



*THE GEOGRAPHY  
OF BUSINESS™*

**Attracting Investment and Employment:  
Prepared Communities Win**

Sanford and Lee County Economic Development  
Sanford, North Carolina

April 5, 2016




**The Main Thing**

---

Attracting investment and jobs is more  
competitive than ever,  
and ...

2



This presentation has been prepared by, and remains the sole property of, McCallum Sweeney Consulting. This presentation is proprietary to McCallum Sweeney Consulting and is to be used and distributed solely to the attendees present at this session. No portion of this document may be reproduced or copied in any form or by any means or otherwise disclosed to any other parties without the express written permission of McCallum Sweeney Consulting.

## The Main Thing

---

Attracting investment and jobs is more competitive than ever,  
and ...

3



## Introduction to McCallum Sweeney Consulting

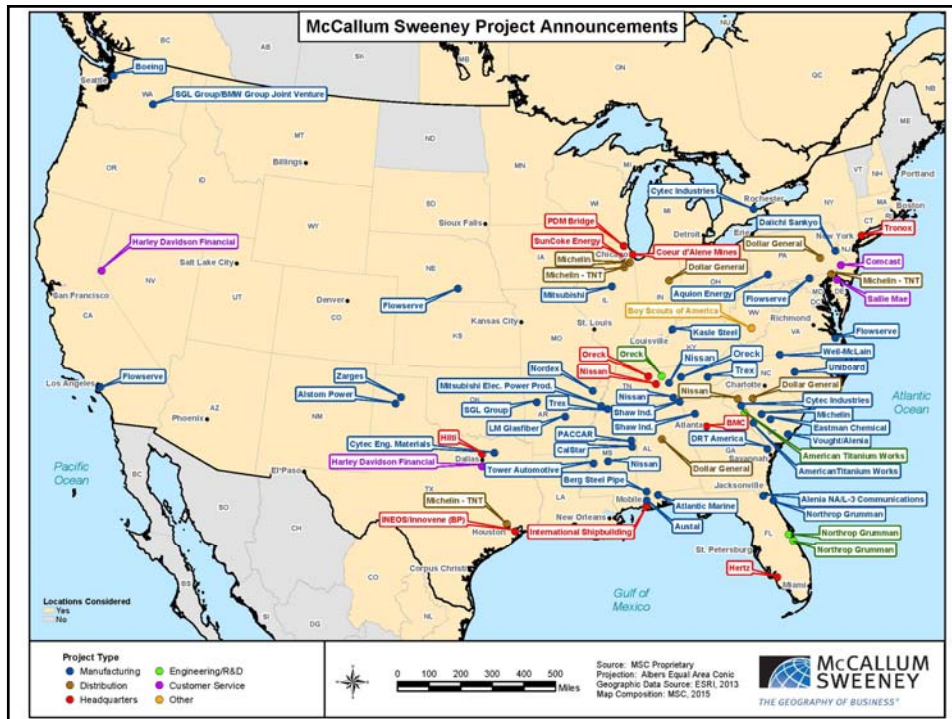
4

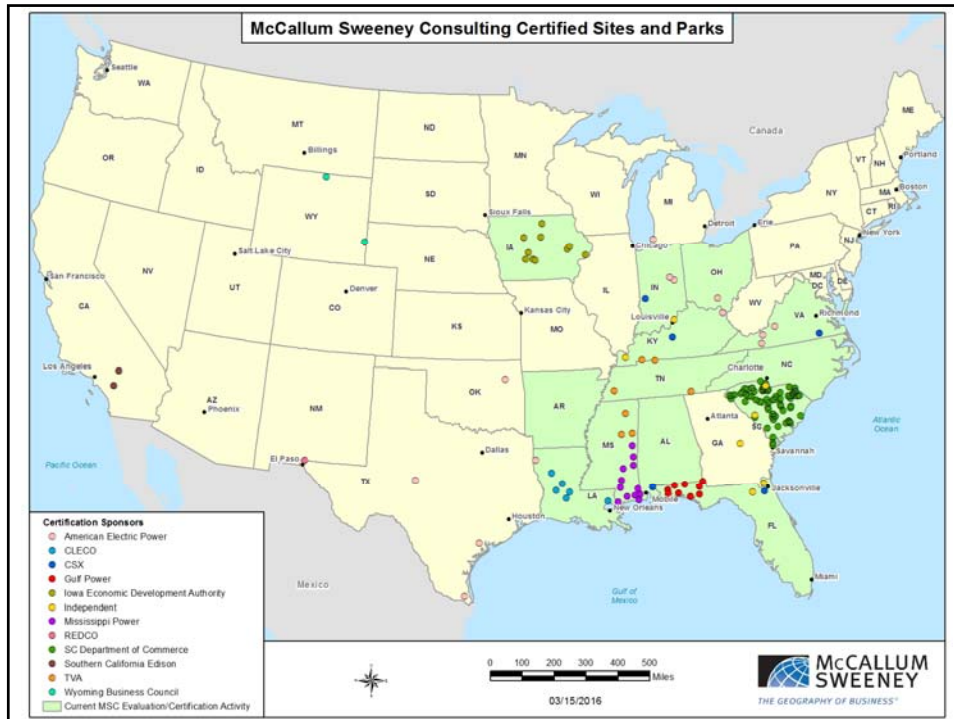


# MSC Clients



5





## Three Big Things to Remember:

Investment is Made for Profit

Investment Activity Has Choices With  
Regard to Location

Where A Company Locates Impacts Its  
Success and Profitability

# Understanding the Business of Economic Development

9



## Business of Economic Development Overview

---

- Organization
  - Vision & Strategic Plan
  - Organization Design
    - Staffing / HR
    - Programs
  - Funding
- Sales & Marketing
  - Market Segmentation
  - Product Knowledge
  - Customer Knowledge
  - Communication
- Product Development
  - Leadership
  - Sites
  - Infrastructure
  - Human Resources
    - Education
    - Training
  - Taxes
  - QOL
  - Community Assets

10



## Being Prepared – Product Leadership

---

- Knowledgeable about economic development (trained!)
- Long-term vision and commitment
- Passion for your community
- Persuasive communicator
  - Internal and external
- Be prepared – identify and develop community leaders

11



## Leadership

---

- Dollar General  
Marion, IN
- Site and schedule driven project
- Very competitive (incentives)
- Mayor took lead
  - Site issues (state and fed agencies)
  - Legislation



12



## Being Prepared – Product Sites and Infrastructure

---

- Basic need for growing companies
- “Dirt Won’t Do”
  - “Property” does NOT equal “Site”
- Location decision demands speed
  - Site selection and facility start-up
- Be prepared – maintain a portfolio of ready, available sites
  - Consider spec building program

13



## Sites and Infrastructure

---

- Severcorr Steel  
Columbus, MS
- Rural community
- Demanding site specs
- Community proactively prepared
  - Site certification
- \$800 million
- 450 jobs



14



## Sites and Infrastructure

- Giti Tire  
Richburg, Chester County, SC
- Rural community
- Community preparedness:
  - Duke Site Readiness Program
  - McCallum Sweeney Certification
- \$560 million
- 1,700 jobs



15



## Being Prepared – Product Human Resources

- Education
  - Recognize ties that bind economic development and education together
- Training
  - Critical component (start-up and on-going)
- Be prepared – show improvement in education and continue to invest in training resources

16





## Human Resources

---

- Nissan Assembly  
Canton, MS
- Large complex project
- Over 4,000 jobs
- Recruit, screen and training was critical
  - Upgrade Employ. offices
  - On-site center
  - High dollar value
  - Train for turnover



17



## Being Prepared – Product Taxes

---

- Major Site-Variable Factor
  - Bottom line distinction among locations
  - Balance need for services and revenue with impact on investment decision
  - Minimize as much as possible
- Be prepared – have creative tools in place to encourage investment

18



## Tax and Incentives

---

- Nissan PDC  
Greenville, SC
- Small project, 3<sup>rd</sup> party  
building investor
- Limited “Nissan”  
investment
  - DNQ Fee-in-Lieu
- Creative solution
  - Utilized two other  
programs to create  
similar value



19



## Being Prepared – Product Community Assets

---

- Quality of community life is a factor in  
almost every project
- Critical for relocation of key personnel
- Becoming a fundamental factor with  
growing emphasis on knowledge-  
worker opportunities
- Be prepared – never stop investing in  
the quality of life of your community

20



## Community and Regionalism

---

- Trex Manufacturing  
Olive Branch, MS
- Dynamic growth co.
- Concern re: south
- Comfort w “Memphis Region”
- Concern w Small Town
  - Rejected small finalist during windshield tour



21



## Being Prepared - Organization

---

- *Product Development*
  - Leadership
  - Sites
  - Infrastructure
  - Human Resources
    - Education
    - Training
  - Taxes
  - Community Assets
- **Organization**
  - Vision & Strategic Plan
  - Organization Design
    - Staffing / HR
    - Programs
- *Sales & Marketing*
  - Market Segmentation
  - Sales for Econ. Dev.
  - Customer Knowledge
  - Phase II – Field / Community

22



## Organization Design

---

- Commit to the regional approach
  - Aligns with decision making of investors
  - Leverages scarce resources
- Commit to staff development
  - Adequate staff / Professional development
- Align organization with strategy!
- Be prepared – design, direct and invest in your organization

23



## Funding

---

- Funding
  - Secure
  - Reliable
  - Adequate
  - Long term
  - Broad participation / broadly supported
  - Flexible and discretionary
    - Avoid too much “earmarking”

24



## Being Prepared – Sales and Marketing

---

- *Product Development*
  - *Leadership*
  - *Sites*
  - *Infrastructure*
  - *Human Resources*
    - *Education*
    - *Training*
  - *Taxes*
  - *Community Assets*
- *Organization*
  - *Vision & Strategic Plan*
  - *Organization Design*
    - *Staffing / HR*
    - *Programs*
- **Sales & Marketing**
  - **Market Segmentation**
  - **Sales for Econ. Dev.**
  - **Customer Knowledge**
  - **Phase II – Field / Community**

25



## Market Segmentation

---

- **Market segmentation**
  - Dividing total market into segments that share common properties
  - Segments will vary in attractiveness to your organization
  - Product development strategies will differ for each segment
  - Marketing and communication strategies will differ for each segment

26



## Market Segmentation

---

- Investment and Jobs from Outside
  - Recruitment
- Addt'l Investment and Jobs from Inside
  - Expansion / retention
- New Investment and Jobs from Inside
  - Entrepreneurial development
- Be prepared – position for all segments

27



## Sales for Economic Development

---

- Product knowledge
  - Know your community
  - Strengths and weaknesses
- Customer knowledge
  - Know your customer (industry, company)
  - Opportunities and threats
- Sales skills
  - Communication skills (listening!)

28



## Understanding the Business of Site Selection

29



### Customer Knowledge: Fundamental Characteristics

---

- Profit driven
  - Investment for purpose of return
- Deadline driven
  - Both the site selection and the project
- Competitive
  - Multiple location options
- Comprehensive
  - Complex decision involving most functional areas
- Risk averse

30



## Customer Knowledge - Deadlines

---

- Companies are Very Deadline Driven
  - Once market opportunity identified, company does not want to take much time
    - In selecting location
    - In getting up and running
  - Looking for sites ready for quick development
  - Has influenced the process of site selection
  - Communities with ready or certified sites have competitive advantage

31



## Customer Knowledge - Risk

---

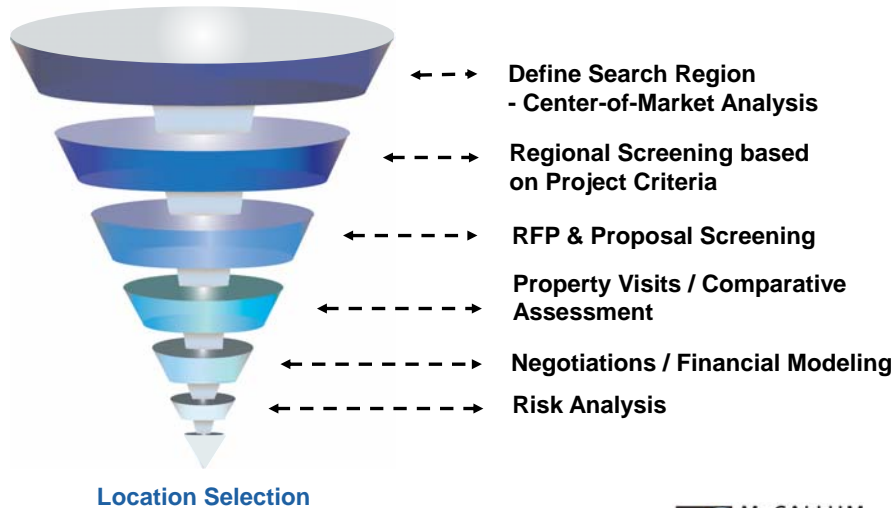
- Risk and Capital Investment
  - Companies go to extraordinary efforts to understand and minimize the risk of an investment decision
    - Product design
    - Financing
    - Marketing
    - Distribution
  - Location choice represents another risk
    - Where an operation locates greatly influences its success
    - Initial concern re location for manufacturing is typically having a “proper” site
      - Development schedule risks have the potential to disrupt and damage the viability of a project (schedule delays, operations interruptions, etc.)
    - Communities become more attractive as they minimize this location risk

32





## Competitive Site Selection Screening Process



33



## Comprehensive Analysis



34



## Site Selection Process

---

Planning Phase	Phase 1	Phase 2	Phase 3	Phase 4
<ul style="list-style-type: none"> <li>• Conception</li> <li>• Feasibility</li> <li>• Investment Decision</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment / Criteria</li> <li>• Regional Analysis</li> <li>• Areas of Interest</li> <li>• Request for Proposal and/or Web Research</li> <li>• Candidate Communities</li> </ul>	<ul style="list-style-type: none"> <li>• Community Visits</li> <li>• Evaluation                             <ul style="list-style-type: none"> <li>- Physical Factors</li> <li>- Operating Factors</li> <li>- Living Factor</li> </ul> </li> <li>• Comparative Analyses</li> <li>• Finalist Communities</li> </ul>	<ul style="list-style-type: none"> <li>• Negotiations</li> <li>• Evaluation</li> <li>• Site Due Diligence</li> <li>• Location Selection</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare MOU</li> <li>• Public Announcement</li> <li>• Incentive Capture Support</li> </ul>

35



## Phase II – Field Competition

---

- Physical Conditions
  - Sites, infrastructure
- Operating Conditions
  - Labor, education/training, utilities, taxes
- Living Conditions (QOL)
  - Housing, medical, education, leadership
  - Appearance, congestion, culture & rec.

36



## Phase II – Community Visits

---

- Industry and Community Leaders
  - Existing industry and businesses
    - Private interviews
    - Most important source of information
  - Community leaders
    - Elected and private leaders
    - Represent community and government
    - Subject to “managed access” to prospect

37



## Site Selection Process – Phases III and IV

---

- Incentives / Real Estate Negotiations (MSC and Client team)
  - Property
  - Site preparation
  - Infrastructure
  - Utilities
  - Transportation
  - Training
  - Taxes
  - Permitting
  - Low cost financing
- Public announcement (MSC and Client team)
  - Align company and community objectives
  - Press releases, events, etc.
- Incentive capture support (MSC)
  - On an as-needed basis

38



## Understanding Incentives

39



## *Incentives and Economic Development*

40



## Incentives - Definitions

---

- Webster's New World Dictionary  
in-cen'-tive (n.): a stimulus; motive
- A deliberate policy action designed to make a location more attractive to investment decision makers
  - Not just a location asset or inherent advantage

41



## Incentives - Definitions

---

- Geographic advantage:  
Proximity to the Atlantic Ocean
- Location asset:  
Port of Charleston
- Incentive:  
Reduced Port fees for expanding firm

42



## Role of Incentives in Economic Development

---

- Part of overall economic development strategy
  - Strategically designed incentives / policies
- Designed to support your development goals by:
  - Meeting the needs (and influencing the location decision) of companies
  - Enhancing the strengths of your location
  - Mitigating the weaknesses of your location

43



## Strategic Incentives

---

- |                          |   |
|--------------------------|---|
| • LOCATION               | • NEED / INCENTIVE                          |
| – Oklahoma (1880s)       | – N: population                             |
|                          | – I: free land                              |
| – South Carolina (1960s) | – N: diversification                        |
|                          | – I: tech training                          |
| – Mississippi (2000)     | – N: auto cluster                           |
|                          | – I: tax, training; site and infrastructure |

44



## Incentives Characteristics

---

- “Automatic” / “Administrative”
  - If meet certain thresholds, then qualify
  - Administrative effort
- Discretionary
  - Granting organization negotiates
  - Very effective, but potentially risky
- Combination
  - Most effective

45



## *Incentives and Site Selection*

46



## Role of Incentives in Site Selection

---

- Incentives are important if and when
  - They impact the prospect's decision
  - Differentiate one location from another
  - Increase in importance as the decision process proceeds

47



## Incentives in the Site Selection Process - Phase I

---

- Regional Analysis
  - Pre-existing knowledge
  - Be careful re: marketing of incentives
- RFP and Proposal Response
  - Identify incentive programs
  - Custom evaluation
  - Identify future possibilities

48





## Incentives in the Site Selection Process - Phase II

---

- Community Visits
  - Clear, custom presentation
  - Representative from granting organization
- Comparative Analyses
  - Accounting for incentives in analysis
  - Will only include documented commitments

49



## Incentives in the Site Selection Process - Phase III

---

- Negotiations
  - Maximizing value
  - Creativity and flexibility
  - Opportunity to close the deal
- Announcement
  - Expect different project values
  - Defensible (primarily your responsibility)

50



## The True Value of Incentives

---

- Capital
  - Site Neutral Evaluation Model
    - Cost Penalty versus Cost Savings
    - Commitment Value
- Operating
  - Based on application to specific project
    - Capture value
  - Discounted present value for evaluation purposes

51



## Final Thought on Incentives

---

- Projects drive incentives, incentives do not drive projects
- All the incentives in the world cannot make a bad location good  
  
but ...
- Incentives do influence the final decision
  - ALWAYS impact the capital investment decision model to some degree

52



## MSC Contact Information

---

Mark M. Sweeney  
Senior Principal  
[msweeney@mccallumsweeney.com](mailto:msweeney@mccallumsweeney.com)

McCallum Sweeney Consulting  
15 South Main Street, Suite 950  
Greenville, SC 29601

864-672-1600 (main)  
864-672-1610 (fax)

[www.mccallumsweeney.com](http://www.mccallumsweeney.com)

53

