

How did we get here & Where are we going?

Trends in Site Selection

Prepared By:



Prepared For:



Oct. 18, 2017

www.hammanconsulting.com



Introduction

Rapid technological advancements, shifts in consumer behavior and changing residential preferences are among the forces that are increasingly impacting corporate site selection decisions and the practice of economic development. A retrospective look at changes in the relative importance of site selection factors and project location trends will be provided, along with a discussion of emerging industry opportunities and their needs.

Today's Presentation

- ❑ About Hamman Consulting
- ❑ What is Site Selection?
- ❑ Trends in Site Selection Factors
- ❑ Public Mega Projects
- ❑ Creative Real Estate Redevelopment
- ❑ Project Examples
- ❑ Conclusions



About Hamman Consulting

- ❑ Founded HCG in February 2013
- ❑ Previous professional experience:
 - Silverlode Consulting – Sr. Consultant (2008-13)
 - TeamNEO – Research Assoc. (2006-08)
 - Lorain County – Econ. Dev. Specialist (2006)
- ❑ Licensed Ohio Commercial Realtor for 5 years
- ❑ Master of Public Administration (Econ. Dev.) – Levin College of Urban Affairs at Cleveland State Univ.
- ❑ BA (Political Science/Mathematics) – Cleve. St. Univ.





About Hamman Consulting

Private Sector Services

- Site Selection & Location Analysis
- Incentives Negotiation, Acquisition, & Compliance
- Market/Feasibility Analysis
- Grant writing
- Economic & Fiscal Impact Analysis
- Real Estate Brokerage

Public Sector Services

- Economic Development Strategy/Planning
- Target Industry Analysis
- Market/Feasibility Analysis
- Business Attraction & Lead Generation
- Grant writing
- GIS Mapping & Analysis
- Project Management
- Real Estate Brokerage

HCG gets around...

Jason Hamman has been a featured speaker at events throughout the U.S. on topics ranging from the use and implementation of tax incentives, to foreign direct investment and details of the corporate site selection process.

- ❑ **Expansion Management – Roundtable in the High Desert, Tucson, AZ**
- ❑ **Area Development – Consultants Forum, Jacksonville, FL**
- ❑ **Ohio Economic Development Association – Real Estate Development & Reuse, Columbus, OH**
- ❑ **Northeast Indiana Regional Partnership – Annual Economic Development Forum, Ft. Wayne, IN**
- ❑ **Columbus E.D. 411 – Columbus, OH**
- ❑ **Ethane Exports & Ethylene Markets – Houston, TX**
- ❑ **Utica Summit – Canton, OH**
- ❑ **Mid-America Economic Development Council – Chicago, IL**





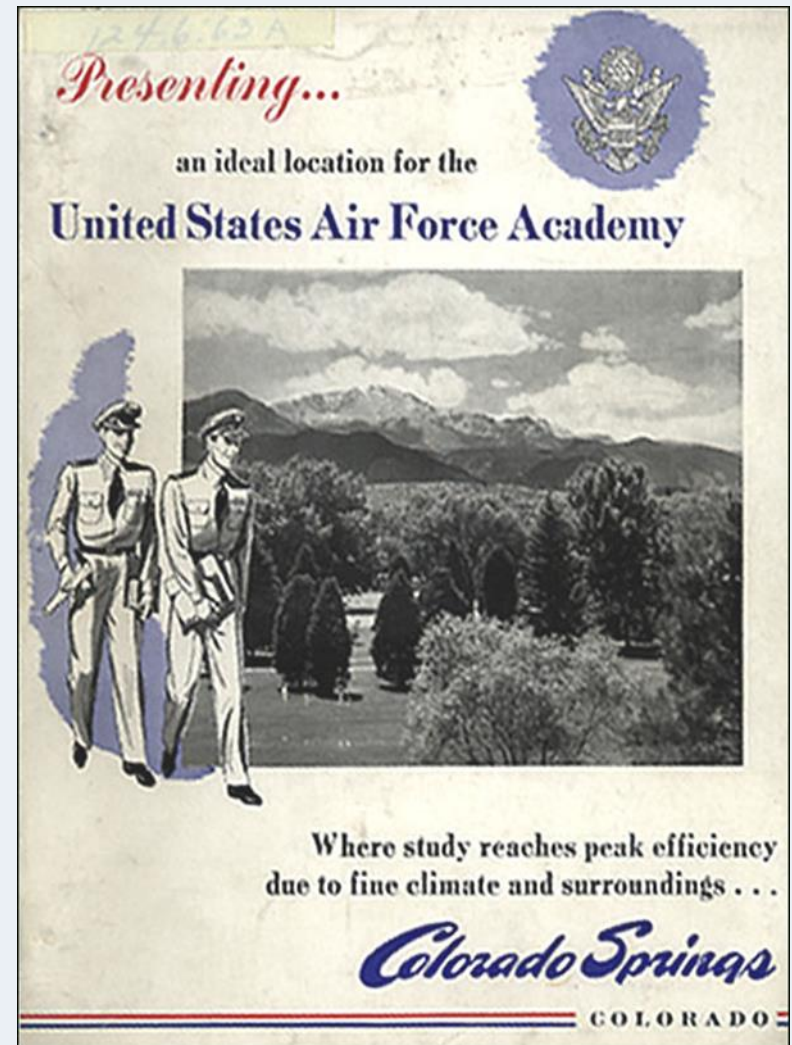
What is Site Selection?

- The process of choosing the best location for an anticipated use.
- The process of choosing the optimal location for a business based on accessibility to and availability of customers as well as considerations as to space costs, size, and other physical characteristics, zoning regulations, investment tax credits, and the quality of the available workforce.
- A detailed evaluation of project needs which are then measured against the merits of potential locations that typically includes selecting and evaluating communities, real estate site analysis and acquisition, and may include negotiating tax incentives.

Site Selection History

Site selection was formalized in the 1940s and 1950s through a number of important U.S. government projects of national security importance, including Los Alamos National Laboratory, the Hanford Site, and the United States Air Force Academy.

Source: Wikipedia



What Factors are Evaluated?

- Site selection factors vary significantly based on industry sector
- Process and approach can vary significantly based on point of contact with client

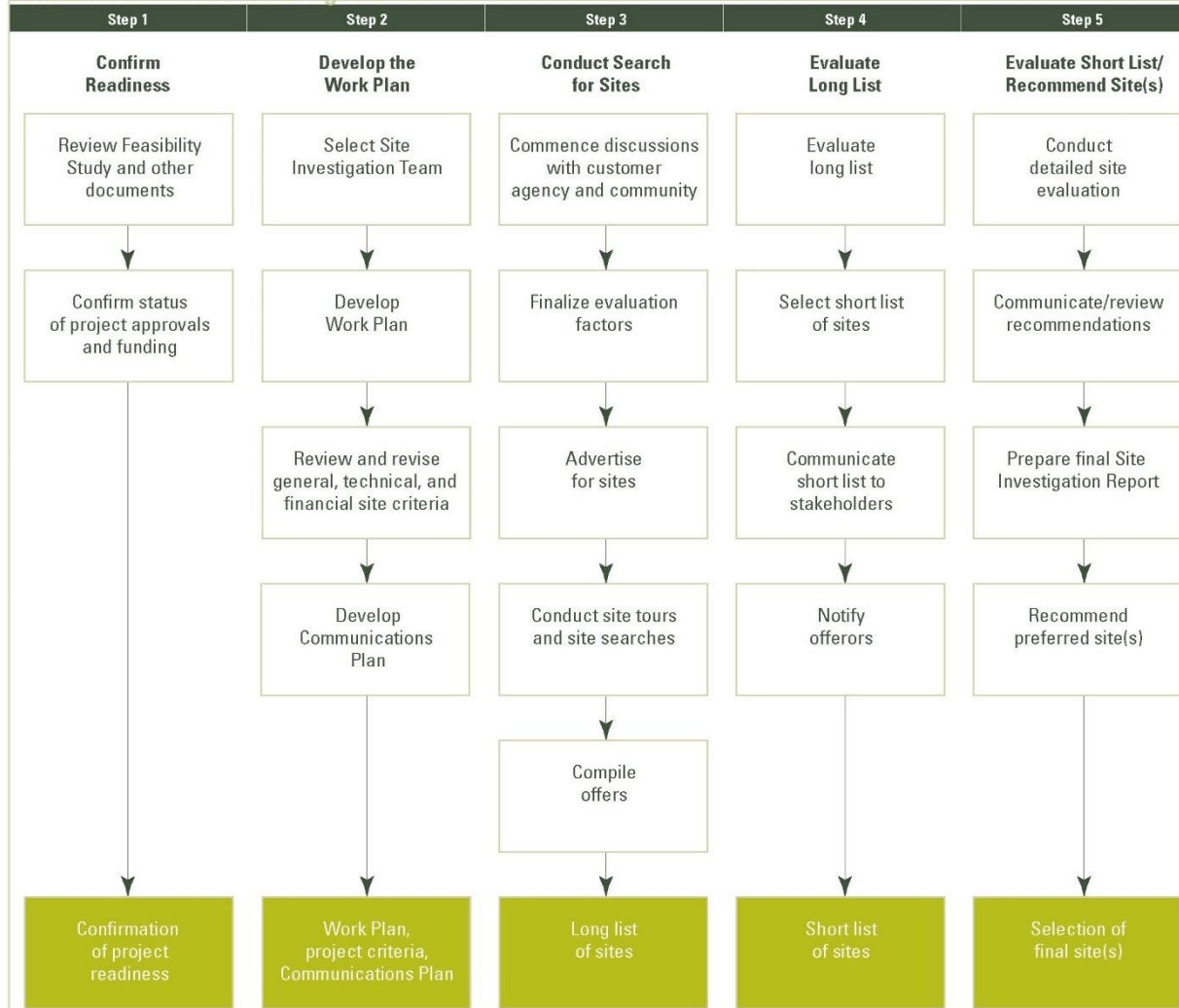
CONSULTANTS SURVEY 2015*				
Site Selection Factors	Very Important %	Important %	Minor Consideration %	Of No Importance %
Labor				
Availability of skilled labor	88.3	11.7	0.0	0.0
Availability of unskilled labor	23.4	41.6	29.9	5.2
Training programs/technical schools	35.6	51.3	13.2	0.0
Labor costs	62.3	33.8	1.3	2.6
Low union profile	50.6	32.5	13.0	4.0
Right-to-work state	31.2	45.5	16.9	6.5
Transportation/Telecommunications				
Highway accessibility	58.4	35.1	6.5	0.0
Railroad service	13.0	39.0	39.0	9.1
Accessibility to major airport	44.2	44.2	11.7	0.0
Waterway or oceanport accessibility	7.8	35.1	45.5	11.7
Inbound/outbound shipping costs	37.7	50.7	9.1	2.6
Availability of advanced ICT services	14.3	42.9	33.8	9.1
Finance				
Availability of long-term financing	14.3	24.7	44.2	16.9
Corporate tax rate	37.7	36.4	23.4	2.6
Tax exemptions	49.4	41.6	7.8	1.3
State and local incentives	65.0	29.9	5.2	0.0
Other				
Available buildings	59.7	35.1	5.2	0.0
Available land	52.0	39.0	9.1	0.0
Occupancy or construction costs	33.3	50.7	16.0	0.0
Expedited or "fast-track" permitting	42.9	45.5	11.7	0.0
Raw materials availability	13.5	51.4	24.3	10.8
Water availability	16.9	58.4	16.9	7.8
Energy availability and costs	41.6	44.2	14.3	0.0
Environmental regulations	23.7	59.2	15.8	1.3
Proximity to major markets	48.7	47.4	2.6	1.3
Proximity to suppliers	36.8	47.4	13.2	2.6
Proximity to innovation commercialization/R&D centers	7.9	54.0	30.3	7.9
Quality-of-life	15.8	48.7	34.2	1.3

* All figures are percentages and are rounded to the nearest tenth of a percent.

Source: Area Development

Site Selection Process

Site Selection Process Diagram



A quantitative, scientific process; however, many times this approach loses to the not always rational preferences of human beings who have been tasked with making decisions.

Source: U.S. General Services Administration

Trends in the Importance of Site Selection Factors

30-YEAR COMPARISON OF SITE SELECTION FACTORS* Corporate Survey 2015							
	2015	2010	2005	2000	1995	1990	1986
Labor							
Availability of skilled labor	92.9	85.9	87.2	87.7	87.9	87.1	84.8
Availability of unskilled labor	47.8	45.4	50.6	65.5	64.9	73.6	54.4
Training programs	68.7	56.7	59.6	57.2	58.6	49.6	50.9
Labor costs	80.8	91.0	87.9	91.6	94.2	92.1	96.6
Low union profile	66.3	75.4	77.0	79.7	82.8	78.7	79.0
Right-to-work state	67.7	67.9	69.7	72.9	77.8	71.3	N/A
Transportation/Telecommunications							
Highway accessibility	88.0	97.3	91.4	95.9	93.6	92.3	91.3
Railroad service	32.4	36.0	28.9	29.8	29.7	32.2	25.8
Accessibility to major airport	58.6	50.0	50.0	53.2	59.5	55.5	61.0
Waterway or ocean port accessibility	24.0	21.9	20.2	21.0	20.0	16.2	15.3
Inbound/outbound shipping costs	64.6	84.0	N/A	N/A	N/A	N/A	N/A
Availability of telecommunications services	N/A	N/A	79.8	77.1	80.2	76.7	N/A
Availability of advanced ICT services	53.6	72.9	85.7	N/A	N/A	N/A	N/A

Source: Area Development

Trends in the Importance of Site Selection Factors

Finance							
Availability of long-term financing	67.7	58.5	56.5	58.4	65.5	75.4	55.2
Corporate tax rate	78.8	86.3	85.0	84.7	N/A	N/A	N/A
Tax exemptions	74.7	90.9	83.6	81.6	86.4	85.8	77.9
State and local incentives	75.8	89.3	86.0	83.6	87.8	88.7	79.6
Other							
Available buildings	83.7	81.0	N/A	N/A	N/A	N/A	N/A
Cost of land	N/A	N/A	79.1	75.8	83.2	84.0	N/A
Available land	73.9	73.4	75.0	75.5	83.7	82.3	N/A
Occupancy or construction costs	85.4	89.8	83.7	83.0	90.2	88.5	N/A
Expedited or fast-track permitting	74.2	68.2	N/A	N/A	N/A	N/A	N/A
Raw materials availability	52.6	61.5	62.3	56.1	64.9	64.1	49.1
Energy availability and costs	75.3	82.1	82.8	77.7	89.6	88.1	N/A
Environmental regulations	69.8	74.8	71.1	80.9	86.5	82.9	N/A
Proximity to major markets	76.3	66.4	83.2	76.8	74.5	74.9	84.8
Proximity to suppliers	64.3	63.6	66.7	63.8	66.5	65.1	N/A
Water availability	54.6	N/A	N/A	N/A	N/A	N/A	N/A
Quality of life**	87.6	62.1	54.7	58.8	70.4	70.6	60.4

(N/A) Data not available due to changes and additions to the survey

* All figures are percentages and are the total of "very important" and "important" ratings of the Area Development Corporate Survey.

** Quality-of-life rating for prior years' surveys is the average of rating of nine quality-of-life factors (climate, housing availability, housing costs, healthcare facilities, ratings of public schools, cultural opportunities, recreational opportunities, colleges and universities in area, and low crime rate).



Findings from Site Selection Trends

Average Ratings: 2007 – 2016

□ Top 10 Rating Average:

- 1) Highway Accessibility (1.4)
- 2) Labor Costs (2.8)
- 3) Availability of Skilled Labor (3.7)
- 4) Occupancy/Construction Costs (4.3)
- 5) Corporate Tax Rate (6.7)
- 6) Tax Exemptions (7.7)
- 7) State/Local Incentives (7.9)
- 8) Availability of Buildings (9.5)

Score Change: 1986 – 2015

□ Top 5 Increase:

- 1) Quality of Life (27.2)
- 2) Training Programs (17.8)
- 3) Long-term Financing (12.5)
- 4) Waterway/Oceanport (8.7)
- 5) Energy Availability/Cost (8.1)

□ Top 3 Decrease:

- 1) Labor Costs (-15.8)
- 2) Environmental Regs. (-13.1)
- 3) Low Union Profile (-12.7)



Let's Move to the Suburbs!

- ❑ In 1945, Americans owned 25 million cars; by 1965 the number had tripled to 75 million.
- ❑ The Eisenhower Interstate System was authorized by the Federal Aid Highway Act of 1956.
- ❑ Retail moved with the urban migration and the first mall appeared in California in 1951.
- ❑ Amazon was founded in 1994 and surpassed Wal-Mart in 2015 as America's most valuable retailer.



The Rust Belt

- ❑ The manufacturing sector declined by 32.9% between 1969 and 1996 in the “Rust Belt.”
- ❑ Manufacturing moved from its origins in the Midwest and Northeast to the “Sun Belt.”
- ❑ Globalization or Automation?
- ❑ In 2014 Detroit determined approximately 50,000 of the City's 261,000 structures were abandoned
- ❑ Ohio, Michigan, Pennsylvania, and Wisconsin all voted for President Obama in 2012, and President Trump in 2016.



Industry Projections

Description	Projected Change 2014-2024					
	# Chg Ind Output	% Chg Ind Output	# Chg Jobs	% Chg Jobs	# Chg Productivity	% Chg Productivity
Total: All Industries	\$6,849.5	24.7%	9,788.9	6.5%	\$31,477.6	17.1%
Food & Beverage	\$136.3	18.1%	-19.9	-1.2%	\$1,411,525.7	23.6%
Textiles & Apparels	\$1.0	1.3%	-134.7	-33.6%	\$216,092.7	56.5%
Wood - Paper - Printing	\$68.3	21.6%	-131.6	-11.0%	\$678,459.6	36.2%
Natural Resources	\$195.2	31.3%	-35.3	-7.1%	\$2,008,414.6	35.3%
Chemicals & Plastics	\$185.9	20.6%	-144.2	-9.8%	\$2,362,428.7	35.4%
Metals - Fabrication - Machinery	\$157.0	15.4%	-48.2	-1.6%	\$1,739,575.2	20.3%
Computers & Electronics	\$156.8	27.9%	-165.8	-11.6%	\$2,078,557.9	53.5%
Automotive	\$60.8	10.2%	-33.6	-3.8%	\$351,554.6	15.4%
Other transportation	\$66.6	20.9%	-28.3	-4.1%	\$648,533.9	26.8%
Medical Devices	\$42.1	38.6%	4.3	1.4%	\$130,134.0	36.7%
Furniture & Miscellaneous	\$44.6	30.8%	-72.6	-11.2%	\$398,679.5	43.3%

Source: U.S. Bureau of Labor Statistics & HCG calculations

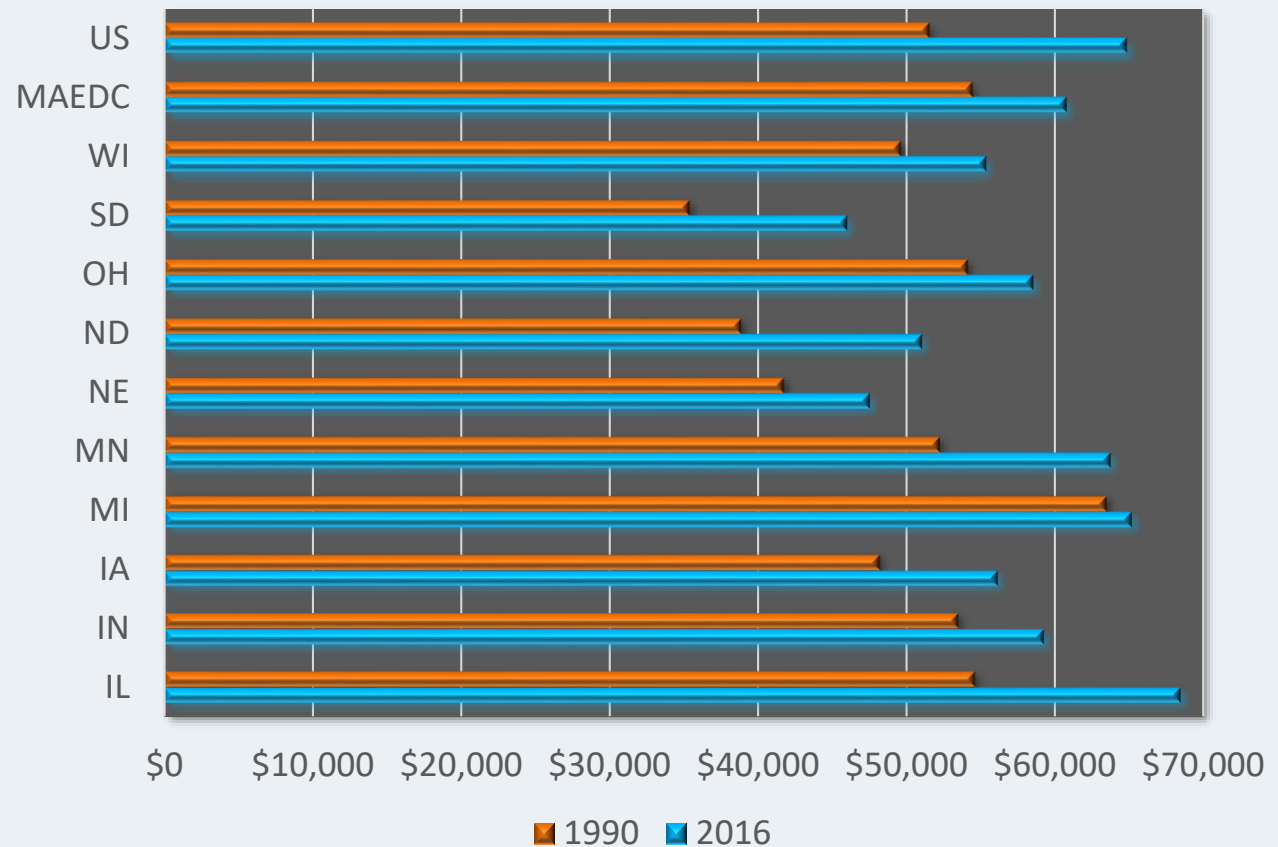
Manufacturing Wages

Inflation adjusted wages for all industries increased more than manufacturing wages from 1990 – 2016 except for IL, IN & US.

ND had the greatest percent increase in MFG wages (31.5%), while MI had the least (2.7%).

Average 2016 MFG wages for the US are greater than the average for the MAEDC region.

Average Annual Mfg. Wages - Inflation Adjusted



Source: U.S. Bureau of Labor Statistics - QCEW data



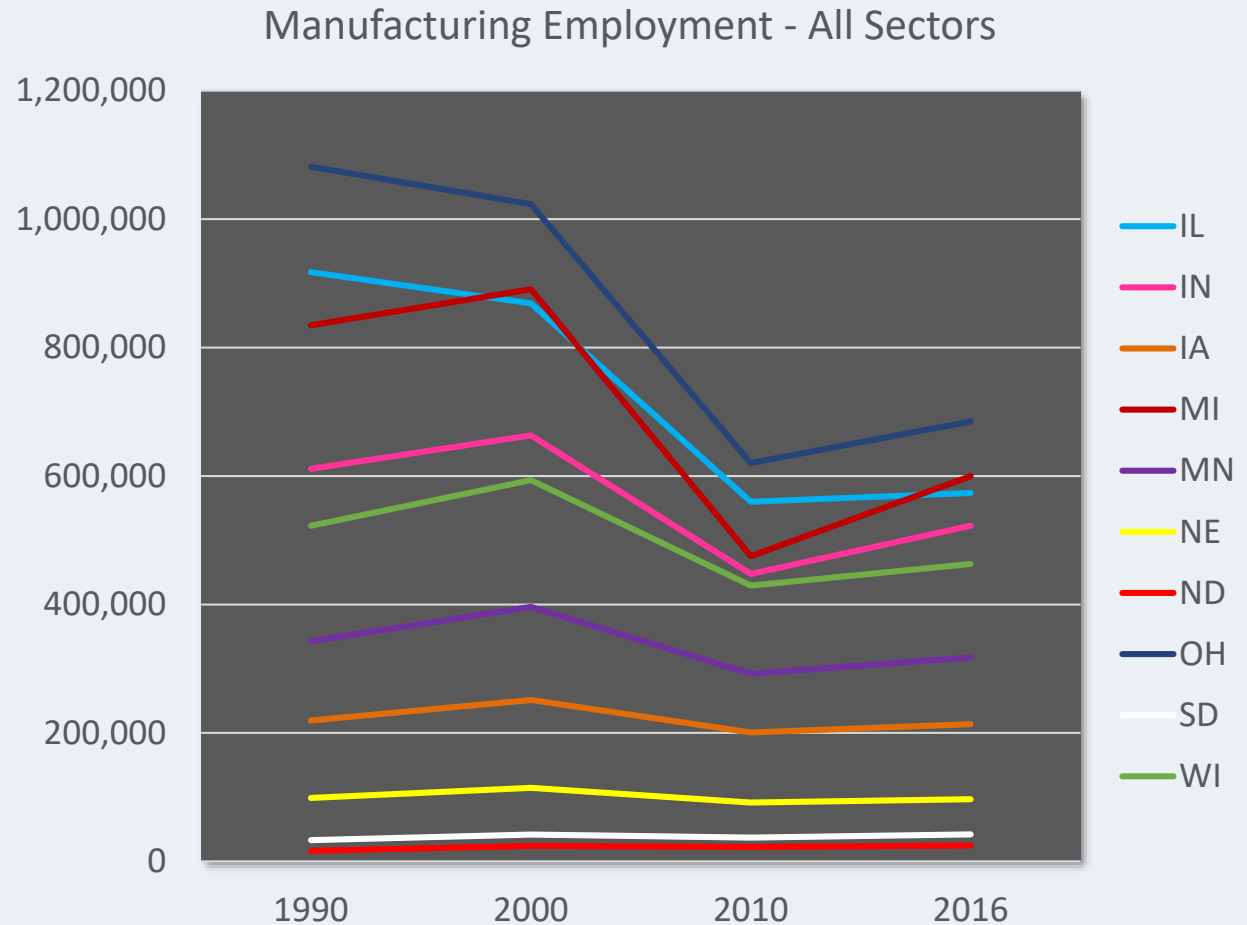
Manufacturing Employment

MFG employment has rebounded in all MAEDC states from 2010 to 2016.

Only NE, ND & SD experienced MFG employment growth from 2000 to 2010.

Only IL & OH lost MFG employment from 1990 to 2000.

Only ND & SD gained MFG employment from 1990 to 2016.



Source: U.S. Bureau of Labor Statistics - QCEW data



MFG Establishment Size

Average Employment per Manufacturing Establishment				
State	1990	2000	2010	2016
IL	47	41	30	30
IN	63	68	51	62
IA	51	53	49	52
MI	51	49	34	39
MN	43	43	34	39
NE	50	54	46	49
ND	24	30	28	30
OH	56	52	38	44
SD	34	42	34	38
WI	55	55	45	49
MAEDC	52	50	38	42
US	46	43	34	36

Source: U.S. Census Bureau - County Business Patterns data



The “Public” Site Selection Project

- ❑ What are the impacts of a “public” site selection project such as Foxconn or HQ2?
- ❑ Will the publicity drive incentives to all-time highs or lows?
- ❑ A survey of Amazon’s employees revealed their top two site selection criteria: (a) lower cost of living; and (b) less traffic congestion than Seattle.
- ❑ These criteria favor many Rust Belt communities, but can they compete?



Foxconn – Wisconsin for the Win

- 13,000 jobs at \$53,000 will earn \$1.5 billion in refundable performance based tax credits based upon those job creation and wage metrics.
 - ▣ Requires the legislature to increase eligible wages from 7% to 17%.
- \$10 billion capital investment will earn a \$1.35 billion refundable tax credit.
 - ▣ Requires the legislature to increase the incentive from 10% to 15% of total project costs.



The Fight for HQ2

- ❑ Stonecrest, GA offered to rename itself Amazon, GA and Tucson offered a 21 ft. cactus.
- ❑ Memphis offered \$60m in cash – with cash incentives becoming a sought after prize.
- ❑ New Jersey's Grow NJ program offered a subsidy of \$10,000 per job, tax credits for 50 years, and the ability to sell \$25m in credits per year for 20 yrs.
- ❑ The University of Texas – Dallas is offering over 100 acres of property and access to the UT system.



Creative Redevelopment

- Google Glass HQ is in the former Mayfield Mall, in Mountain View, CA - which also once housed HP.
- Amazon's recently announced the North Randall (OH) Fulfillment Center on the campus of the former Randall Park Mall.





Community Space (Church) to Residential

Boston, Massachusetts



Waterfront Warehouse to HQ

Converse HQ, Boston, Massachusetts



Industrial to Residential

Gold Medal Flour, Minneapolis, MN
(Washburn Lofts)



Warehouse to Residential (on top of)

Seattle, Washington Harbor



HCG Project Examples

- Cyrus – Industrial & consumer goods packaging
- Pegasus – Industrial coatings
- Vanilla – Automotive parts
- Ibiza – Pharmaceutical packaging
- Hammer – Petrochemicals
- Mutt – Fabrication, coatings & linings
- Crystal - Optics

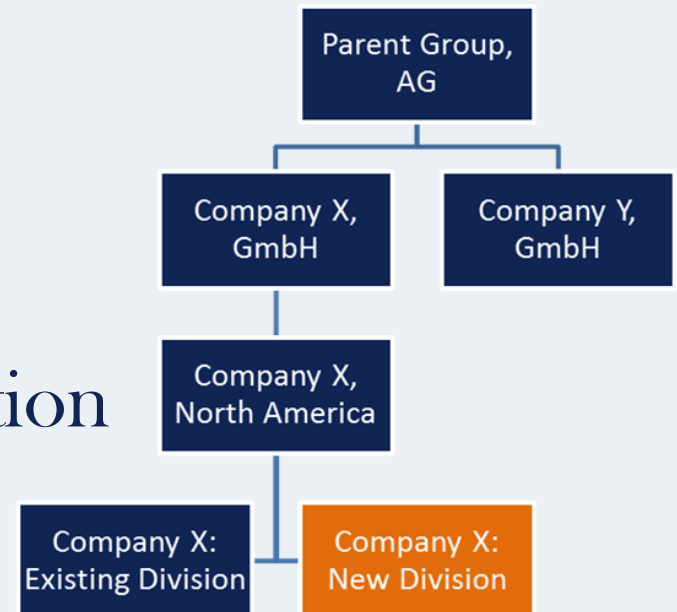
Project Cyrus

- ❑ Manufacturer of packaging used for a variety of consumer goods that includes food, cosmetics and industrial products
- ❑ Has outgrown existing facility
- ❑ Seeking 60 – 80K SF fully conditioned building
- ❑ Initial search areas: OH, NC, LA & CO
- ❑ Location driver: Quality of life for CEO



Project Pegasus

- Specialty chemical manufacturer that produces a range of protective coatings and linings used in different industrial applications
- Seeking 25K SF single tenant building for new division HQ
- Initial search areas:
TX, GA, OH, IN & PA
- Location driver: talent retention





Project Vanilla

- ❑ Tier 1 automotive parts manufacturer of seating components
- ❑ Seeking 20K and 60K SF warehouse spaces to support growth at existing production facilities
- ❑ Initial search area: OH
- ❑ Location driver: proximity to existing production facilities and OEM customers, in this case, primarily Ford and GM



Project Ibiza

- ❑ Manufacturer of packaging products for the pharmaceutical industry
- ❑ Sales growth has resulted in need for additional production facility to focus on core products
- ❑ Seeking 50K to 100K existing facility
- ❑ Initial search areas: GA, FL, TN, MS & TX
- ❑ Location driver: Logistics





Project Hammer

- Manufacturer of petrochemical products using feedstocks from shale gas development
- Seeking rail-served industrial site
- Initial search areas: KY, WV & OH
- Location drivers:
 - Prox. to feedstock
 - Transportation
 - Utilities capacity





Project Mutt

- ❑ Metal fabrication and application of specialty linings and coatings
- ❑ Market opportunity for expansion in Gulf Coast primarily to serve oil & gas/petrochemicals
- ❑ Seeking 30K - 50K SF existing high-bay, crane served facility
- ❑ Initial search areas: TX, LA and TBD
- ❑ Location driver: Proximity to customer base



Project Crystal

- Manufacturer of optical equipment
- Relocate existing facility from high cost of business location to lower cost, more desirable QoL location
- Seeking 100K SF existing facility
- Initial search areas: Midwest and Southeast
- Location drivers:
 - ▣ Skilled Labor
 - ▣ Labor Costs
 - ▣ Tax Environment



Conclusions

- ❑ As technology displaces labor, other metrics, besides jobs, will increase in importance
- ❑ The importance of understanding your target industries increases
 - ❑ Focus on productivity growth sectors?
- ❑ Rural/Non-Metro counties will need to work twice as hard
- ❑ Individual vs. Corporate incentives?



Site Selection: Art vs. Science

- Each project has its own set of factors with different emphasis placed on each
- Project dynamics often depend on point of contact with client (e.g. tax, real estate, executive management, etc.)
- Polling for presidential election showed us that highly sophisticated quantitative modeling cannot always accurately predict human decision making

QUESTIONS?

THANK YOU!



Contact Information:

Jason Hamman

440-292-5326

jason@hammanconsulting.com

Jason Kester

740-935-2738

jason@jhkester.com

www.hammanconsulting.com