

SITE SELECTION


Competing Against the Nation (and the World)

WVASBO

October 19, 2021

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Existing vs. New Businesses


- 70 – 80% of new jobs come from existing businesses. Why?
 - Knowledge of area
 - Committed investment = lower up-front expansion costs
 - Less risk of the unknown
 - Operational efficiencies/synergies
 - Existing infrastructure/utilities
- Expansion of existing business significantly easier than landing new investment
- Example: Toyota Manufacturing in Putnam County

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Site Selection Process

- Site Selection Consultant (Reduces Risk)
 - Identifies candidate states (national, regional, etc.)
 - Issues “Request for Information” (“RFI”)
 - RFI Requirements include:
 - Identify sites or buildings
 - Labor market
 - Tax structure
 - Development incentives
 - Eliminates uncompetitive proposals
 - Visits sites, conducts due diligence
 - Negotiates with finalists
- CONFIDENTIALITY IS DICTATED BY THE PROSPECT!




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Site Selection Process Siting Factors

- Logistics
 - Proximity to suppliers
 - Distance to markets/customers
- Labor Requirements (Quantity, Education, Availability)
- Building/Site Requirements
 - Expansion Opportunities
- Infrastructure/Utility Requirements
- Total Project Investment
- Project Timeline




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“Project Clover” The HADCO Experience

- What we knew:
 - International consumer products manufacturer
 - Currently 200 employees world-wide
 - Siting first US manufacturing facility and North America/South America headquarters
 - \$20 million investment
 - Initially 50 jobs, 150 at five years
 - February, 2018 – RFI response due
 - October, 2018 – Manufacturing to begin
- Site Consultant picks the name – Project Clover was an Irish Company.




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Project Clover

- What Project Clover Required:
 - 100,000 sq. ft. building on 10 acres
 - 20 – 25 ft. ceilings
 - 3 truck loading docks
 - Building available 60 days after siting decision
 - Adjacent 10 acres available for expansion
 - Within 1 hour of airport
 - Population of 100,000 within 1 hour drive
 - Preference to location with nearby University
 - Operational 6 months after siting decision




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Project Clover RFI Components

- **Transportation and Logistics**
 - Available transportation infrastructure
 - Airport accessibility
- **Labor**
 - Right to Work
 - Labor costs and mandated benefits
 - Population/demographics
 - Labor skills and training programs
- **Utilities**
 - Availability and service costs of electric, natural gas, water, wastewater and telecommunications
- **State and Local Taxes**
 - Corporate
 - Property
 - Inventory
- **Real Estate**
 - Availability of sites and/or buildings
 - Cost of real estate
- **Regulatory Environment**
 - Business climate
 - State regulations
 - Environmental regulations
- **State and Local Incentives**




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Project Clover Selection Process Overview

- Eleven States Responded to RFI
- Twenty-Seven Sites Evaluated
- Twelve Sites Visited by Consultant
- Additional Information Requested
- Final Round of Six Sites
- Company Visited Four Sites










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Project Clover Actual Timeline



- January, 2018 RFI Issued
- February, 2018 WVDO Response
- April, 2018 Site Consultant Visit
- May, 2018 Company Visit
- June, 2018 Incentive Negotiation
- August, 2018 Awarded to Murray, Kentucky






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Project Clover Post Mortem Review


- Why Not WV/HADCO?
 - \$4.0 Million in New Market Tax Credits in Murray, KY
 - Building remote from amenities
 - Building distance to I-64
 - Property tax on equipment (did not consider PILOT)
 - Opioid crisis news coverage
 - Utility rates






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Project Clover Post Mortem Review


- Lessons Learned:
 - Location, Location, Location
 - No Building – Not “in the game”
 - Right to work is a threshold issue
 - Address equipment PILOT in RFI response
 - Be prepared to address utility rates
 - Address Opioid recovery upfront
 - Tie in Higher Education
 - Ensure that Site Consultant has correct information





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What is a “Shovel Ready” Site?


- Whether 10 Acres or 1,000 Acres “Shovel Ready” includes:
 - Legal control – Toyota in Cabell County?
 - Projected development costs (flat, but not too flat)
 - Floodplain certification
 - Available and adequate utilities
 - Access to interstate, river, railroad and airport
 - Appropriate zoning/land-use
 - Completed permitting (Archeological and Environmental)





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Factors for a Good Building?

- Project Specific and Highly Variable:
 - Ceiling height
 - Floor strength
 - “Open” floor plan – no interior ceiling supports
 - Truck loading docks
 - Expansion possibilities
 - Environmental requirements (clean room, etc.)
 - Dual power systems
 - Fiber connection
 - Crane capacity
 - Rail spur
 - Barge access


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This is Not WV



- Sites of 1 to 500 Acres
- All Utilities
- 5 Expressway Exits
- Regional Airport
- Tenants include: Google, Facebook & Limited Brands
- Access to 2 Power Grids
- High-Speed Connectivity
- Permitting Complete
- Big Ten University


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West Virginia



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WVDO “Shovel Ready” Designation

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Site and Building Pre-Certification 20-point Checklist


Site Name: _____ **County:** _____

<ul style="list-style-type: none"> <input type="checkbox"/> 1. Building or site <input type="checkbox"/> 2. Site plat <ul style="list-style-type: none"> <input type="checkbox"/> Minimum/maximum average <input type="checkbox"/> 3. Master site plan/development plan <ul style="list-style-type: none"> <input type="checkbox"/> Subdivision possible? <input type="checkbox"/> 4. Building pad certification letter by licensed engineer (if applicable) <input type="checkbox"/> 5. Aerial site imagery <input type="checkbox"/> 6. Utility line extension permit & cost estimates (if necessary) <ul style="list-style-type: none"> <input type="checkbox"/> All utilities available (Be specific) <input type="checkbox"/> 7. Road access/extension (if necessary) <input type="checkbox"/> 8. Environmental studies <ul style="list-style-type: none"> <input type="checkbox"/> a. Phase I <input type="checkbox"/> b. Geotechnical <input type="checkbox"/> c. Archeological & historical site assessment <ul style="list-style-type: none"> - Not required if site is already zoned and prepared for industrial use. - Strongly encouraged if site has not previously been zoned & prepared for industrial use, or if the site is suspected to contain historical significance or artifacts. <input type="checkbox"/> 9. Preliminary building design & construction plans (if available) 	<ul style="list-style-type: none"> <input type="checkbox"/> 10. Zoning and/or restrictive covenants <input type="checkbox"/> 11. Cost & schedule projections for building (if applicable) <input type="checkbox"/> 12. Project funding plan <input type="checkbox"/> 13. Building rendering (if available) <input type="checkbox"/> 14. Stream & wetland mitigation plan (if necessary) <ul style="list-style-type: none"> <input type="checkbox"/> Additional DEP Permits <input type="checkbox"/> 15. Storm water construction permit <ul style="list-style-type: none"> <input type="checkbox"/> Minimum Range <input type="checkbox"/> Maximum Range <input type="checkbox"/> 16. Sale price <ul style="list-style-type: none"> <input type="checkbox"/> Minimum/Maximum Estimate <input type="checkbox"/> 17. Grading Estimate based on slop <input type="checkbox"/> 18. Does the site have: <ul style="list-style-type: none"> <input type="checkbox"/> Rail service <input type="checkbox"/> Water access <input type="checkbox"/> Proximity to interstate <input type="checkbox"/> Proximity to commercial airport <input type="checkbox"/> 19. Ownership control <ul style="list-style-type: none"> <input type="checkbox"/> Public or private <input type="checkbox"/> 20. Other unique assets available
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Current “Shovel Ready” Sites in WV





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HADCO Business Park Phase I (Cabell County, WV)

- 8 acre site
- http://www.wvsites.com?zpeDID=SITES_9c962fa6-8928-4f5a-8611-74745a0617de&zpeSST=WESTVIRGINIA

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HADCO Business Park Phase II (Cabell County, WV)

- 17.5 developable acre site (55 acres total)
- http://www.wvsites.com?zpeDID=SITES_2ee92280-f954-4888-bb69-1a5271ab3afd&zpeSST=WESTVIRGINIA

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Tri-State Aeroplex (Wayne County, WV)

- 95 acre site
- http://www.wvsites.com?zpeDID=SITES_56fe5da1-3b64-46ef-8442-19cc540a8abc&zpeSST=WESTVIRGINIA





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COMPETITION PROBLEM

- Ad Valorem Personal Property Tax**
 - WV taxes personal property, including manufacturing equipment
 - Surrounding states DO NOT tax manufacturing equipment
 - In manufacturing/industrial projects, equipment is the largest portion of the investment
- Ad Valorem Real Property Tax**
 - WV does not have a statutory mechanism to “abate” property taxes
 - Surrounding states can abate all or a portion of real property taxes
- WV is at an immediate, and substantial, disadvantage against other states**




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Solution? - PILOT

- PILOT – Payment in Lieu of Tax Agreement
- Purpose – To place ownership of real and/or personal property with an entity exempt from taxation
- Tax advantage realized through operation of WV Constitution and statutes
- No specific statutory authorization, but recognized by Legislature through-out State Code
- While PILOT often refers to the legal structure, the actual document determines what amount, if any, will be paid in ad valorem tax on property transferred to exempt entity




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PILOT State Tax Exemption

- Article X, Section 1, of the WV Constitution states:
 - ***“Taxation shall be equal and uniform throughout the State, and all property, both real and personal, shall be taxed in proportion to its value . . . as directed by law . . . property used for educational, literary, scientific, religious or charitable purposes . . . [and] public property . . . shall be exempted from taxation.”***




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PILOT

State Tax Exemption

- The following property is exempt pursuant to WV Code § 11-3-9:
 - Property belonging exclusively to the State.
 - Property belonging exclusively to any county, district, village or town in the State and **used for a public purpose.**
 - Property used for area economic development purposes by nonprofit corporations **when such property is not leased out for profit.**




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PILOT


State Tax Exemption


- County and Municipal Economic Development Authorities (WV Code § 7-12-10)
 - The authority is exempt from the payment of any taxes or fees to the State or any subdivision thereof.
 - The property of the authority shall be exempt from all local and municipal taxes.
 - Bonds, notes, debentures and other evidences of indebtedness of the authority are declared to be issued for a public purpose.





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PILOT Structure


- Building constructed/equipment acquired by Company
- Building/equipment ownership transferred by Company to State/EDA/County
- Company leases project/equipment from State/EDA/County
- Project/equipment remains titled and owned by State/EDA/County, for use by Company
- Company buys project/equipment at end of lease





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PILOT Considerations

- Payment in Lieu of Tax Agreement is Negotiable
 - Portion or all of real and/or personal property
 - Duration
 - May include replacement/after-acquired property
- Taxation of Leasehold Interest
 - If separate, independent value, subject to taxation as it has become a marketable asset of value
 - The market value lease must be:
 - Economically advantageous to lessee;
 - Not a “bargain lease;” and
 - Freely assignable
- Which tax exempt entity?



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