INCENTIVES BRIGHTEN SITE SELECTION DECISIONS

Tax, energy, and land incentives can turn a good location into a great one. Here's what companies and the logistics providers who serve them need to consider as they explore locating, relocating, or expanding their businesses.

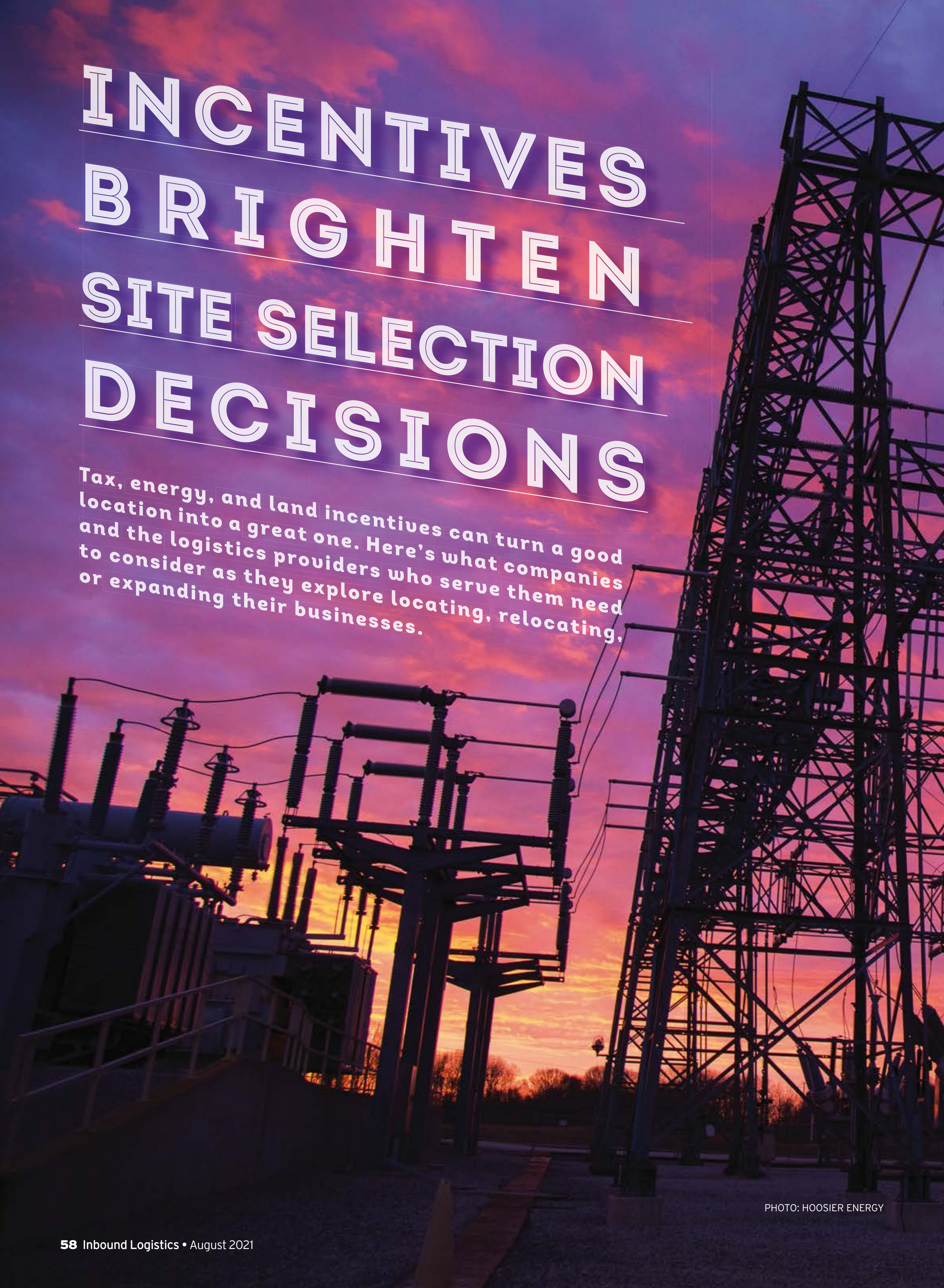

PHOTO: HOOSIER ENERGY

Anyone involved in choosing where to plant a business understands the importance of location, location, location. But in logistics, as in other fields, a good location must also be paired with the right economics to make the site work. That's where incentives come into play.

"Incentives are a function of public policy," says Chris Lloyd, chairman of the board of the Site Selectors Guild, an association of the world's foremost site-selection consultants.

Location must be put in its proper context in site decision-making, Lloyd says. For logistics professionals, for example, access to the supply chain is paramount. Moreover, companies should make their decisions based on financial models designed not just for today, but for where their businesses will be—physically as well as in terms of their position in the marketplace—decades from now.

Companies must weigh all of those considerations, along with the myriad types of incentives being put on the table. And you can't see what is on the table unless you're at the table in the first place.

"We see a shift in the types of incentives states and municipalities are offering," Lloyd says. And it's no longer a one-size-fits-all arrangement.

"There's a big difference between a partnership and a transaction," Lloyd says. That means companies must work closely with governments and utilities to make sure that incentive packages are attractive and beneficial for both.

Opportunities to forge such strong partnerships abound. "Economic incentives continue to play a critical role in corporate location strategies," the Site Selectors Guild says in its *2021 Economic Incentives U.S. Market Report*. "From tax credits to cash grants, companies are securing benefits in exchange for job creation and capital investment across the United States," the report says.

State and local economic incentives represent a valuable tool to help companies offset their capital investment and reduce ongoing operating costs, the report points out, but working through the choices requires careful analysis.

"The availability and type of economic incentives vary greatly across the United States, which makes it difficult for companies to predict the impact of these benefits on their projects," the report states. "In addition, the complexity of the economic incentive compliance management process has made it more challenging for companies to realize the value of economic incentives as issuing entities are requiring more accountability and reporting."

Properly navigating the process is well worth the effort, as the combination of incentives and the assets of the geographical location itself is vital to making the right location decision.

"All the money in the world will not compensate for a bad workforce and a poor location," says Lloyd.

SITE LOCATION TRENDS

A Site Selectors Guild survey of guild members, conducted in May and June 2021, shows how the location decision process is evolving in light of the pandemic and current economic and political events, and outlines their impact on economic development and site selection trends. Among the findings:

Hybrid remote/in-office models are expected to become more commonplace. But how those decisions impact real estate decisions is still unclear.

Changes in office work environments and increased manufacturing output are resulting in two real estate implications: empty offices with potential as residential units or last-mile delivery hubs, and developers of industrial and warehouse space struggling to keep up with demand.

Remote work as a result of the pandemic accelerated the use of technology. Communities must strategically leverage virtual platforms for meetings that don't require in-person attendance by providing quality drone footage and other virtual-reality methods to showcase their communities.

While initial interviews and data analysis may take place virtually, guild members say companies will still push for in-person site visits and meetings prior to making their final location decision.

Sustainability and green energy as a site-selection factor is increasing among nearly all industries. Companies continue to strive for regulatory compliance and reduced carbon footprints.

Migration patterns indicate demand for high-value locations and that a new generation of city dwellers will move to metropolitan environments. When asked how various industries factor diversity, equity, and inclusion into the site selection process, guild members report the greatest increase in prevalence among large, multinational publicly traded companies and mid-to-large IT companies.

Diversity is growing in importance. As diversity becomes more important for talent attraction and retention efforts, guild members say, a growing number of companies are seeking out markets where a diverse workforce with tech talent exists.

Downtown recovery, tourism, and other industries centered on service and social interaction will rebound. Rising vaccination rates and decreased COVID infections will spur new growth in these areas, the survey finds.

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>
> —Jeff Pipkin
> Economic Development Manager
> Hoosier Energy

Current trends notwithstanding, state and local jurisdictions always will weigh a host of factors in determining which companies are eligible for economic incentives, and what those incentives will be.

"Every state has its own business and tax laws, policies, objectives, and strategies to attract and retain companies," says the Site Selectors report. "Some states emphasize the growth of targeted industries, while others focus on job creation or investment in targeted geographies within their state."

MAKE A LIST, CHECK IT TWICE

Companies embarking on the process of finding a location typically construct a project checklist with the help of a professional service provider, Lloyd says. Key factors to examine include the forces driving the project, the nature and quality of the workforce needed, and the economics of the move.

Other factors include choosing reliable, experienced, trustworthy partners to facilitate the site selection decision. Here are a few companies that lead the charge.

HOOSIER ENERGY

MAKING A GOOD SITE GREAT

Companies involved in site selection should consider incentives after other essential items on their location checklist have been met. "There's an old economic development adage that we hear time and again from our site-consultant community: Incentives will not make a bad site good, but incentives can make a good site great," says Jeff Pipkin, economic development manager for Hoosier Energy.

Headquartered in Bloomington, Indiana, Hoosier Energy is an electric generation and transmission rural electric cooperative serving 18 locally consumer-owned distribution cooperatives (REMCs) in southern and central Indiana and southeastern Illinois. This includes more than 300,000 homes,


LOGISTICS

Hoosier Energy serves its 18 member electric cooperatives in central and southern Indiana and southeastern Illinois from its Bloomington, Indiana, headquarters—a best-in-class, LEED Gold certified facility.

farms, and businesses in 59 counties in the two states, equating to an area of approximately 15,000 square miles.

Hoosier Energy's power network provides electricity to developed sites and industrial parks along the I-70, I-65, I-64, and I-74 corridors. The network's workforce is located in adjacent metropolitan areas such as Indianapolis, Louisville, Cincinnati, and Evansville. This geographical advantage enables Hoosier Energy to leverage regional assets and provide competitive electric rates to the area.

Hoosier Energy and its member REMCs have the option to offer an Economic Development Rider (EDR) for projects meeting certain requirements and with a monthly demand of at least 500 kilowatts.

"This EDR can be offered for the first six years of operation and discounts the cost of energy on a declining scale starting with 30% in year one to 5% in year six," Pipkin explains. "The savings generated come to approximately 17% over the six years."

In addition, for projects with a monthly demand of more than 20 megawatts, Hoosier Energy and its member REMCs may offer a Market Based Rate (MBR) program.

"The MBR allows the company to purchase energy on the open market as Hoosier Energy acts as the load-serving entity," Pipkin says. "This program can offer substantial savings and can provide long-term savings for the company."

Hoosier Energy is making long-term grid improvement investments to maintain its high degree of reliability. The cooperative's board has elected to retire its final coal-fired power plant in mid-2023.

"This generation will be replaced with a more cost-efficient fuel mix combination of natural gas, renewable options, and power purchase agreements," Pipkin says. "This plan provides a foundation for supply-cost stability and predictability while reducing our carbon footprint by an estimated 80%."

Hoosier Energy also offers various solutions and technical support to help projects achieve renewable energy goals. These solutions include Purchase Power Agreements, assistance on conception through interconnection of consumer self-built projects, acquisition of Renewable Energy Credits, and additional professional support through project analysis, carbon calculations, and contract analysis.

"Hoosier Energy's economic development team brings decades of local and state economic development experience to each project," Pipkin says. "Our team will work alongside our distribution cooperatives and their local economic development organization to help answer any electrical questions the project may have."

Once a project lands in Hoosier Energy territory, a key account manager is assigned to assist the company to meet its needs into the future. "Hoosier Energy also has a robust engineering team to help advise each project on the most cost-efficient way to serve the company and enhance reliability," Pipkin adds.

ELECTRICITIES

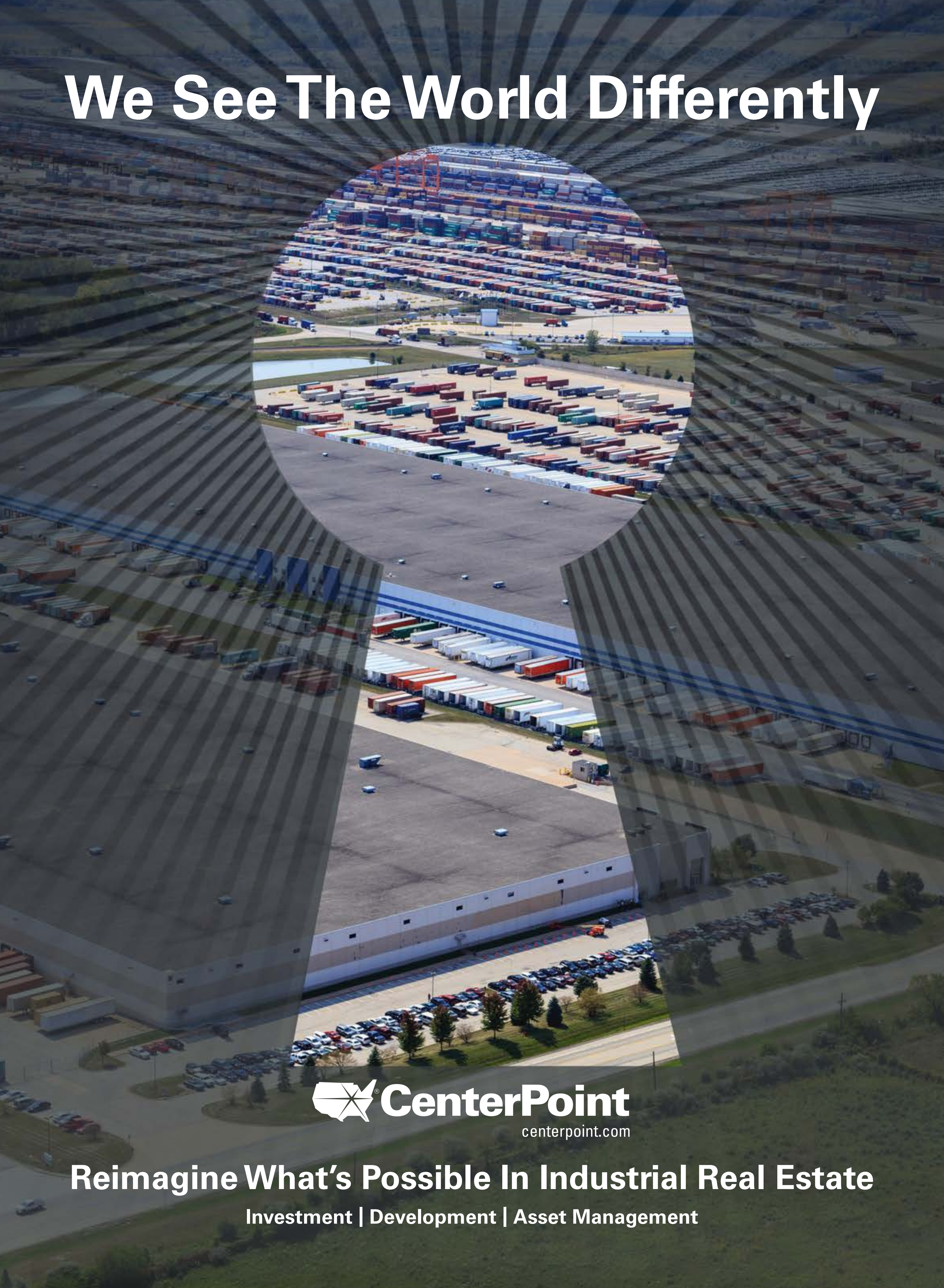
LEADING THE QUEST FOR VALUE

Companies searching for locations should view incentives—and the entities that provide them—as value-added propositions.

"It's always location, location, location," says Brenda Daniels, manager of economic and community development for ElectriCities of North Carolina."But incentives seem to be the icing on the cake and will continue to be that. Not only do incentives help land the project, but they show commitment for the project from the state, county, and municipalities."

ElectriCities is a not-for-profit membership organization of municipally owned electric utilities spread across North Carolina, South Carolina, and Virginia. The locations range from tourist and retirement destinations, to suburban communities, to hubs for entrepreneurship and economic development. While each community has its own unique identity, they all share the common connection created by public power.

Of the 92 public power communities among its members, 71 are in North Carolina. The organization advocates for the communities at the state and federal levels, and provides numerous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ElectriCities created its Smart Sites program, also known as S2, to assist member communities in preparing shovel-ready sites—such as this one in Lexington, North Carolina—for economic development.

administrative, technical, legal, and legislative services to support its members. Most member cities have been in the electric business for a century or more.

Companies looking to optimize incentive packages in the communities ElectriCities serves would be wise to consult with the organization. "We work closely with all of our members to make sure what they are offering is feasible for the project," Daniels says. "Some of those include free land, infrastructure improvements, energy-efficient lighting, and energy audits of existing buildings, just to name a few. And, of course, each of these things are looked at on a case-by-case basis for each project."

ElectriCities works with the municipal utility to offer a rate proposal customized for the specific needs of each company. This front-end work to understand the individual needs of each customer is beneficial in helping the companies manage their energy costs well into the future.

Daniels believes it is an ideal time for incentives. "Whether it is taxes, savings on energy or cash incentives, now is the time," she says. "We are always looking for new ways that our members can provide what's needed for projects."

However, she adds, "It's not always that a project gets what they ask for. It all depends on jobs, tax base, and capital investment."

Daniels says ElectriCities maintains constant contact with site-selection consultants in order to best determine what can be accomplished for projects.

"We also have a Smart Site Certification program or shovel-ready site program," she adds. "This pre-work helps the companies and site consultants know that all of the engineering work for Phase 1, Geotech, and wetlands, etc., has been completed. This will save the company several months of work."

In the end, it all adds up to value. "Our greatest measure of success is the net value we deliver to our member communities each year," Daniels says. "We deliver value in many ways, from driving economic growth and workforce development, to making power more affordable and reliable, to lobbying on behalf of our members at the state and federal levels."

CENTERPOINT PROPERTIES

SHARP-SHOOTER FOCUS

Finding the right spot to locate a business is both an art and a science. Making the best decision involves not just a partnership between the company and the municipality, but also a partnership between the company and the site experts with whom the company works.

"Partner with someone who can find or create the right site, close to ports and population centers, and with highway access," advises P.J. Charlton, senior vice president of investments at CenterPoint Properties, which invests in industrial real estate in port and infill markets and works to help companies maximize their supply chain efficiency and realize cost savings. The firm is recognized as one of the top business park, logistics park, and industrial park developers and managers in the United States.

CenterPoint Properties acquires, develops, redevelops, manages, leases and sells state-of-the-art warehouse, distribution and manufacturing facilities near major transportation nodes. One example is CenterPoint Landing at Oakland Seaport, a Class A industrial facility located

According to Charlton, CenterPoint takes a highly targeted approach, focusing on regions best situated for logistics advantage, including Los Angeles, Oakland, and the Bay area of California, as well as Chicago, New York/New Jersey, Seattle, Houston, Charleston, Savannah, and South Florida.

The company employs what it calls a "sharp-shooter strategy," focusing on the best submarkets in some of the best markets in the country. Founded in Chicago in 1984, CenterPoint Properties acquires, develops, redevelops, manages, and leases state-of-the-art warehouse, distribution, and manufacturing facilities near major transportation nodes. The company's experts focus on rail and port-proximate assets and infill properties with features or locations that give users competitive advantages.

On the East Coast, where Charlton oversees the firm's regional investments, CenterPoint focuses its efforts on markets that have strong economies, robust port activity, and major population centers. "Our team finds logistically advantaged real estate opportunities, taking on complex deals to deliver solutions for our clients," Charlton says.

CenterPoint takes a similar targeted approach on the West Coast, operating in the major port markets. In 2020, CenterPoint put the finishing touches on a state-of-the-art, 466,437-square-foot facility, CenterPoint Landing at Oakland Seaport. The company also completed the two-building Port Everglades International Logistics Center last year and has uber-modern facilities in development at Port Newark and the Port of Savannah.

Headquartered in Oak Brook, Illinois, CenterPoint has an especially strong presence in the Chicagoland area, a lifeline for global supply chains and a major player in high-value international trade.

Throughout its national portfolio, CenterPoint has a significant number of properties that are ideally suited to handle intermodal freight transport. CenterPoint owns 270 buildings containing 64 million square feet, including the CenterPoint Intermodal Center, a 6,400-acre master-planned intermodal development in the Joliet/Elwood area some 40 miles outside Chicago.

Among its properties, CenterPoint also has nearly 8 million square feet of space in and near New York City.

"Partner with someone who has good relationships with the local municipalities and who can help guide you through local codes and regulations," Charlton recommends.

After all, achieving the peace of mind that comes from knowing the spot you've chosen will breed success is the best incentive of all to carefully do the homework and analysis required to find it. ■