

MAY 2009



## A Different Kind of Stimulus

Helping companies lessen risk may help your community get ready for a groundbreaking.

A Different Kind of Stimulus (cover)

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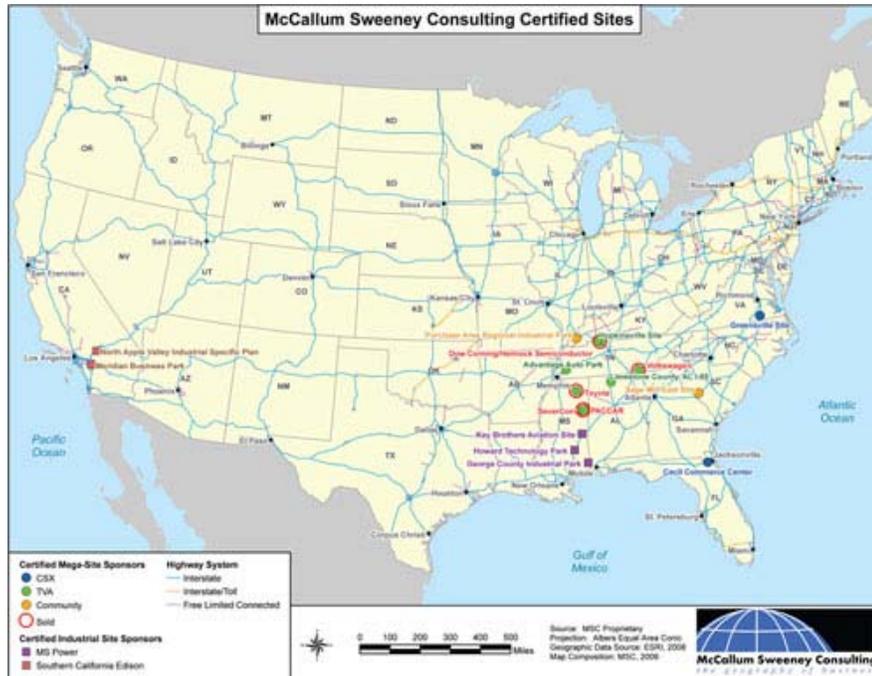


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“Shovel-ready” is a term that we are hearing a lot in the national media these days. The 2009 American Recovery and Reinvestment Act requires that any project that receives an investment from the federal stimulus package be “shovel-ready.” For those of us in the business of helping companies choose a location for their facility investments, this requirement comes as no surprise. When searching for a site for a new capital investment project, a “shovel-ready” site is a prerequisite.

The reason for this is simple: Just as the federal government is looking for projects that are ready-to-go, companies looking to build new facilities want sites that are ready-to-go and “risk free.” The Federal Government is looking for “shovel-ready” projects so that we can see a quick return on the taxpayers' investment in that project. It should come as no surprise to hear that companies are also looking for a quick return on their capital investment. They are looking for sites that will enable them to get up and running and to turn a profit as quickly as possible.

Intensifying the demand for certified sites is the fact that clients' decision-making time frames are getting shorter. Companies are not willing to wait for a community to find an appropriate site and determine its suitability for development – that due diligence needs to be done before the prospect comes calling.



McCallum Sweeney Consulting has certified sites all over the U.S. See map below for a detailed breakdown.

## What is a Shovel-Ready Site?

Unfortunately, there is not one single definition of a shovel-ready site. There are varying degrees of "readiness." In addition, what one industry may require in a site might not be relevant for another industry. Generally speaking, however, a shovel-ready site should have the following characteristics:

- **The site is available.** While this statement may seem straightforward, it is, in fact, the most difficult hurdle for most communities to overcome. Simply put, a shovel-ready site must be truly for sale, preferably with established terms and conditions. What does this mean for the investor? It means that the company can have confidence in the price and terms as presented – there is less risk that a landowner changes his or her mind on the price, once they realize there is a prospect in town. It also means that the acquisition of the site can be completed in a 60- to 90-day time frame, allowing the company to break ground in a timely manner.

- **The site is fully served.** This is another critically important component of the definition of "shovel-ready." It is also another area where there are lots of shades of gray between a community's definition and prospect's definition of "fully served." In an ideal situation, all of the utilities (water, sewer, electric, natural gas, and telecommunications infrastructure) are already at the site, and the systems have adequate excess capacities to meet potential demand.

Again, it is not always economically feasible for a community or a utility to extend service to a potential site without an existing customer to serve at that site. Therefore, an acceptable alternative is to develop detailed plans with the service providers to extend and/or upgrade utilities. These plans should include appropriate rights-of-way studies as well as detailed cost and schedule estimates. If there are extensive rights-of-way to be obtained before utilities can be extended, then letters of commitment from the land owners should be obtained.

- **The site is developable.** This is one of the most significant ways that a community can reduce the risks associated with developing a new site. A "shovel-ready" site should have all necessary due diligence (i.e. environmental assessments, wetlands delineations, etc.) completed. Ideally, any necessary mitigation would also be completed. If it is not feasible to have the mitigation completed, then the community should have a plan in place to mitigate whatever issues have arisen once a prospect has committed to the site.

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The other aspect of site "developability" is the presence of easements and rights-of-way. A shovel-ready site should be free of any utility easements or rights-of-way. If there are such easements on site, the community should be able to present detailed plans (prepared with the involvement of the owner of the easement) on the ability and willingness to move those utilities, providing details on cost and schedule.



### I need one, but can I get one?

Now you know what a shovel-ready site is. But how do you know if you or your company can find one? Many states and communities have developed shovel-ready site programs. They have many names – Project Ready Sites, Certified Sites – and they can have different site requirements. So, how do you know the community's program will produce appropriate and valuable shovel-ready sites? Here are a few things to look for:

- **Stringent evaluation and decision criteria.** Did the state, region, or community establish stringent criteria against which the sites would be evaluated before they were deemed "shovel-ready?" If the criteria are too loose (e.g. they do not ask for sites to have specific plans to provide all utilities to the site, or they identify land owners but do not require options or letters of commitment from those land owners), then you should assume that there will be greater risk associated with development of that site.

- **Comprehensive information collection.** Did the program's sponsors require extensive data collection on the site? The philosophy here is simple: the more you know about the site, the better. Information or data requirements can include things like requiring title searches to be complete or asking for endangered species and archeological studies to be complete. This type of information collection is another level of risk mitigation for potential prospects.

The presence of "shovel-ready" sites will (if the program has been well designed) help companies make better location decisions faster. While the federal government is out searching for "shovel-ready" projects for their stimulus investment, you can begin your search for a "shovel ready" site for your next capital investment project.

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