with **Big River Steel LLC** announcing plans on Jan. 29 to build a US$1.1-billion steel mill in Osceola that will directly employ 525 people with annual average compensation of $75,000 a year. A portion of the steel to be made will go toward the manufacture of pipe used in oil and gas production.

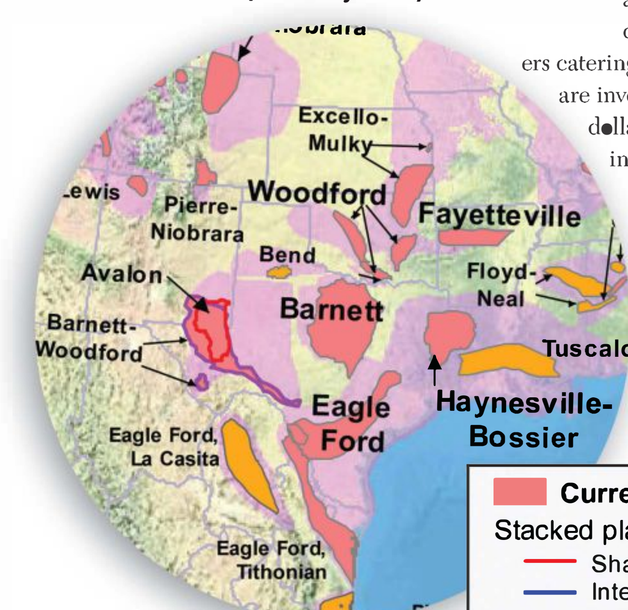
"I think it is the biggest announced project that we have ever had in Arkansas," said Mike Maulden, director of external affairs for Entergy, the electric utility that will be supplying power to the future plant in Mississippi County, about 50 miles (80 km.) north of Memphis.

Meanwhile, the economic impact of the Fayetteville Shale play in a nine-county area of north-central Arkansas in 2012 alone totaled $4 billion with more than 16,000 jobs, according to a study by the Center for Business and Economic Research at the University of Arkansas.

"To put this in perspective, from 2001 to 2010, the state of Arkansas experienced only tepid growth in employment. Without the employment associated with the exploration and development of the Fayetteville Shale, Arkansas would have suffered a 'lost decade' where employment at the end of the period was lower than employment at the beginning," said Kathy Deck, director of the research center.

**Saint-Gobain Corp.** said in August that it would build a new $100-million plant in Saline County, Ark., to manufac-

**South Central Shale Plays**
(as of May 2011)





Source: U.S. Energy Information Administration ture ceramic spherical beads designed to be inserted into underground fractures in oil and gas wells to "prop" open fractures and increase productivity of the wells. The French company already operates two plants in Arkansas — one in Fort Smith and another also in Saline County. The new plant to come online is still under construction, with commercial production expected later this year, says company spokesman Bill Seiberlich.

Huge multi-billion-dollar capital investment announcements have become almost the norm of late in Louisiana, all due to increased activity in oil and gas. **Magnolia LNG** announced plans on Jan. 17 to develop a $2.2-billion natural gas liquefaction production and export facility at The Port of Lake Charles. Just two days before, **G2X Energy Inc.** said it would build a $1.3-billion natural gas-to-gasoline facility at the same port in Southwest Louisiana. Sasol, a chemical and synthetic fuels company based in South Africa, plans to spend up to $16 billion and $21 billion to build the first gas-to-liquids plant in the United States, in Westlake in Calcasieu Parish. (For more on these projects, see p. 19 of this issue.)

**Cheniere Energy** has the only permitted LNG export terminal in the continental U.S. now under construction at its Sabine Pass LNG facility in Cameron Parish. Company officials say construction of two liquefaction plants of a total of four planned near the Texas-Louisiana border on the Gulf of Mexico is ahead of schedule. The $6-billion project is expected to create 3,000 construction jobs.

German steelmaker **Benteler** will build a $900-million plant to produce seamless pipe dedicated for oil and gas field use. The project will be built on 330 acres (134 hectares) at The Port of Caddo-Bossier in the northwest part of the state.

In all, more than $60 billion in manufacturing investments related to oil and gas are planned over the next four years, according to a recent study by Louisiana State University.

## Bigger Than Nuclear

Texas oil production has nearly doubled in the last two years. The latest data from the U.S. Energy Information Administration shows production averaged 2.14 million barrels a day in November — an increase of 900,000 barrels a day from November 2010, worth about $32 billion a year.

**Cheniere Energy's liquefaction plant and export terminal in Cameron Parish, La., is the only permitted LNG export terminal in the continental United States.** Image courtesy of Cheniere

In the prolific Barnett Shale play in North Texas, possibly the most active natural gas reserve field in the U.S., more than 18,000 wells are in production. The Barnett has created more than 100,000 jobs with an economic impact of more than $65 billion from 2001 to 2011, according to a 2011 study by the Perryman Group.

> **"I think it is the biggest announced project that we ever had in Arkansas."**
>
> *— Mike Maulden, director of external affairs, Entergy, on Big River Steel's planned $1.1-billion steel mill*

But it is the relatively new Eagle Ford Shale play in South Texas that is fueling a renaissance in Texas and garnering much of the excitement. It is believed to be one of the most significant oil and gas discoveries in the country. About 38,000 jobs have been created, with "man camps" popping up throughout a 14-county region in response to the boom.

Oklahoma's economy is flourishing, where more than 340,000 jobs are directly or indirectly fueled by the oil and natural gas industry. The Department of Commerce reports that 126 company projects were announced in 2012 with about half of them manufacturers. The fourth-highest job growth rate belongs to Oklahoma with more than 62,400 new jobs created in two years. The state's unemployment rate stands at 5.7 percent, one of the lowest in the nation.

Gov. Mary Fallin has called for more conversion from state gasoline-powered vehicles to compressed natural gas vehicles. The governor says using CNG cars and trucks will save taxpayers millions of dollars in fuel costs, while supporting energy jobs in the state.

Drilling activity in Oklahoma has increased as producers are concentrating more of their efforts on oil rather than natural gas due to pricing. Continental Resources Inc. will ramp up activity in the South Central Oklahoma Oil Province, or SCOOP, as the company calls it. SandRidge Energy Inc. appears to be staking its future on the emerging Mississippi Lime play in northern Oklahoma and southern Kansas, according to published reports.

Greg Dewey, SandRidge's vice president of communications and community relations, said the company plans to drill 570 horizontal wells in the Mississippi Lime in 2013.

"At $3 million a well, we project generating over a billion dollars of economic activity in that area of our state alone," Dewey told the Oklahoman. Companies working in Oklahoma produced more than 75 million barrels of oil last year, accord-

**"We project generating over a billion dollars of economic activity in [northern Oklahoma] alone."**

*— Greg Dewey, vice president of communications and community relations, SandRidge*

ing to the Oklahoma Tax Commission, which collects gross production taxes.

It bears repeating: This boom in the South Central states is happening at a time when natural gas prices are depressed, trading in the U.S. below $4 per million British thermal units. Industry experts say the lower prices have not been conducive to "upstream" investments — exploration and drilling — which have slowed.

But "downstream" projects — the building of infrastructure to move and convert the gas to different types of products — continues unabated, and U.S.-based manufacturers will enjoy a decided competitive advantage with lower energy costs.

Much of the gas now entering the marketplace in abundance was essentially drilled for when prices were higher, says David Dismukes, associate director and a professor at the Center for Energy Studies, Louisiana State University.

**David Dismukes, associate director and a professor at the Center for Energy Studies, Louisiana State University**

"The blowback is from all that activity from when gas was eight, nine or 10 dollars per million BTUs, and it is still going on," he says. "So all those wells that were drilled to date are still producing and they are still putting gas to the market. The drilling has now slowed down. But the market cost of just continuing a well to produce after you have completed that well is not very high, certainly lower than even the low market gas prices that we have now.

"When prices rise, you will see more investment on the upstream side of the business," he says. "Right now the new announcements are on the downstream side of the business in terms of the users. What you will find is that you will have those users and suppliers and producers blowing and going when prices increase."

In other words, America's shale revolution will likely only get bigger. Fatish Birol, chief economist for the International Energy Agency, said in the World Energy Outlook 2012 that the surge in U.S. oil and gas production is "the biggest change in the energy world since World War II." Birol told the Reuters news service, "This is bigger even than the development of nuclear energy."

## Cycle-Proof?

All four South Central states (and others as well) are benefiting as the result of two technologies — horizontal drilling and hydraulic fracturing — coming together. These technologies, which have been used for decades, (the first true horizontal well was drilled in 1929 although it was not economical to drill horizontal wells until the 1980s) have enabled energy firms to go straight to the source rock, which is shale.

Before horizontal drilling and hydraulic fracturing, drillers had to explore for isolated pockets of hydrocarbons that had leaked out of the shale into surrounding sands. Those pockets were getting harder to find and natural production in the U.S. had been declining for decades.

But Mitchell Energy changed everything with its pioneering production efforts in the 1980s, perfected in the 1990s, of combining horizontal drilling with hydraulic fracturing in the Barnett Shale in North Texas. The Barnett remains the nation's largest producing natural gas field, producing 7 percent of the total natural gas used in the U.S.

Texas continues to lead the nation in oil and gas production, with most of the larger capital project announcements of late in support of delivering product to market. **Howard Midstream Energy Partners** announced on Feb. 6 that it will begin building in April a cryogenic natural gas plant that will process 200 million cubic feet of gas per day. The plant will clean raw natural gas by separating impurities to produce pipeline quality gas.

Howard is also in the process of constructing an import and export logistics railroad hub for oilfield-related services and products, including condensate and natural gas liquids. Both facilities will serve producers and midstream customers operating in the Eagle Ford with a total cost of about $100 million.

## Something to Show For It

The economic impact in the 14-county area of the Eagle Ford Shale remains staggering, with more than $19.2 billion in output; $10.5 billion in gross regional product; $211 million in local government revenues; $312 million in state revenues and 38,000 full-time jobs in 2011, according to a study by the Center for Community and Business Research at The University of Texas at San Antonio (UTSA) Institute for Economic Development.

Getting a handle on the explosive growth has been a challenge for many South Texas communities. UTSA is working with them to essentially cope and create sustainable growth for the long-term. Eagle Ford is expected to bring 117,000 workers to the area between now and 2021 and have a $90-billion economic impact on the region.

"Our goal is to integrate business, community and work-force development services under one roof to create the synergy for sustainable development for the region," says Gil Gonzalez, who heads the Small Business Development Center at UTSA. "We are working with municipalities to give them the tools so that they can manage the growth that they are experiencing right now. We want to help them develop a plan to invest in the future and not go through a boom/bust cycle that leaves you with little to show for it afterward." ▼

**MARYLAND**

# Intelligence$^2$


Image by K. Talbott/NIST with Shutterstock images

**Maryland's infrastructure of educated people, data pipelines and cyber-expertise translates into brain-powered projects.**

by ADAM BRUNS
adam.bruns@siteselection.com

Cybersecurity is in the national headlines, after serious data incursions, an executive order from the White House and, in February, accusations of data theft from U.S. companies by a Chinese military group. In Maryland, cybersecurity has been a top priority for years.

It was January 2009 when Gov. Martin O'Malley joined Maryland's Congressional delegation, federal and military officials and business leaders at the National Institute of Standards and Technology (NIST) in Gaithersburg to unveil a policy report that called for establishing Maryland as the nation's epicenter for cyber security.

"Cyber security touches everything we do — from grocery shopping to banking, to heating our homes and talking on cell phones," said O'Malley that day, citing Maryland's leadership in computer systems design job creation and its institutions' thought leadership and training in the field. "With 50,000 new computer viruses emerging every day and hackers becoming increasingly advanced, the need to protect our country, our companies and our families has never been more urgent."


**Boeing in October 2011 opened a new 32,000-sq.-ft. (2,973-sq.-m.) Cyber Engagement Center in Annapolis Junction, Md. Boeing and its subsidiaries employ approximately 1,200 personnel in Maryland, with the largest concentrations in Patuxent River, Germantown, Annapolis Junction and Andrews Air Force Base.** Photo courtesy of Boeing

Only now, it's more urgent.

Maryland is home to more than 50 key federal facilities and 12 major military installations, including the U.S. Cyber Command at Fort Meade (the state's largest employer), the National Security Agency, the Army's Communication and Electronics Command (CECOM), now located at Aberdeen Proving Ground, and the Defense Information Systems Agency, which moved to Maryland from Virginia in 2011, bringing 4,300 advanced technology jobs. The Washington Post in January reported that the U.S. Cyber Command is seeking to more than quintuple its staff from 900 to 4,900 over the next few years.

The state is also a leader at all levels of education. Its perennially high R&D ranking can be traced not only to proximity to national government, but also to top-ranked research universities such as Johns Hopkins and University of Maryland, College Park, the University of Maryland, Baltimore and the University of Maryland, Baltimore County. Meanwhile, the just-published annual "Quality Counts" report from Education Week and the Editorial Projects in Education Research Center ranks Maryland first in the nation for the fifth year in a row.

No wonder the state can boast of 9,500 businesses employing 140,000 people in

| State | Overall Rank | IT Jobs Rank | Managerial, Professional & Technical Jobs Rank | Work Force Education Rank | Immigration of Knowledge Workers Rank | Migration of U.S. Knowledge Workers Rank | Manufacturing Value Added Rank | FDI Rank | Entreprenurial Activity Rank |
|---|---|---|---|---|---|---|---|---|---|
| **Massachusetts** | 1 | 5 | 1 | 1 | 12 | 2 | 16 | 6 | 23 |
| **Delaware** | 2 | 3 | 20 | 23 | 40 | 27 | 22 | 2 | 38 |
| **Washington** | 3 | 4 | 5 | 11 | 19 | 13 | 7 | 32 | 40 |
| **California** | 4 | 10 | 9 | 16 | 36 | 12 | 13 | 25 | 1 |
| **Maryland** | 5 | 2 | 2 | 2 | 6 | 9 | 11 | 24 | 30 |

**The 2012 State New Economy Index from the Information Technology & Innovation Foundation ranked Maryland fifth overall, based in large part on its "high concentrations of knowledge workers, many employed with the federal government or related contractors in the suburbs of Washington, D.C." The graph above shows where the state stands compared to its elite peers across many of the Index's 26 indicators.**

cyber-related fields. And those people can boast an average salary of $82,000.

The Old Line State continues to draw new projects from such companies as Northrop Grumman, SAIC, Boeing, Cybercore Technologies and others. And a new Cyber Jobs Report places Baltimore's wealth of opportunity behind only Palo Alto and San Francisco. The report was funded by The Abell Foundation and coordinated through the Baltimore Cyber Technology & Innovation Center, and is the result of a collaborative effort between CyberPoint International, CyberMaryland, Welz & Weisel Communications, and community partners. It searched approximately 340,000 cybersecurity jobs offered by more than 18,000 companies across the country and found that Maryland had 19,413 job openings at 1,828 companies in the industry, with more than 13,000 of those openings in Baltimore.

## Taking the Offensive

"This study confirms what we've come to know," said O'Malley at the report's release in January. "From internships and work-study programs for high school and college students, to professional positions for established cyber workers with advanced degrees, Maryland's cybersecurity industry offers an array of opportunities for enterprising individuals. If you're interested in protecting the nation's digital highway, Maryland is the place to be."

The report cited the state's educational and training options, including cyber-related degree and certificate programs offered in Maryland's educational institutions. Fifteen Maryland colleges and universities — more than in any other state — have been designated by the National Security Agency as Centers of Academic Excellence in Information Assurance. That infrastructure continues to be strengthened.


 Ad index info #429

| Job Churning Rank | Fast Growing Firms Rank | IPOs Rank | Inventor Patents Rank | E-government Rank | Industry Investment in R&D Rank | Non-industry Investment in R&D Rank | Venture Capital Rank | Broadband Telecom Rank | Health IT Rank | Hi-Tech Jobs Rank | Scientists & Engineers Rank |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 35 | 2 | 3 | 5 | 14 | 8 | 4 | 2 | 2 | 2 | 1 | 3 |
| 12 | 7 | 32 | 31 | 25 | 1 | 48 | 25 | 1 | 15 | 12 | 9 |
| 46 | 6 | 24 | 6 | 25 | 10 | 8 | 6 | 8 | 13 | 8 | 1 |
| 48 | 5 | 8 | 2 | 5 | 5 | 11 | 1 | 13 | 40 | 5 | 6 |
| 20 | 3 | 14 | 11 | 14 | 24 | 2 | 15 | 4 | 28 | 4 | 4 |

In February 2012, NIST announced a new partnership to establish the National Cybersecurity Center of Excellence, a public-private collaboration for accelerating the widespread adoption of integrated cybersecurity tools and technologies. The State of Maryland and Montgomery County, Md., are co-sponsoring the center with NIST, which will work to strengthen U.S. economic growth by supporting automated and trustworthy e-government and e-commerce. The center is supported by a $10-million federal appropriation.

"We are under attack," said U.S. Sen. Barbara Mikulski (D-Md.) at the announcement. "Every day, cyber thieves, cyber thugs, and cyber terrorists are hacking our systems, trying to take them down. They want to steal our intellectual prop-


Photo courtesy of Northrop Grumman

**Northrop Grumman Corp.'s Cyber Security Operations Center, which opened in July 2009 in suburban Maryland, provided security monitoring for more than 105,000 clients and 10,000 servers worldwide at the time of its opening. Such centers, though they keep a low profile, have assumed a higher one in the wake of cyber-invasions of data and new directives from the nation's capital.**

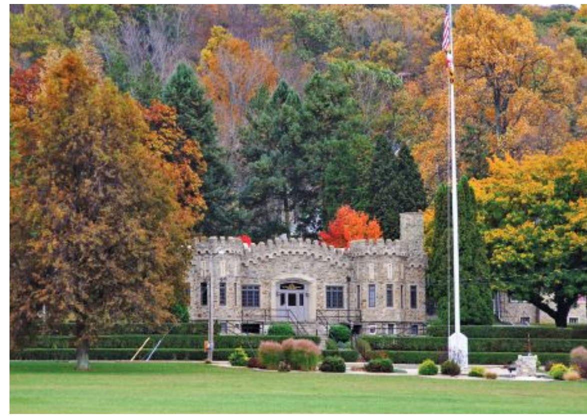
erty, our state secrets and our freedom and our prosperity. Our nation's main line of defense is right here in Maryland."

Higher education's role in that line of defense is undergirded by such elements as the $5.3-million grant from the National Science Foundation awarded last September to Prince George's Community College (PGCC) to support its CyberWatch cyber security education program. CyberWatch includes 10 Maryland community colleges and 7 Maryland universities.

A separate NSF program, the CyberCorps: Scholarships for Service program, in August awarded a grant worth more than $4.7 million to the University of Maryland Baltimore County (UMBC), Towson University and Harford Community College. Under the national program, college students who are training in selected cybersecurity programs receive a scholarship that covers up to two years of tuition, room, and board, along with a stipend. In return, the students serve in federal cybersecurity position for two years.

In October 2012, UMBC and the Northrop Grumman Foundation announced they are partnering to launch

## Remote Control



Home to the Military Intelligence Training Center of the U.S. War Dept. during World War II, then to the HQ for the Communications Command Continental United States of the U.S. Army beginning in the 1970s, Fort Ritchie, located not far from Hagerstown, officially closed in 1998. In 2006, the Army transferred ownership to the PenMar Development Corp. The following day, PenMar sold it to Corporate Office Properties Trust for mixed-use development and for potential installations from the federal government's "Continuity of Operations" program, which provides for alternate operational base locations for major federal agencies should their primary bases be incapacitated. Effective July 24, 2012, however, PenMar regained ownership of the site.

Once considered for the HQ of the newly created Office of Homeland Security, the site holds 41 parcels on 591 acres, and significant facilities, including the historic "castle" (pictured). Infrastructure includes advanced telecom, a state licensed water plant, a new electric substation, a cell tower, a wastewater treatment plant and a restaurant. It also boasts two lakes for recreation — lakes originally created in 1915 by the site's first owner, Buena Vista Ice Co., in order to make ice for harvesting.

"My board of directors is currently looking at a consulting firm to assess the property and assist in determining the best use," says PenMar Executive Director Dori Nipps. "We have not determined what that may be and are open to discussing the future with all who are interested."

## 'Second Floor, More Hardware'

Time was, classic department stores of a certain era were able to speed communications via pneumatic tube systems that shot capsules of information all over the building. Today, one of those department stores encapsulates how a region's robust data infrastructure can speed economic development.

In March 2012, IT solutions firm **AiNET** announced it would open its new 300,000-sq.-ft. (27,870-sq.-m.) CyberNAP data center by July 2012 in a former Boscov's department store in Glen Burnie, Md., not far from Fort Meade. Portions of


CyberNAP offer specialized features for secure technology environments. The facility houses over 10,000 equipment cabinets and supports upwards of 1 million servers. AiNET is based in Beltsville and operates three other data centers in Beltsville and Laurel. AiNET was founded by Deepak Jain, a Maryland native and Johns Hopkins graduate who interned at the National Security Agency. — *Adam Bruns*

the UMBC Cyber Scholars program, to be housed in the university's new Cybersecurity Center, and run in partnership with the UMBC Center for Women in Technology.

This new initiative is an extension of an already-strong partnership in cyber-related activities that has developed between UMBC, the foundation and Northrop Grumman, and includes the Cync program, a start-up business incubator dedicated to cultivating companies that develop innovative solutions to counter the global cyber threat.

The program is being created in response to the U.S. Department of Homeland Security's call to action regarding the shortage of trained and certified cybersecurity personnel. The program will recruit 15 to 20 new scholars annually, with special emphasis on increasing the number of women and underrepresented minorities who are being prepared for cyber security careers.

Northrop Grumman has served on the Homeland Security Advisory Council Task Force on Cyber Skills that recently provided recommendations to Department of Homeland Security Secretary Janet Napolitano. The company also worked with the University of Maryland in College Park to launch Advanced Cybersecurity Experience for Students (ACES) in June 2012.

"We are fully committed to developing solutions to help eliminate the nation's shortage of critical STEM-educated talent, and by partnering with the University of Maryland, we will address workforce challenges in the increasingly important field of cybersecurity," said Northrop Grumman President and CEO Wes Bush.

The company opened a Cyber Security Operations Center in "suburban Maryland" in 2009, the same year the state launched its CyberMaryland initiative. ▼


Photo by Marvin Preston courtesy of Port of Charleston

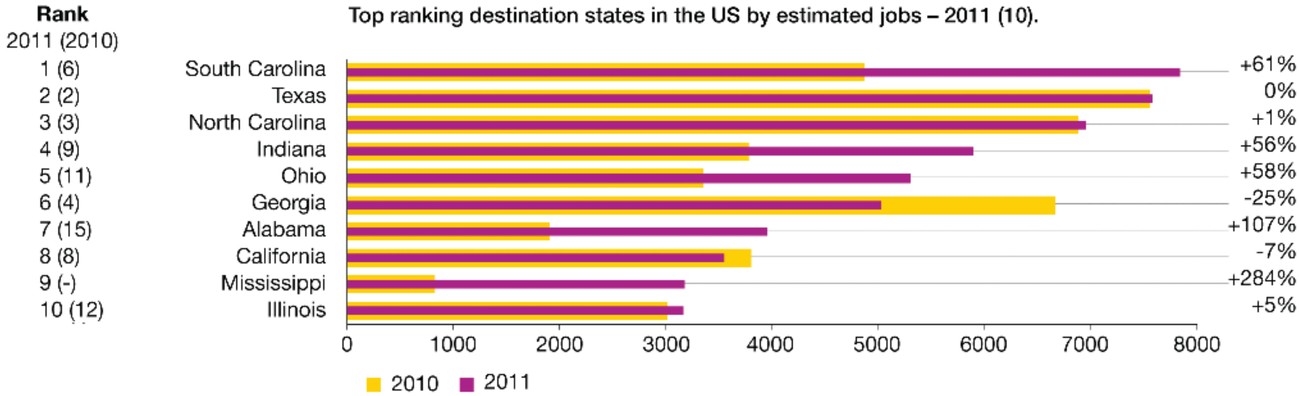
# The 'It State' for FDI

## The Upstate's automotive sector is a lead driver of capital investment.

by MARK AREND
mark.arend@siteselection.com

"It is exciting to see South Carolina once again recognized as the 'it' place for business investment," noted Gov. Nikki Haley in January, when her Commerce Department announced the Palmetto State's first-place finish in a ranking of foreign direct investment (FDI) destination states for 2011 based on estimated jobs. The ranking is in the 2012 Global Location Trends annual report from Brussels-based IBM-Plant Location International, which puts Texas and North Carolina in second and third place respectively with Indiana and Ohio rounding out the top five. "Foreign firms have played and continue to play a key role in our state's economy," she added. "We have worked hard to show companies from around the globe that South Carolina is the place to put down roots and do business, and this ranking is another indication of our success."

The governor has her state's expanding automotive industry to thank in part for South Carolina's strong FDI performance. The I-85 corridor in the Upstate through Anderson, Greenville and Spartanburg is an automotive cluster anchored by BMW, Michelin North America, the Clemson University International Center for Automotive Research (CU-ICAR) and dozens of other manufacturers and suppliers,




*Source: Global Location Trends: 2012 annual report, IBM-PLI, Brussels*

many of which bring capital investment from outside the U.S.

**Michelin North America** will expand its rubber production operations in Starr, in Anderson County, with a $200-million investment that is expected to generate 100 new jobs. The January 24th expansion announcement is the second announcement in South Carolina for the company in less than a year. Last April, Michelin announced expansion plans and committed to invest $750 million and create 500 new jobs in Anderson and Lexington counties. In the last 21 months, the company has committed to invest a total of $1.15 billion and create at least 870 new jobs in South Carolina.

"This new expansion at this facility is one of the lynchpins that will allow us to maintain Michelin's industry leadership in providing customers with the best tires in all categories," said Pete Selleck, chairman and president of Michelin North America. "Michelin's continued investment in Anderson County and the state of South Carolina is a testament to our proven, high-quality work force here."

CU-ICAR remains a draw for automotive enterprises seeking a presence in one of the most active automotive industry hubs in the U.S. In February, Munich, Germany-based **in-tech Automotive Engineering**, which provides systems integration testing to global automotive manufacturers, announced it will establish its inaugural North American facility at CU-ICAR in Greenville County. The undisclosed investment is expected to generate as many as 20 new jobs over three years.

**Christian Wagner, CEO, in-tech Automotive Engineering**

"We are pleased with the opportunity to open a new location at CU-ICAR in Greenville County, as we believe that South Carolina is rapidly becoming a hub of the automotive world and is an excellent place for our new operations," said Christian Wagner, CEO of in-tech. "We are extremely appreciative for the support and positive reception we have received from the Department of Commerce, the Greenville Area Development Corporation, and CU-ICAR in making this launch a reality." The company serves global automakers and system suppliers and manufacturers of electronic components for the automotive industry, specializing in quality analysis and project management in the development, integration, testing and fault analysis on automotive electronics systems.

Also in February, **TIGGES USA LLC**, a subsidiary of Wuppertal, Germany-based TIGGES GmbH, announced its first North American facility at CU-ICAR. The $1.5-million investment is expected to generate at least five new jobs. John Ferrell Jr., general manager of TIGGES USA, explained the significance of the site decision: "This strategic expansion will help us meet accelerating demand for fasteners and connecting elements needed by our core automotive, aerospace and marine industry customers, and Greenville County provides us with an excellent business environment, a top-notch work force and exceptional market access. We look forward to becoming a part of the Palmetto State's business community."

The company's location at CU-ICAR will be a technical sales office to drive supply-chain efficiency and improve customer service to North American customers, and complements the company's current international portfolio of locations in Germany, Malaysia, Japan and Taiwan. ▼

**IAMC will hold its Spring 2013 Professional Forum in Charleston from March 16 - 20.**

Photo courtesy of Charleston Area Convention & Visitors Bureau


Florida Gov. Rick Scott, center, teams up with officials from CSX, the City of Winter Haven and Polk County to break ground on the CSX Integrated Logistics Center in Winter Haven, Fla.
Photo courtesy of the Central Florida Development Council

# Intermodal

## A game-changing logistics project is taking shape in a Central Florida city once known more for growing citrus and entertaining tourists.

by RON STARNER
ron.starner@conway.com

On Nov. 8, 2012, Florida Gov. Rick Scott joined local and state officials and executives from a number of Florida-based companies to break ground on the Winter Haven Intermodal Rail Terminal.

"My number one priority is to create jobs for Florida families," Gov. Scott said during the ceremony in Winter Haven, a city of 35,000 residents in eastern Polk County, roughly centered between Tampa and Orlando along the Interstate 4 Corridor. "This ground-breaking means more jobs, more opportunities for our communities, and underscores Florida's importance in global commerce. We have more work to do, but we are clearly on the right track for greater job creation."

The Winter Haven Rail Terminal will be built and operated by Evansville Western Railway, an affiliate of Jacksonville-based CSX Transportation. The terminal will serve CSX's growing intermodal business and allow CSX to accommodate customers in Orlando, Tampa and South Florida.

An economic impact study by HDR Engineering shows that construction of the Evansville Western Railway terminal is estimated to create 8,500 jobs and generate more than $10 billion in economic development over 10 years.

The terminal is being built on 318 acres and will include five 3,000-foot loading tracks and two 10,000-foot arrival and departure tracks. The tracks will be spanned by three electric rail-mounted gantry cranes that will unload and load trains.

The terminal is next to 930 acres that CSX has an option to purchase from the City of Winter Haven. Polk County officials say that the intermodal terminal will serve as a magnet for the development of distribution centers, warehousing and manufacturing facilities on the adjacent property.

Together, the two properties will form the Winter Haven Integrated Logistics Center, which will be a critical asset for economic development in Central Florida, according to representatives of the Governor's Office and Enterprise Florida.

Mark McDuff, senior business development manager for the Central Florida Development Council in Polk County, calls the project a game-changer for both the city and the region.

"The CSX Integrated Logistics Center is now in phase-one construction," McDuff says. "They are building a grain terminal with gantry cranes on a 318-acre site that will load and unload unit trains out of Chicago and the Northeast delivering product to Central Florida for distribution. There will also be a lot of product going out of the state. Phase one will be completed in April.

"Phase two," he adds, "will be a business park on 930 acres

*(Continued on page 176)*

*(Continued from page 174)*

that CSX owns. It will be developed into warehouse-distribution and light-manufacturing use going forward. It is located about 50 miles from the Port of Tampa and about 60 miles from Port Manatee in Bradenton on the south side of Tampa Bay."

The project represents one of the largest private investments in the history of Winter Haven, an area whose fortune was built by citrus magnates and entrepreneurs such as the late Dick Pope Sr., founder of the famed Cypress Gardens amusement park that has since been redeveloped as Legoland of Florida.

The CSX project effectively points Winter Haven toward a new era of logistics-driven industrial development.

George Livingston, principal of NAI Realvest in Maitland near Orlando, served as a site consultant on the project and says that Winter Haven and the entire Central Florida corridor will benefit from the widening of the Panama Canal.

"People are anticipating the Panama Canal expansion," Livingston says. "Some 50 percent of the container traffic will come to the U.S. East Coast instead of going to the West Coast. They want to avoid the Pacific Coast if they can. The Winter Haven CSX Integrated Logistics Center is moving forward and that will impact both the Port of Tampa and Port Manatee on the Florida Gulf Coast."

Construction of the Evansville Western Railway terminal in Winter Haven will create an estimated 200 construction jobs. EVWR and its contractors have partnered with the local work-force development board, Polk Works, to identify qualified local suppliers and subcontractors to provide jobs and supplier opportunities.

*(Continued on page 180)*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Ad index info #197

# Business Flows Here

## Metro Little Rock Ports

Pine Bluff/Jefferson County
**PORT AUTHORITY**
An Affiliate of the Economic Development Alliance

LITTLE ROCK
PORT AUTHORITY

*(Continued from page 176)*

**Fountain Walk attracts visitors to downtown Winter Haven, a quiet Central Florida city that gave birth to Florida's first theme park — Cypress Gardens — back in the 1930s.**

Gov. Scott noted that several Florida-based companies have benefited from the construction:

Hanson Concrete Pipe, which operates one of the country's largest automated pipe plants in Winter Haven, has supplied all the precast concrete drainage pipes for the terminal. Mack Industries, also based near Winter Haven, is supplying all the concrete underground junction boxes.

Large amounts of project materials are being purchased locally from companies like CEMEX in Winter Haven, Conrad Yelvington in Mulberry, Hanson Industries in Orlando and Jahna Industries in Clermont.

More than 80 percent of the design and engineering on the project is being performed in Florida, using consultants from Winter Haven, Orlando, Jacksonville and other locations.

Ring Power Corp., a company based in St. Augustine, is a full-line dealer of Caterpillar equipment for North and Central Florida. Through its Polk County sales office, Ring Power has supplied two articulated trucks, five hydraulic excavators, eight track-type tractors and one compactor for terminal construction.

Winter Haven-based Whitehead Construction was hired to build four buildings on site. Other local subcontractors include Leware Construction of Leesburg and MSE Walls of Kissimmee.

According to the economic impact study conducted by HDR Engineering, at build-out the Winter Haven ILC will create 8,500 jobs with a total annual payroll of $282.2 million. Over a decade, the ILC is

Photo courtesy of GPA

*Georgia Ports Authority's expanded Mason Intermodal Container Transfer Facility in Savannah opened for business on Nov. 16, 2012, with improvements cutting round-trip Norfolk Southern train movements to Atlanta by six hours.*

*"These improvements allow Norfolk Southern to offer an efficient, competitive route to the large inland port just up the road – Atlanta," said Jeffrey Heller, NS group vice president of international intermodal services.*

*GPA Executive Director Curtis Foltz said the $6.5 million, 6,000-foot rail-yard extension will expand capacity, improve efficiencies and reduce costs for customers.*

*"The rail yard's increased efficiency will save time on each container transfer handled at Mason ICTF, saving port customers money," said Foltz.*

*With this expansion, the Garden City Terminal's two rail yards, serving Class I rail providers Norfolk Southern and CSX, now feature a total of 46,921 linear feet of track.*

projected to generate more than $10 billion in economic development and add $900 million in state and federal tax revenue.

According to Winter Haven Mayor J.P. Powell, the construction of the rail terminal has already had a positive impact on the local economy. "Winter Haven is on track for great success with the start of this exciting economic engine. This project represents another step toward reshaping our economy, building critically needed infrastructure, and providing meaningful jobs for our residents and our community," Powell said.

**This CSX bridge spans the Manatee River on the west coast of Florida.**

Michael Ward, president, chairman and CEO of CSX, joined Gov. Scott in touring the construction site. "CSX looks forward to serving Evansville Western's Winter Haven intermodal terminal, which enhances Florida's world-renowned capabilities in transportation and logistics," Ward said. "Florida is fortunate to have visionary state and local leaders who understand and leverage opportunities to support businesses that create jobs and spur economic development."

The Winter Haven Rail Terminal is slated to open by May 2014.



Ad index info **#135**

# Site Preparedness: Creating Relevance

## Assessing and planning industrial sites is the best form of economic development marketing.

by COURTNEY DUNBAR
Economic Development Leader, Olsson Associates

It has been stated that the largest crisis in economic development today is irrelevance.

Irrelevance: not good, not bad, just simply unnoticed.

If the antonym to "irrelevance" is "uniqueness," then the litmus test for being noticed becomes, "What does my community offer that sets it apart and makes it relevant for industrial development?"

I'm going to let you in on a little secret ... one that is kept far too well. Read on.

The average American will state that the largest capital investment they will make in their lifetime will be their homes. Now, if you own a home, consider all of the diligence you pursued in making the decision to purchase. You likely checked the school district, the transportation routes to areas of personal significance, the condition of the home, the suitability of the property, the property tax rates, and the proximity to services.

Now, consider industrial prospects. Instead of purchasing a home, they are making multi-million, if not multi-billion-dollar capital investments when they invest in a site. The products they produce require significant infrastructure support and capacity. Labor matters. Roads matter. Rail matters. Zoning matters. Other analytical, site preparedness items matter. Timeliness to market is paramount. An underestimation of a site's ability to serve specific industrial needs can result in catastrophic outcomes, including closures, layoffs, or worse.

Here's the secret: The best marketing you can do as an economic developer is to thoroughly assess and plan your industrial sites. Companies simply cannot afford to take a risk on a "maybe this site can serve" or "we think we can obtain property control." Absolutely, without a doubt, risk avoidance in the form of industrial site preparedness is crucial to site selection decisions. Communities must be able to fully explain the functionality of their site inventory to effectively compete for industrial development.

Here's the problem: When a site selector or end-user is looking for a new site, much of the information necessary for them to begin their search is found on the Internet, without you ever knowing that they inquired. Economic developers spend a good amount of time creating a story that will sell their communities and sites, but, shockingly, few have robust, site-specific infrastructure information available for these seekers. Considering that company profits hinge on site-specific attributes such as input availability, time-to-production, and exchange and proximity to markets, ready access to this information should be a top priority for economic developers.

The Aurora West Development is located in Aurora, Neb.

Photo courtesy of Olsson Associates

Site selection has evolved considerably over the last few decades. Highly specialized equipment and telecommunications advancements have led to unique siting requirements for the majority of end-users. Rarely does a one-size-fits all approach to site development work for today's modern industrial company. As many as 75 different site and community attributes may be requested for initial diligence in site selection decisions, all with the intention of efficiently identifying risk-to-development factors. Site preparedness should be seen not only as a means to attracting an end-user, but as a means for playing the economic development game intelligently.

The benefits of site preparedness are vast and provide benefits locally, beyond simply serving as a tool for economic development marketing. Here are a few local benefits that you may not have considered:

**Streamlined Industrial Targeting:** A community cannot effectively develop a plan to target market industrial segments without understanding if the sites within their communities can adequately serve company infrastructure demands. Site preparedness allows a community to understand their natural assets and mitigate uncovered deficiencies so that they can align likely user groups to sites that make sense for optimal industrial development types. Companies make decisions based upon a lower production cost on their chosen site compared to any other site. Since production costs are a primary reason for a site decision, it is wise for economic developers to effectively target industrial segments for which the community and site can provide a natural advantage.

**Capital Improvements Budgeting:** Economic development is most often a public/private partnership that requires investment of dollars to build infrastructure that serves industrial sites. To make the case to county boards, city councils, and other elected officials that these funds should be designated for economic development growth, it certainly helps to understand why … why this site? Why this capacity? Why this timeline? To invest in site-readiness without a plan is risky for the longevity of public officials and the job of the economic developer. Industrial absorption rates are historically slower than retail and commercial. Industrial infrastructure needs are more stringent and costly. However, the ability to provide a solid plan for

*(Continued on page 186)*

# GEORGIA GRAD SITES — Accelerating Economic Development

Accelerating the time to market has never been a more critical site selection factor for companies than it is now. Shovel-ready, certified sites — particularly land tracts that have all the requisite zoning, permit approvals and utilities in place — go to the top of the short list when corporations are on a fast track to select a facility location.

The economic development leadership in Georgia knows this, and that is why the Georgia GRAD Sites program now offers 27 certified sites around the state for companies that are ready to make a decision. Parcels range in size up to 2,000 acres, representing a variety of geographic locations and rural and suburban settings.

The Georgia Ready for Accelerated Development (GRAD) Sites initiative is already paying dividends for communities across the Peach State. "GRAD Sites continue to grab the attention of company decision makers and site location consultants alike," says Pat Wilson, COO for the Georgia Department of Economic Development (GDEcD). "There are 27 certified sites around the state, and we have another dozen that are in various stages of due diligence and application."

The program employs an independent site selection consultant, Jim Bruce of BFPC LLC in Norcross, GA, to certify sites. "Jim has been great for this program," Wilson says. "We needed an independent and knowledgeable site location expert, to provide impartiality in order to maintain exacting standards of development regardless of location." The GRAD program was initiated by Georgia Allies, a public/private partnership which supports the state's job creation efforts. Since the inception of the program, six companies have selected GRAD sites as facility locations.

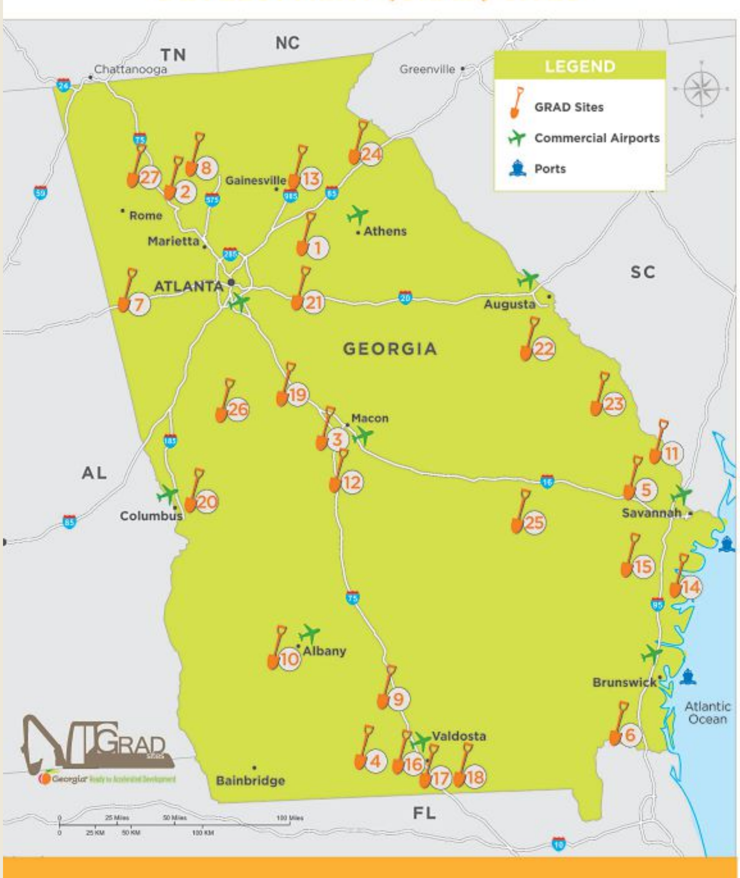
Among the work conducted on qualifying sites in Georgia are a Phase I environmental study, geotechnical work, wetlands delineation and historical and archeological research. It is a comprehensive process that requires a considerable investment of time, money and other resources on the part of the participating community.

"If you are serious about having a really attractive and competitive site, then a community must invest some resources and carry out advanced due diligence. This allows a company to site and construct a facility, saving time to market," says Gretchen Corbin, Deputy Commissioner for the Global Commerce Division of GDEcD. "But it's definitely worth the investment," Corbin notes.

Bruce says it takes about three to six months to complete the entire application and approval process. A site receives an approval certificate, which is good for two years. After two years a community must then re-apply to extend the certification, assuming no development has taken place during the two year period.

For more information, please contact Pat Wilson, COO of the Georgia Department of Economic Development, at 404-962-4000.

GEORGIA READY FOR ACCELERATED DEVELOPMENT (GRAD) SITES




| | Name | County | Total Site Size (Acres) | Interstate | Railroad |
|---|---|---|---|---|---|
| 1 | University Parkway/Stan Coley Property | Barrow | 7.96-78.15 | 17 miles | No |
| 2 | Highland 75 | Bartow | 1-707 | 0.9 miles | No |
| 3 | Sofkee Industrial Park | Bibb | 5-235 | 3.1 miles | Yes |
| 4 | Brooks County Industrial Park | Brooks | 2-203 | 14 miles | Yes |
| 5 | Interstate Centre | Bryan | 5-800 | At Site | No |
| 6 | Villages of Kingsland | Camden | 5-375 | 2 miles | Yes |
| 7 | Temple Industrial Park Phase II | Carroll | 5-35 | At site | No |
| 8 | Cherokee 75 | Cherokee | 1-100 | 1 mile | No |
| 9 | South Cook Industrial Park | Cook | 5-2000 | Adjacent | Yes |
| 10 | Pecan Grove Industrial Park | Dougherty | 1-240 | 40 miles | No |
| 11 | Governor Truetlen Site | Effingham | 5-83 | 10 miles | Yes |
| 12 | Middle Georgia Corporate Center | Houston | 10-900 | Adjacent | No |
| 13 | Jefferson Distribution Center | Jackson | 4.41-82.50 | At Site | No |
| 14 | Tradeport East | Liberty | 1-293 | 0.6 miles | No |
| 15 | Tradeport West | Liberty | 5-272 | 2.2 miles | Yes |
| 16 | Buster Bassford Industrial Park | Lowndes | 1-242 | 4.6 miles | Yes |
| 17 | Miller Business Park | Lowndes | 5-140 | 4.5 | No |
| 18 | West Side Industrial Park | Lowndes | 1-160 | 0.7 miles | No |
| 19 | Meridian 75 | Monroe | 8.65-258 | Adjacent | No |
| 20 | Muscogee Technology Park | Muscogee | 4-200 | 6 miles | Yes |
| 21 | Stanton Springs | Newton | 5-1456 | At site | No |
| 22 | Augusta Corporate Park | Richmond | 5-1734 | 9 miles | Yes |
| 23 | Screven County IP | Screven | 5-390 | 40 miles | No |
| 24 | Hayestone-Brady Industrial Park (Highway 17 Site) | Stephens | 1-350 | 7 miles | No |
| 25 | Toombs County Corporate Center, Lyons | Toombs | 5-75 | 12 miles | No |
| 26 | Central Georgia Business and Technology Park | Upson | 1-192 | 26 miles | Yes |
| 27 | Carbondale Business Park | Whitfield | 3-50 | Adjacent | No |

*(Continued from page 183)*

logical infrastructure phasing is necessary to mitigate risk in the eyes of a prospective end-user. Having a plan mitigates political risk and encourages readiness actions.

**Incentives Negotiation:** Recently, I worked with a client who was looking at investing nearly $500 million at a site in the Midwest. It was discovered that nearly $1 million would be made available in working capital (cash) incentive to the company, among other tax and work-force incentives. As part of the underwriting of the site, it was discovered that the Department of Transportation within this state would require an additional turn-lane for access. Designing and permitting a turn-lane off of a state highway is approximately a nine-month process. In addition, the company would need to thoroughly assess water availability, volume, and pressure to assure compatibility with its production needs, posing the need for an assessment that would also take several months to complete. The math proves that if this company were to be delayed in time-to-production due to permitting issues or undiscovered infrastructure capacity deficiencies, $1 million would be eaten up in lost profitability in less than one week. One week. Site preparedness assists communities in crafting incentives packages that truly add to the bottom-line profitability of the companies they are courting. In this instance, funding to assist in turn-lane design and a water study impacted the bottom-line profits, well beyond what the working capital investment would have provided. Smart site preparedness allows communities to anticipate and to make wise incentive decisions.

## Local planning and zoning policies often provide little protection for industrial companies.

**Industrial Company Protection:** Local planning and zoning policies often provide little protection for industrial companies. In many instances, future land use maps reserve peripheral, low-resource land tracts for industrial uses. The zoning code that governs these areas allows for a variety of uses, some of which could be detrimental to industrial companies.

Land use laws provide the highest level of protection to residential, commercial, and retail areas with industrial receiving the least protection. Noise, smells, dust, and other normal aspects of industrial production could cause operational shut-downs due to encroachment of incompatible uses. Consider this: Industrial companies often provide the highest levels of local, taxable capital investment and jobs, have the least zoning protection, and can be forced out of production due to encroachment of incompatible peripheral developments. Protection for industrial companies through site preparedness tasks is a necessary step in mitigating risk to production.

**Industrial Tract Optimization:** A crucial aspect of site preparedness is the master planning of industrial tracts. Master planning is a preferred method to platting as plans are technically sound, yet considerably more fluid than a registered plat. Master plans allow users to visualize the intended design of an industrial park, but have options to join lots to create additional spaces. These plans effectively accommodate drainage, access and other easement issues while allowing for optimization of tract development.

Many communities choose to take site preparedness to an accelerated level of site certification. Certification programs vary nationally and are offered by private companies or governmental entities. Communities taking the site preparedness steps necessary to achieve certification are absolutely elevating the marketability of their site inventory, leading to quality jobs and capital investment critical to community quality of place. Receipt of certification for industrial sites provides a sense of confidence in crucial site attributes for site selectors and end-users.

Site selection decisions are largely made by determining that the costs to produce are less and the bottom-line profits will be more in the chosen location than anywhere else. Undergoing site preparedness exercises to assess attributes, mitigate deficiencies and organize tracts for optimum efficiency is crucial to successfully creating the relevance necessary to attract new industrial investment.

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