

Site Selection and Incentive Negotiation Strategies for Economic Development Projects

December 16, 2014

DevelopmentAdvisors

Location Analysis & Selection

Incentive Analysis & Negotiations

Real Estate Advisory

Government Relations

Discussion Outline

Company
History and
Background



Incentives:
Maximizing the
Value



Site Selection
and Real Estate
Advisory

Development Advisors (DAI)

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DAI applies its expert location analysis and incentive negotiation services to increase project ROI and IRR for manufacturing, distribution, office, and real estate development projects.

Company History:

- Founded in 1996 by a former government economic development official
- To date, DAI has negotiated incentive packages on projects representing over \$8 billion in capital investment and 6,500 jobs

Professional Services:

- Incentive Negotiations
- Real Estate Advisory
- Community Cost Analysis
- Government Relations

Site Selection - Process



Eligible Projects and Industries

Project Types:

- Headquarters
- Manufacturing
- Distribution
- Research & Development
- Back office and support
- Real Estate Development

Industries:

- Automotive
- Plastics
- Aviation
- Textiles
- Energy
- Metals
- Pharmaceutical/Medical/Bio
- Electronics
- Food/Beverage
- Apparel

Incentives Overview

Granting Entities

- Federal, State, Local, Public and Private

Triggering Events

- Market Entry
- Expansions
- Relocations/Consolidations
- Mergers and Acquisition

Incentive Packages/Capital Investment

- Range from 2% - 20% of Capital Investment
- Recent packages secured by DAI represent 10% - 20% of client capital investment

Types of Incentives

Statutory – “By Right”

- Incentives provided to companies by matter of law
- Typically provided via state income tax credits

Statutory – “Negotiated”

- Incentive programs which are provided by statute, however, the value is negotiated on a case-by-case basis
- Examples:
 - Training Grants
 - Property Tax Reductions
 - Payroll Tax Reimbursements

Discretionary Incentives

- Incentives that are only offered when negotiated in conjunction with a competitive project
- Examples:
 - Land/Property Donations
 - Cash Grants
 - Site Preparation Grants
 - Utility Rate Reductions
 - Infrastructure Upgrades
 - Railway Extensions
 - Port Fee Reductions
 - Fee Waivers

Case Study: Downtown Hotel Project

Project Scope:

- \$16.5 Million

Challenges:

- Constructed on top of public parking deck
- Bids \$2 million over budget

Results:

- \$1.99 million in negotiated incentives secured
- \$550,000 received during construction
- 12% of capital investment offset through incentives

Case Study: Automotive Manufacturer

Project Scope:

- \$14 Million
- 153 Jobs

Challenges:

- Required site that would allow for significant expansion
- 1 month project timeline
- 3 State search area

Results:

- Over \$4 million in negotiated incentives secured
- \$1 million of incentives received in Year 1
- 23% of capital investment offset through incentives

Case Study: European Metals Manufacturer

Project Scope:

- \$151 Million
- 85 Jobs

Challenges:

- Capital Constraints
- Infrastructure Upgrades needed
- 4 State search area

Results:

- Over \$22 million in negotiated incentives secured
- \$6 million of incentives received in Year 1
- 15.2% of capital investment offset through incentives

Case Study: Chinese Chemical Company

Project Scope:

- \$113 Million
- 349 Jobs

Challenges:

- Client unaware of existing real estate options
- Extensive electricity needs
- First Phase of project very capital intensive

Results:

- Over \$13 million in negotiated incentives secured
- \$2.75 million of incentives received in Year 1
- 11.7% of capital investment offset through incentives

Where Experience Matters

Common Mistakes:

1. Failure to utilize qualifying investment in negotiations
2. Failure to identify incentive programs that can directly offset project costs
3. Announcing early
4. Incentive valuation
5. Disclosing too much information
6. Companies think they “have it covered”

Negotiation Process:

1. Package the project
2. Present the project
3. Maximize incentives through negotiations
4. Secure government approvals and negotiate performance agreements
5. Announce the project with government officials
6. Perform compliance to ensure incentives are received

Site Selection - Analysis

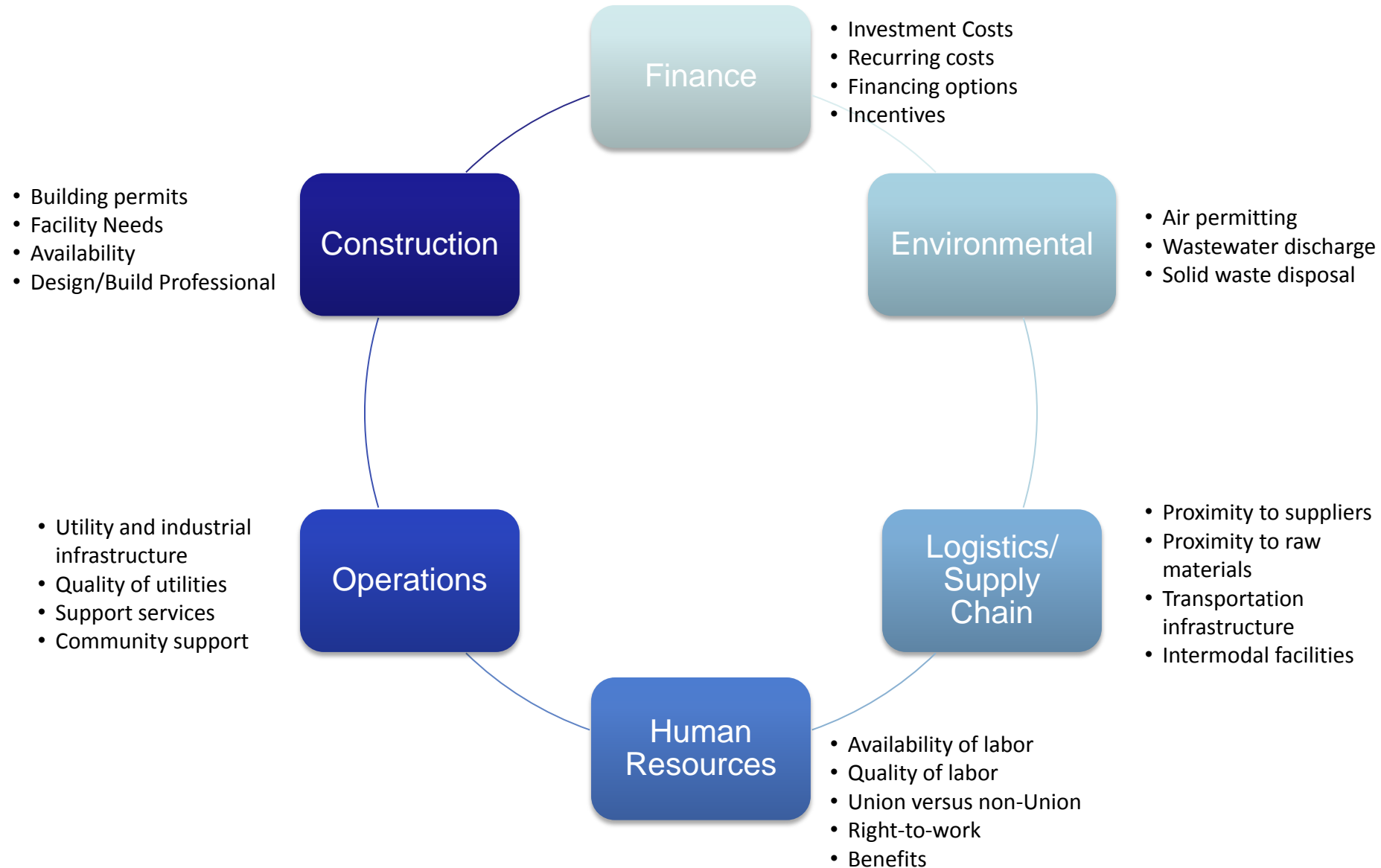
Cost Analysis

- Industry Specific Costs
- Up-Front Entry Costs
 - Infrastructure, Utilities, Roads & Fees
 - Real Estate Acquisition Cost
- On-Going Operational Cost
 - Taxes, Transportation, Labor & Utilities

Location Analysis

- Access to airport, rail, port, major interstates, intermodal facilities
- Environmental
- Infrastructure needs
- Utility quality
- Workforce and livability
- Proximity to Suppliers/Customers

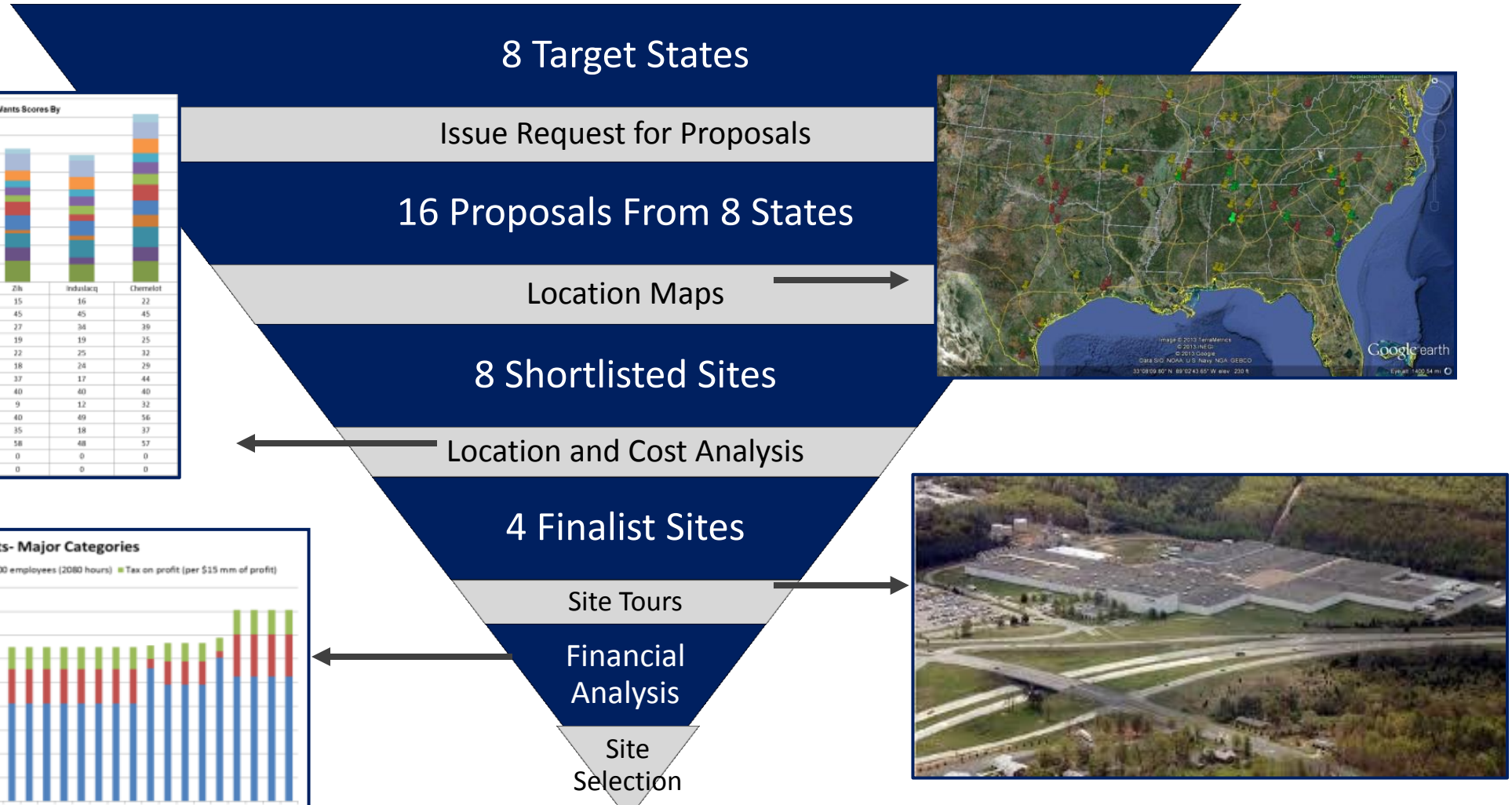
Site Selection – Detailed Criteria



Real Estate Advisory

- New Construction, Existing Purchase, Lease
- Project Scheduling
- Site and Building Identification
- Review and Analyze terms, Negotiate Leases, Options, and Purchase Agreements
- Coordinate Due Diligence
- Identification of real estate costs that can be offset through incentive negotiation
- Collect building/site history

Site Selection – Project Example



8 Target States

Issue Request for Proposals

16 Proposals From 8 States

Location Maps

8 Shortlisted Sites

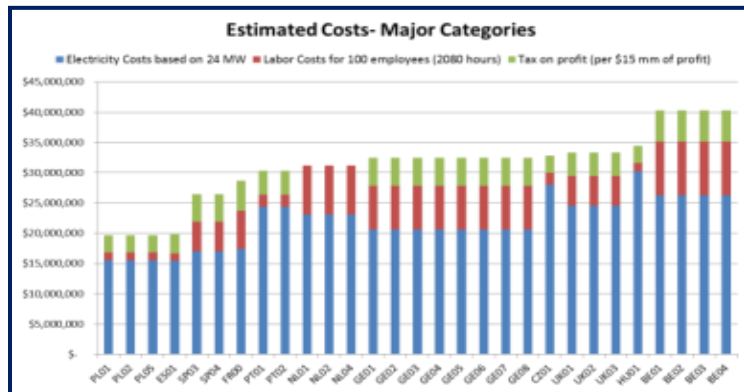
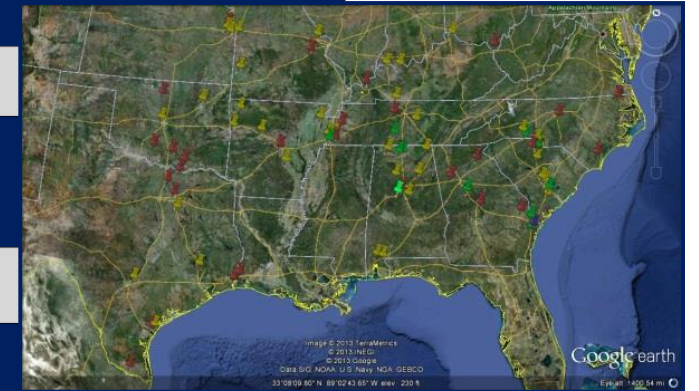
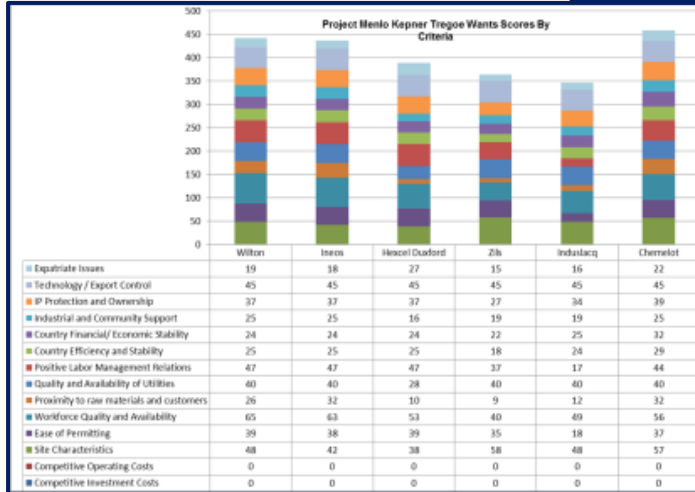
Location and Cost Analysis

4 Finalist Sites

Site Tours

Financial Analysis

Site Selection



Questions?

Thank you!

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Kenan Gay

kgay@dai-locates.com

(704) 521-5240

6525 Morrison Blvd., Suite 402

Charlotte, NC 28211