

Mar/11 **Incentives, Investment, and Site Selection**

0 Comments | Posted by *jaynehrkorn* in Chamber Life

In our last post, Dr. C. R. Canup of Canup & Associates shared the process by which site selection consultants help corporate clients choose new locations for their facilities. In this post, we return to that interview and pick up the discussion on site selection as it relates to community preparedness through incentives and investment.

"When we counsel our clients on incentives, we help them understand the difference between legislated incentives and discretionary incentives," Dr. Canup said. "Essentially, legislated incentives are those that are going to be awarded to any project that meets the criteria that the state, county, or city has established for that particular incentive... Discretionary incentives, however, can actually exceed the value of legislated incentives for some projects. They are not just tax credits or tax rebates, but they may get into buying the property, building an access road, or paying for a sewer system.

"Every project we do, when we're down to the short list of communities and we're negotiating incentives, we've already done a profile on each of those locations relative to costs that are going to have to be incurred by somebody to make that particular location work for the particular project. Let's say we determine that we need acceleration and deceleration lanes for truck traffic and to add a new traffic light. That could be a two million dollar issue, and who's going to pay for it? That's the kind of differentiator that eventually separates shortlisted communities from each other and the type of role that incentives eventually begin to play on these projects."

So is it best to begin the process of investing in infrastructure before marketing a site? Not necessarily. Depending on the opportunities that come along, certain infrastructure investments may or may not be necessary, or the scale of the preparation may not be sufficient. The important part isn't necessarily having the infrastructure in place, but being able to exhibit the capability to do so.

"It's not always necessary that a prospect walks up and finds the sewer line, for example, adjacent to the property line, but it is necessary that there be a plan, a schedule, a budget, and a cost allocation to get it to the property. If I need it there in eight months, can you do it? The standard answer is always, 'Oh yes, we can do that.' My follow up question is then, 'How are you going to do it? Show me the plan.'"

Dr. Canup concluded the conversation by pointing out that each situation is different, and the best decision on whether to take the investment plunge in the beginning or simply create a plan for investment if the opportunity arises depends on the nature of what is being attempted.

"I consult with a lot of states and communities, for instance, on mega-project sites, and the question I get most often is, 'Should we own the site?' Well, if you want to go out and buy 1,500 to 2,500 acres of land, you've got the money to do it, and you're excited about it, maybe you ought to do it. But at the same time, why not just go out and negotiate with a property owner and get an option to purchase in place. When I come along with a prospect and say, 'Show me clear title on the

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property, how long it will take to do the closing, when we can have possession, the environmental, and the geotechnical, those things can be done ahead of time at minimal cost up front, but at the same time the community has positioned itself to respond to an opportunity with professionalism and proficiency. Demonstrating the ability to do it can be just as good as owning it.

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“It’s a tough balance for a lot of communities to find. If I’m going to do a 500-acre industrial park, should I own all of the property? That’s an easy answer. Yes, you should own all of the property if you’re going to have and market a 500-acre industrial park, because you’ll have sub-parcels and options on the location of access roads and utilities. But maybe there’s another site, a 2,500 acre mega-site, that you don’t need to own. Maybe you just need to have an agreement with the property owner. So every situation is a little bit different.”

Our sincere thanks to Dr. Canup for sharing with us in these two posts. For other articles containing interviews and quotes from Dr. Canup, or to learn more about Canup & Associates consulting and speaking engagement services, visit their website at www.canup.com.


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