

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 unkown
 - Operational efficiencies/synergies
 - Existing infrastructure/utilities
- Expansion of existing business significantly easier than landing new investment
- Example: Toyota Manufacturing in Putnam County





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





"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





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,
 State regulations 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

 - 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





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





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)





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



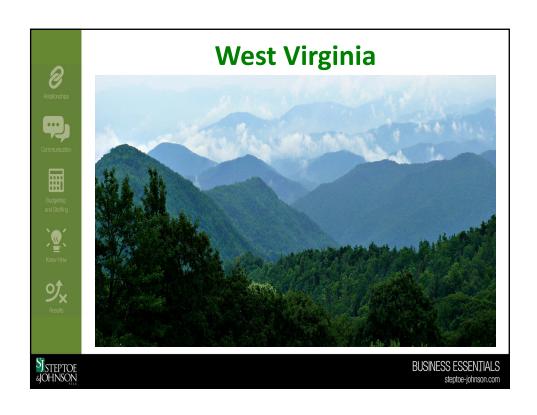
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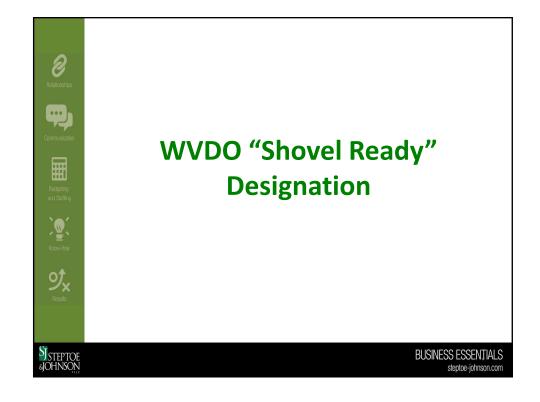


This is Not WV



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





	Name:	County:	
	1. Building or site	☐ 10. Zoning and/or restrict	ive covenants
	2. Site plat Minimum/maximum average	11. Cost & schedule project for building (if application)	
	3. Master site plan/development plan	☐ 12. Project funding plan	
	☐ Subdivision possible?	☐ 13. Building rendering (if a)	available)
	4. Building pad certification letter by licensed engineer (if applicable)	☐ 14. Stream & wetland miti (if necessary)	gation plan
	5. Aerial site imagery	☐ Additional DEP Per	mits
	 Utility line extension permit & cost estimates (if necessary) All utilities available (Be specific) 	☐ 15. Storm water construct☐ Minimum Range☐ Maximum Range	ion permit
	Road access/extension (if necessary)	☐ 16. Sale price	
	3. Environmental studies	☐ Minimum/Maximur	n Estimate
	a. Phase I	17. Grading Estimate base	d on slop
	b. Geotechnical	☐ 18. Does the site have:	
	C. Archeological & historical site assessment 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	☐ Rail service	
		☐ Water access	
		Proximity to interst	
		☐ Proximity to comm	ercial airport
		19. Ownership control	
	significance or artifacts.	☐ Public or private	
	 Preliminary building design & construction plans (if available) 	☐ 20. Other unique assets av	/ailable





HADCO Business Park Phase I (Cabell County, WV)

- 8 acre site
- http://www.wvsites.com?zpeDID=SITES 9c962fa6-8928-4f5a-8611-74745a0617de&zpeSST=WESTVIRGINIA



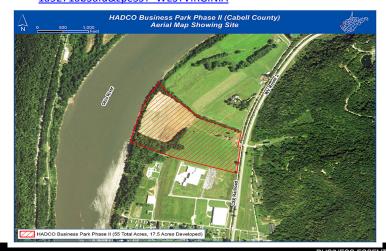
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Relationships Communication Budgeting and Staffing Know-How Peaults

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





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."





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.





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?





Questions?



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