

Business Development 101: Trends and Case Studies

October 18, 2016

Agenda



- Key Components of Economic Development
- Attraction Process (Site Selection)
 - Phase I: Community Evaluation
 - Phase II: Site Evaluation
 - Phase III. Negotiations & Final Selection
- Think Regionally-Act Locally
- Site Selection Stats 2015
 - MO Partnership
- Business Retention Important
- Grow Your Own
- Abbreviated Case Studies
 - Summit Technology Campus-Lee's Summit
 - Sioux Chief--Centerpoint Development-KCMO
 - Janesville Acoustics-Warrensburg
 - ADS-Harrisonville

- Q&A

Business Development Functions

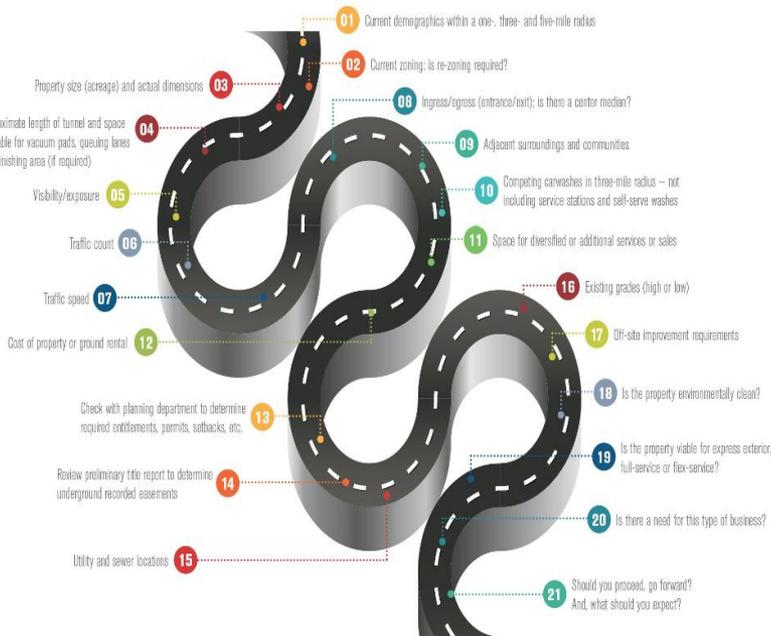
- Attraction
- Expansion
- Retention
- Entrepreneurism
- Product Development



Attraction Process/Site Selection



SITE SELECTION CHECKLIST



- Most projects use similar type of process.
- Consultants play key role in process.
- Attraction is really elimination game.
- Understand drivers of project as early as possible.
- You must know your community (product)
- Always be truthful

Phase I. Community Evaluation



- Customer proximity
- Competitor proximity
- Legal, financial, and marketing considerations
- Land requirements for initial project and future expansions
- Utility requirements (water, sewer, gas, electricity), current and future
- Workforce requirements
- Technical labor skills required
- Training strategies and requirements
- Recurring costs (State and local taxes, wages, payroll taxes, utilities, etc.)
- Proximity to airport and required service level
- Incentives and cost off-sets
- Quality of life
- Cost of living
- Cost of construction

Phase II. Site Search and Due Diligence



- Legal
 - Draft and review contingent purchase agreements or option contracts
 - Set up shell acquisition entity for client to protect anonymity
 - Title review
 - Environmental review
- Real Estate Analysis
 - Site assessment
 - Preliminary title review
- Acquisition strategy
 - Architecture & Engineering
 - Zoning and Permitting process / timeline/ risks
 - Site development covenants & restrictions
 - Client Disclosure requirements & timing for planning discussions
 - Civil engineering, land use & soils
 - Environmental issues
 - Utility service analysis
 - Site cut and fill requirements and cost
 - Landscaping issues
 - Easements issues affecting site planning
 - Transportation issues

Phase III. Negotiation and Final Selection



- Statutorial Incentives-Mandated by legislative acts
 - Examples:
 - Job training tax credits—so much/FTE created
 - State Income tax credits
- Existing Negotiated Incentives
 - Statutorial but negotiable
- Clients normally will have a primary and fall back site and negotiate with both in final phase, sometimes one state site vs another state site.

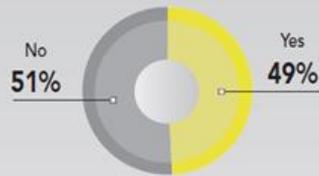
AREA DEVELOPMENT CORPORATE SURVEY



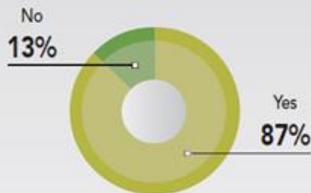
- More than 50% respondents begin the information-gathering process one to two years before making a location decision.
- 43% use site consultants
- Skilled Labor Availability continues to be a key driver
- 69% plan to open new US facility in next 3 years
- 64% rate tax incentives as a key driver



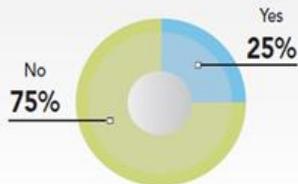
Plan to open any new facilities (domestic and/or foreign) within the next five years:



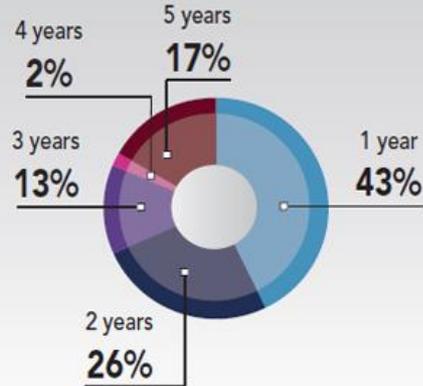
If yes, plan to open new domestic facilities within the next five years:



If yes, plan to open new foreign facilities with the next five years:



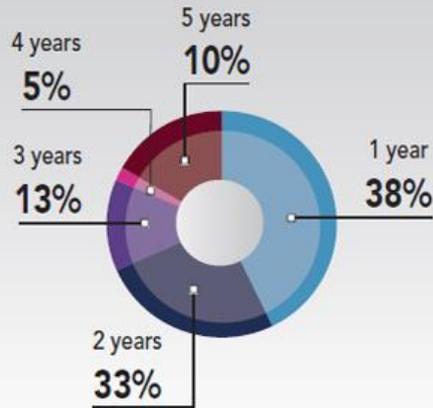
Plan to open new domestic facilities within:



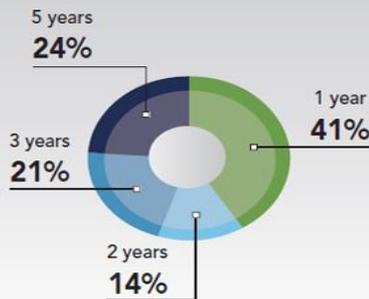
Location of new domestic facilities (as percentage of total number to be opened):

New England (CT, MA, ME, NH, RI, VT)	8%
Middle Atlantic (DE, MD, NJ, NY, PA)	4%
South Atlantic (NC, SC, VA, WV)	13%
Mid-South (AR, KY, MO, TN)	9%
South (AL, FL, GA, LA, MS)	17%
Midwest (IL, IN, MI, OH, WI)	10%
Plains (IA, KS, MN, NE, ND, SD)	5%
Mountain (CO, ID, MT, UT, WY)	6%
Southwest (AZ, NM, OK, TX)	16%
West (CA, NV, OR, WA)	11%
Offshore (AK, HI, PR, VI)	1%

Expect to expand existing domestic facilities within:



Expect to relocate domestically within:



Primary reasons for relocating domestically:

Tax concerns	10%
Government regulations	7%
Labor costs	21%
Labor availability	21%
Healthcare costs	3%
Quality-of-life concerns	7%
Infrastructure	24%
New markets/market proximity	41%
Proximity to research centers/Industry consortium	7%
Other	34%

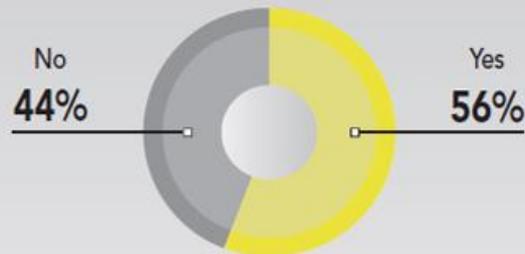
Comparison
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appear to hold true. Economists also are predicting
a percent for 2016, according to The Conference

Comparison

Choose your industry.

Availability of skilled labor having an effect on new facility/expansion plans or current operations:



If yes, workers are lacking:

Basic skills (e.g., reading comprehension, mathematical competency, etc.)	37%
Advanced skills (e.g., advanced welding, machine tool programming, bioprocessing, etc.)	63%
STEM skills (science, technology, engineering, mathematics)	50%

Type(s) of incentives considered most important when making a location decision:

Cash grants	21%
Tax incentives (tax credits, exemptions, etc.)	64%
Other financial incentives (bonds, loans, etc.)	32%
Worker training incentives	50%
Other incentives (land, utility-rate subsidies, infrastructure support, etc.)	55%

[In CFOs' expectations and plans for 2016](#)
[Issues and getting more efficient are the CFOs'](#)
[new markets are very significant for some](#)
[and other CFOs](#)

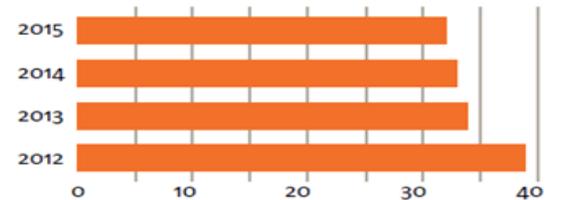
MO PARTNERSHIP 2015 ANALYSIS



Missouri Partnership site search statistics for 2015

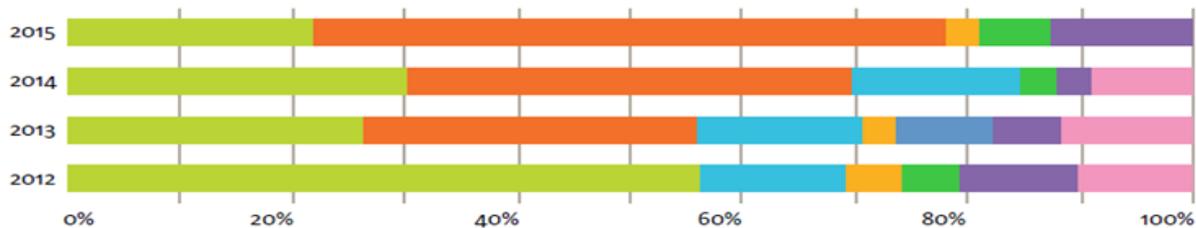
Missouri Partnership searches in 2015

Real estate searches 32



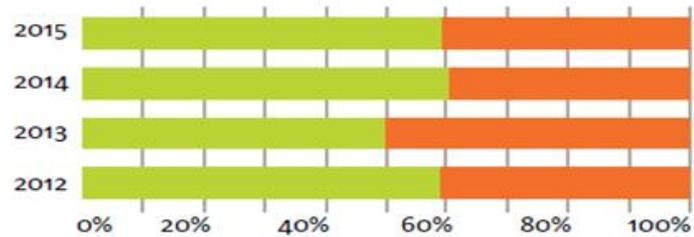
Real estate inquiries by industry in 2015

Advanced manufacturing:	7	Financial & professional services:	2
General manufacturing:	18	Information technology:	0
Biosciences:	0	Transportation & logistics:	4
Energy solutions:	1	Other:	0



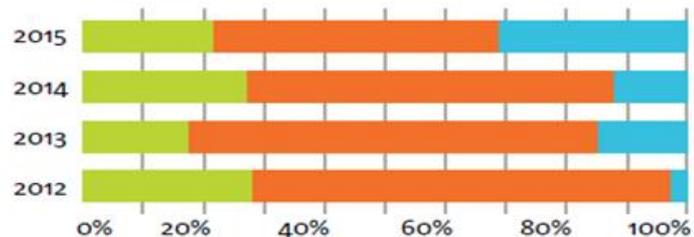
Real estate inquiries by source in 2015

■ Consultant:	19
■ Company:	13



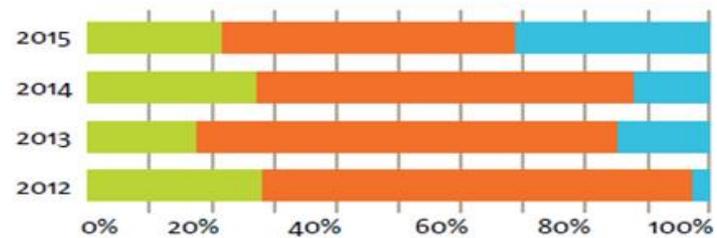
Real estate inquiries for sites or building in 2015

■ Greenfield site:	10
■ Existing building:	15
■ Both sites and buildings requested:	7



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Real estate search requirements

	2015	2014	2013	2012
<i>Total number of real estate searches</i>	32	33	34	39
Site acreage requested				
Average	114 acres	54 acres	40 acres	289 acres
Median	50 acres	40 acres	40 acres	40 acres
Minimum	10 acres	5 acres	10 acres	7 acres
Maximum	1,000 acres	200 acres	100 acres	3,500 acres
Industrial building size requested				
Average	170,682 SF	113,429 SF	154,545 SF	135,109 SF
Median	175,000 SF	100,000 SF	80,000 SF	75,000 SF
Minimum	4,000 SF	20,000 SF	10,000 SF	15,000 SF
Maximum	450,000 SF	400,000 SF	800,000 SF	650,000 SF
Ceiling height requested				
Average	22.3 ft	27.1 ft	23 ft	26 ft
Median	21.5 ft			
Minimum	12 ft	12 ft	12 ft	15 ft
Maximum	40 ft	45 ft	35 ft	43 ft
Rail requested				
All searches	19%	24%	29%	38%
Greenfield site searches only	13%	33%	67%	75%

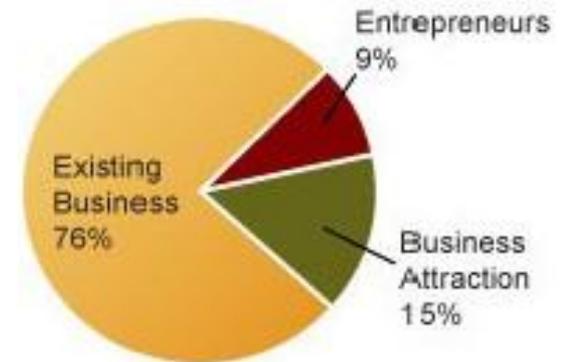
Think Regionally-Act Locally!

- Delivery and focus has changed since late 1980's
 - Marketing has changed & costs have increased significantly
- Missouri Partnership: Contracts Attraction Efforts for State of Missouri
- Regional groups are key players for delivery to community
 - Efficiency of scale
 - Know regions very well
 - Partner with local communities to assist them in preparedness
 - Examples include: Kansas City Area Development Council (KCADC), St Louis Regional Growth Association (RCGA), Joplin Regional Partnership (JRP), Regional Planning Commissions (RPC)
- Communities must be prepared to respond to RFI's: Timelines to respond have greatly decreased in last few years. Develop SWAT team effort to engage local leadership.
- Communities **MUST** be involved with Regional efforts from cost and efficiency perspective.

RETENTION/EXPANSION KEYS

- Most economic developers spend up to 80% of time/budget on attraction with only getting less than 3% of projects submitted annually?
- You must increase your ED ROI!

**New Jobs and
Capital Investments**



Source: Biane, Canada Ltd.

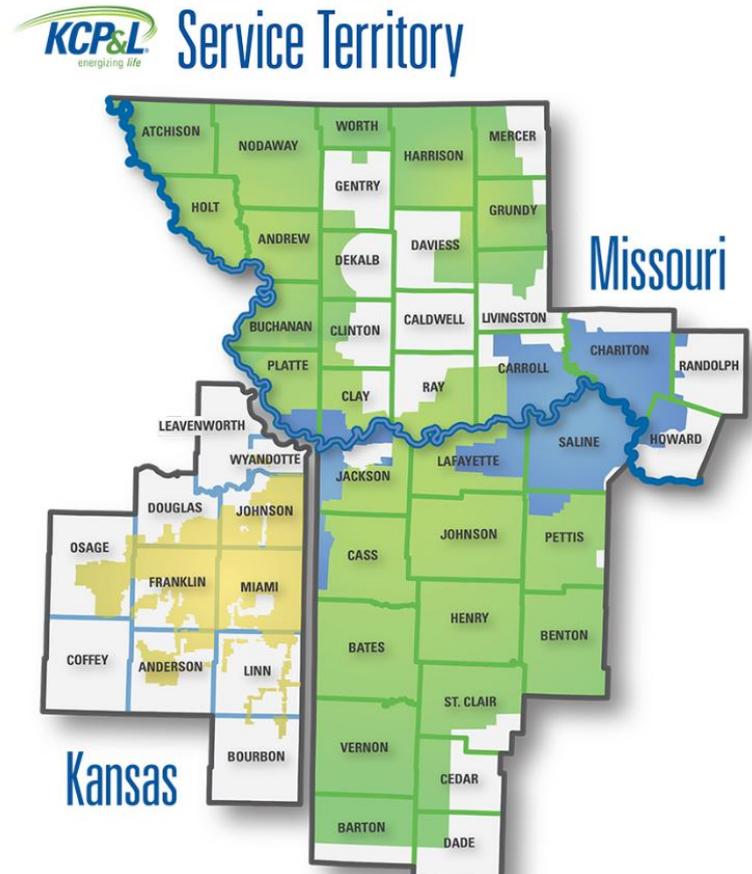
ED Retention/Expansion Ideas



- Do have robust database of all existing firms in area (key contacts, HQ location, products, suppliers)
- Do have local plant managers group (very confidential)
- Have existing business call program that involves stakeholders. It must be quantifiable and FOLLOW UP!
- Your MUST know your customers.
- Stay in contact with former plant managers, etc...they will bring you business.
- Develop Retention/Expansion Incentive Policy
- Know State Programs that can be used for existing business
- Do Not forget utility partners and what they can bring to table

Project Support Team

Service Area Map



- If considering expansion or location, let our team assist with your site and community analysis
- Our team members are Certified Economic Developers (CEcD) by the International Economic Development Council and are recognized leaders in the industry to assist your business.
- We can help you with:
 - Building/site searches
 - Industrial building & site screening
 - Detailed community demographic analysis
 - Electric infrastructure analysis
 - Electric rate estimates
 - Site visit and community visit coordination

KCP&L Economic Development

- Assistance for new/expanding (non-retail) business (EDR)
 - For qualifying business, receive discounted rate on bill for 5 years
 - Earn discounts on summer energy bills
 - New/expanded load must be minimum of 200kW
- Benefits:
 - 30% discount first year
 - 25% second year
 - 20% third year
 - 15% fourth year
 - 10% fifth year



CASE STUDIES



Summit Technology Center



- 1,321,000SF former Bell Labs manufacturing facility in Lee's Summit. At one time had over 7,000 employees
- Lucent Technology sold asset in 1997. Townsend Capital (REIT) purchased property along with 300+ acres for \$30 million.
- In 18 years, over \$1 billion invested in area with over 6,000 jobs
- Key programs:
 - Chapter 100 -City Development Agreement
 - TDD -School District Agreement
 - TIF
 - KCP&L EDR



Janesville Acoustics



- Tier I Auto supplier (acoustic sound deadening)
- Leased an existing 155,000SF building in Warrensburg early 2015 expansion by additional 40,000SF
- Capitol investment of \$13.4 million
- 164 jobs created
- Key programs used:
 - Chapter 100
 - MO Works
 - KCP&L EDR
 - City development agreement-waive permit fees & use of city parking lot



SHIUX CHIEF



- Cass County based Plumbing fixtures manufacturer growing thru core business and M&A activity.
- New HQ/Manufacturing facility in KCMO but will backfill existing facility over 300,000SF with M&A relocations.
- In early 2016 announced \$40 million new capitol investment, approximately 1,000,000SF facility and 500 new jobs
- Key programs:
 - MO WORKS
 - BUILD
 - KCP&L EDR

M+H ARCHITECTS PROJECT GRANITE KANSAS CITY, MISSOURI



SITE PLAN / 10.10.2014

ADS



- World's largest manufacturer of water management systems started search 1st quarter 2016 and announced their 62nd manufacturing plant in July, 2016.
- Company will build 72,000SF manufacturing facility for high density rigid pipe in Harrisonville.
- Company to invest approximately \$30 million and hire up to 77 employees
- Key programs used:
 - EEZ
 - TDD
 - KCP&L EDR



SUMMARY

- Well rounded ED effort should be involved in all 5 of ED KPA'S.
- Understand company needs/project drivers.
- Skilled labor availability is real concern-document!
- 82% companies plan new facilities in 3 years-84% plan expansions in next 3 years.
- 76% companies plan a domestic relocation in next 3 years
- Use all your allies to help your efforts!
- State programs can augment community efforts...know them and how to use them.

Questions

