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Incentives strategy for site selection
Finding the best location ... and local enticements ... for your next food plant.

If you’re thinking about building a new plant, congratulations! You’re in a very select group, especially with all the economic turmoil this year.

As somebody said, there’s opportunity in adversity. If your business is doing well, take advantage of low interest rates, a growing labor pool and the eagerness of communities across the country to have a shiny new food plant in their areas.

Tim Schram, national director of incentives for accounting firm Grant Thornton LLC, recently made a presentation to a Food Processing conference on plant construction. Following are tips for getting the best deal from local authorities, and ultimately getting the best location for your plant.

The site selection process is like a huge funnel. At the top are the more than 900 metro areas in this country and 3,077 counties. So the first consideration is generally where you want your plant to be. In a rural area or a metropolitan one? Any particular metro area?

The second screening should look at the labor supplies, operating costs, accessibility, etc. By now the list is narrowed to dozens of qualified locations. A lot of consideration – much of it objective, even quantitative, and some of its subjective – will trim that list down to two to five locations you want to visit, all in an effort to decide on that perfect spot for your next food plant.

But back to the start. Who should be involved and when? “Start as early as possible,” suggests Schram. “Gather the troops.” You probably need the involvement of your CFO, real estate people, legal, tax/accounting, human resources, public affairs/communications, government affairs and regulatory/risk folks.

The imporTance of incenTives

<table>
<thead>
<tr>
<th>Factor</th>
<th>Rating</th>
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<tbody>
<tr>
<td>1. State and local incentives</td>
<td>92.7</td>
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<tr>
<td>2. Labor costs</td>
<td>89.7</td>
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<tr>
<td>3. Availability of skilled labor</td>
<td>89.0</td>
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<tr>
<td>4. Highway accessibility</td>
<td>88.9</td>
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<tr>
<td>5. Occupancy or construction costs</td>
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<tr>
<td>6. Tax exemptions</td>
<td>86.2</td>
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<tr>
<td>7. Corporate tax rate</td>
<td>85.1</td>
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<td>8. Energy availability &amp; costs</td>
<td>80.8</td>
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<td>9. Availability of telecommunications services</td>
<td>77.9</td>
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<tr>
<td>10. Environmental regulations</td>
<td>72.9</td>
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When the time comes to begin active negotiations, who is involved? In addition to the key members of the food processor team, Schram says you’ll probably involve:

- State and city economic development directors
- City administrator and mayor
- Departments of Revenue, Transportation, Treasury, etc.
- Utility companies

“And, of course, Grant Thornton,” he adds.

A key factor in developing your own leverage is to fairly assess what your project is worth. “Most benefits are determined by levels of job creation and capital investment,” Schram says. Thresholds and value of benefits are influenced by: employment demographics, geography, industry cluster and economic multipliers.

Structuring the package

What forms of incentives are most usable for your company and your project? Some of the available enticements are:

- Property tax abatement
- Cash grants
- Sales tax sharing
- Tax credits
- Tax exemptions
- Tax increment financing
- Land and/or building donation or acquisition
- Training programs or grants
- Economic development zones
- Site and infrastructure improvements
- Utility discounts
- Bond financing

And there are more. Seldom are all of those incentives available. Even when there are several put forth, it may require careful selection among the motivations offered.

Schram says processors need to consider the following factors when selecting among incentives:

- Economic value yield and realization time of the benefits
- Length and complexity of application and approval process
- Flexibility of terms and performance obligations
- Post transactional compliance and administration burden
- Reliability of funding source

Not every incentive is worth pursuing, Schram warns. “It’s always a good practice to do a cost/benefit analysis. Companies need to have a clear understanding of the ongoing administrative and reporting requirements of the specific incentive program. For example, the administrative...
Company Profile

Founded in 1898, Burns & McDonnell is a full-service engineering, construction, environmental and consulting solutions firm.

Burns & McDonnell knows the food processing industry inside out and has the experience and expertise to bring all elements of your project together: site selection, permitting, environmental remediation, water supply, process design and integration, wastewater, utilities/facilities, construction, start-up and operator training. Moreover, our LEED-Certified designers provide innovative, green solutions for all your sustainability challenges.

Recent Food & Beverage Projects

• Extracted flavor beverage production line
• Poultry processing plant complete renovation
• Several ammonia refrigeration project safety management and design projects
• Consumer food production lines, multiple locations
• New technology/productivity rollouts
• Dry mix and biscuit line design-build
• Poultry process lines
• Mixing and blending lines
• Boiler replacements
• Confectionary process design
• New bakery design & construction
• Yeast production building design
• Beef carcass wash process design
• Coffee packaging line design
• Petfood extrusion line design
• Instant soup packaging line design

Food & Beverage Market Specialties

Consumer snack foods, Malt beverages, Confectionary, Dairy, Frozen foods, Beef, Poultry, Pork, Beverages, Refrigeration/Freezing

Other Market Specialties

Ammonia refrigeration, Wastewater treatment, Water treatment, Air permitting, Storm water, Process safety management, Remediation, Storage tanks, Utilities

Preferred Types of Contracts

• Design/Build turnkey
• Engineering/Architecture design
• Construction management

Location of Offices

Kansas City, MO (Headquarters); Houston, TX; Dallas, TX; Chicago, IL; St. Louis, MO; Atlanta, GA; Phoenix, AZ; San Diego, CA; San Francisco, CA; Miami, FL

Number of Employees

• 2,600

Company Executives

• Greg Graves, CEO
• John Nobles, Process & Industrial Division President

Professional Services

Turnkey engineering, procurement and construction (Design-Build), Process feasibility studies, Conceptual/Basic/Detailed design development/FEL development, Multi-plant design-build rollouts, Project management, HACCP reviews, FDA & USDA compliance, Materials handling system design, Environmental services, Construction management, Refrigeration design & process safety management, Startup and commissioning, Operations and maintenance training

Engineering Disciplines

Electrical, Mechanical, Structural, Process, Civil, Controls integration, Architectural, Refrigeration

Computer Graphics Capabilities

3-D Graphics, AutoCAD, Intergraph, Rendering, Solid Works

For Further Information

• Mark Swanson, Food and Consumer Products Business Development, 816-822-3812, mswanson@burnsmcd.com
• Paul Menne, Food and Consumer Products Director, 816-822-3268, pmenne@burnsmcd.com
cost related to claiming training grant benefits often outweighs the grant money provided.”

Some commonly overlooked issues:

- **Timing** - “The processor must secure incentive prior to signing a lease, hiring new employees, breaking ground or making a public announcement,” Schram warns.
- “But for” requirement – “Many incentive programs require companies attest that had it not been for the incentive program, the company would not have selected that state/city for the site of the expansion project.”
- Recapture/Clawback provisions – “Some incentive programs require job creation and capital investment levels be achieved and maintained in order to receive incentives. If a company later falls below the specific employment or investment levels, the company will be required to pay back all incentives received.”
- Annual compliance requirements – “Many states are introducing annual reporting requirements to publicly show how companies are doing with job creation/capital investment commitment levels. Additionally, many jurisdictions require companies have accounting firms perform review/testing procedures to verify employment/investment levels have been achieved.”

When planning and discussion proceed to more serious deliberations, there are numerous project considerations to keep in mind. Schram says “project criteria development” means considering:

- Estimating full-time vs. part-time employees
- Lack of “but for” evidence
- Economic impact analysis
- Strategic use of the company’s leverage
- Coordination among departments - Governmental Affairs, Tax, Operations, Real Estate, etc.
- Sarbanes Oxley/Lobbyist requirements
- Now the nitty-gritty. Processors must:
  - Pay careful attention to legally binding documentation
  - Negotiate clawbacks and penalties
  - Manage level and timing of disclosures about the project as well as confidential information
  - Be prepared for full disclosures – many states have public disclosure of job creation/retention levels.

Post-transactional compliance and monitoring are key but often overlooked steps. “More than 50 percent of companies do not collect the incentives they negotiated, so prepare a schedule of compliance or immediately assign responsibility to someone.

“In the case of a breach of some tenet of the contract, processors should inform the economic development agencies as soon as possible; in many cases terms can be renegotiated without penalties.”

For more information on Grant Thornton’s incentive services, contact Tim Schram at tim.schram@GT.com. Want to see Tim and Editor Dave Fusaro discuss incentives? Go to www.FoodProcessing.com/GT/knowledge/tips.
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<th>Company Name</th>
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<th>Website</th>
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<tr>
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