

**TENTATIVE AGENDA & MEETING NOTICE
JOINT MEETING
WATAUGA COUNTY BOARD OF COMMISSIONERS
&
WATAUGA COUNTY ECONOMIC DEVELOPMENT COMMISSION**

**TUESDAY, APRIL 14, 2015
1:00PM**

**WATAUGA COUNTY ADMINISTRATION BUILDING
COMMISSIONERS' BOARD ROOM**

- I. Call To Order
- II. Discussion of Economic Matters
- III. Adjournment

Why Watauga?

Welcome to Watauga County, North Carolina, a place of breathtaking mountain scenery, clear, unspoiled streams, cool summer temperatures, beautiful fall colors, premier winter ski resorts, mountain culture, traditions and lore, and vibrant downtowns!

Why choose Watauga County? Throughout this brochure, you will see details on Watauga County's great educational opportunities, highly trained workforce, utility options, quality of life, transportation, sites and buildings, and incentives availabilities as well as major employers and target industries. But for now, here are four great reasons that you should make Watauga County your business' home:

Education Focus

- Home of Appalachian State University
- Award-winning public schools
- LEED certified new high school
- Excellent community college facilities



Culture of Entrepreneurship and Creativity

- Certified Entrepreneurial Community
- Tradition of innovation
- Variety of banking resources
- Highly educated work force
- Longstanding home to artists, artisans and writers



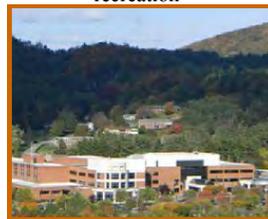
Outstanding Quality of Life

- 163 persons/square mile vs. 196 for NC
- Safe: Crime rate 28.7 vs 45.1 for NC
- Great place for children to grow up
 - Changing vibrant community
 - Green, sustainable businesses, practices and culture
- Well established farmer's market and local food
- Four seasons of exciting outdoor recreation



Hub of Northwestern NC

- Regional commercial center
- Modern, expanding regional healthcare system
- 25 physicians/10,000 population vs 20.9 for NC
- New College of Health Sciences
- Home of Samaritan's Purse
- Active, growing non-profit sector



Major Employers

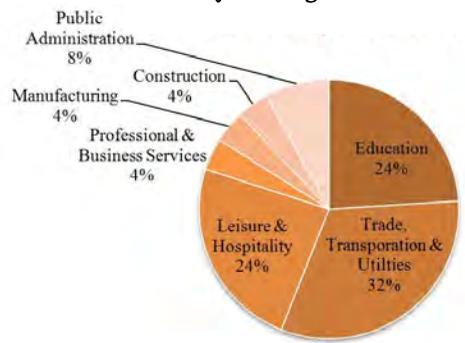
These are Watauga County's largest employers:

- | | |
|--|---|
| 1. Appalachian State University (1000+) | 15. Hospitality Mints (100-249) |
| 2. Appalachian Regional Health care System (1000+) | 16. The Village Pharmacy (100-249) |
| 3. Watauga County Board of Education(500-999) | 17. Maymead Inc (100-249) |
| 4. Samaritans Purse Inc (500-999) | 18. Lowes Home Centers Inc (100-249) |
| 5. Watauga County (250-499) | 19. Blowing Rock Country Club Inc (100-249) |
| 6. Wal-Mart Associates Inc (250-499) | 20. Harris Teeter Inc (100-249) |
| 7. Mast General Store (100-249) | 21. RHA-NC Operations Inc (100-249) |
| 8. Tweetsie Railroad Inc (100-249) | 22. Cracker Barrel Old CountryStore Inc (100-249) |
| 9. Clinical Trial Services (100-249) | 23. Lowes Food Stores Inc (100-249) |
| 10. Town of Boone (100-249) | 24. Westglow Resort & Spa LLC (100-249) |
| 11. Chetola Mountain Resort (100-249) | 25. The Hastings Co (100-249) |
| 12. Glenbridge Health and Rehabilitation(100-249) | |
| 13. Coach Inc (100-249) | |
| 14. Food Lion (100-249) | |

Target Industries

- | | |
|--|--|
| •Computer Systems Design Services | •Surgical Appliance and Supplies Manufacturing |
| •Analytical Laboratory | •Sporting and Athletic Goods Manufacturing |
| •Instrument Manufacturing | •Research and Development in Biotechnology |
| •Surgical and Medical Instrument Manufacturing | |

Industry Percentages for Current Top Employers



Quality of Life



Living in a place that actually can live up to all the qualities most communities claim to offer...



A place that marries four seasons of amazing natural beauty with an advanced technology backbone.



A safe place to raise a family, the perfect place to work and the ideal place to retire, all in the same town.



Actually finding that special community you and your family have been searching for, but never thought really Existed.

Award-winning schools, 4th of July parades, mountain sunsets, neighbors helping neighbors.



A unique home, situated on a ski slope, in a quiet valley, or alongside a rushing mountain trout stream.



A vibrant, diversified economy, supported by a major state university.

Watauga County:
Where living is good

Incentives

Thanks to the action of the North Carolina General Assembly, companies in North Carolina can take advantage of a variety of incentives. The incentives are primarily in the form of tax credits for investment in machinery and equipment and real property, and for job creation.

Targeted, performance-based incentive programs complement the state's competitive cost structure and low business tax burden to offer businesses a cost-effective place to locate or expand.

The state's Article 3J Tax Credit Program offers eligible businesses credits on state corporate or franchise tax for creating jobs, investing in businesses property and in some cases, real property. Other tax credits available include those for technology development and the use of state's deep-water ports.

Infrastructure financing programs, including bonds, grants and loans, provide important resources necessary for some projects. North Carolina also offers funds to construct access roads and railroad access tracks required by new or expanding industry.

Finally, a number of important discretionary incentive programs, including the One North Carolina Fund and Job Development Investment Grants, are available to high-impact new and expanding businesses for which the grant is needed to carry out the project in the state and are applicable to competitive projects.



For more information and detail on state incentives, go to:
<http://www.thrivenc.com/sites/default/files/uploads/INCentives.pdf>

Watauga County Economic Development Office can answer any questions about locally available incentives.

Sites in Watauga County may qualify for SBA Hub Zone Program, New Market Tax Credit Program, or Tax Increment 24% Financing.



CERTIFIED
Entrepreneurial Community®

Education

Nestled in the heart of Boone, NC is Appalachian State University, a four year, regionally accredited school with a wide range of degree offerings and an enrollment of just over 18,000. Appalachian consistently receives accolades in national publications such as Princeton Review's "Best in the Southeast" and "Guide to 322 Green Colleges: 2013 Edition," Kiplinger's Personal Finance magazine's "Best Values in Public Colleges, 2014" and US News and World Report's "2014 America's Best Colleges Guide."



Some of the degrees offered at Appalachian State University:

*Biology
Chemistry Communication
Computer Science
Sustainable Development
Geography and Planning
Nursing
Geology
Accounting
Mathematical Sciences
Marketing
Computer Information Systems
Management*



Customized Training for new, expanding and existing business and industry is provided in North Carolina by the community college network. Caldwell Community College and Technical Institute serves Watauga County through its main campus in Hudson, NC and the local Watauga Division.



In addition, CCCTI offers a number of **corporate and continuing education courses**, an invaluable tool for any business looking to improve worker productivity and encourage continuous learning.

Transportation



11 Airports within 200 miles
3 International Airports: CLT, GSO & RDU
3 Domestic Airports: TRI, AVL & GSP
5 Local Airports: 6A4, MRN, IKB, HKY & NC2

2 New 4 Lane US Highways
U.S. 321 access to Interstate 40 & Interstate 85
U.S. 421 access to Interstate 77 & Interstate 40

Daily Bus Service to Charlotte and Greensboro
Mountaineer North/South: Boone to Charlotte
Mountaineer East/West: Boone to Greensboro

Mean Travel Time to Work (According to CensusReporter.org)
Boone: 12.8 minutes
North Carolina: 23.7 minutes

Labor Force

Watauga County has a highly educated population that is ready to go to work for you. According to the US Census Bureau's American Community Survey, Watauga County ranks ahead of North Carolina and the nation in educational attainment. For population 25 years old and older, 39.6% in Watauga County have achieved a bachelor's degree or higher. Watauga County also exceeds the state and nation in the age 18-24 cohort. This dynamic work force is a great reason to choose Watauga County.

North Carolina is a Right-to-Work state. Union activity is limited in Watauga County, and overall labor costs are reasonable.

Region	% W/ Bachelor's +
Watauga County	39.6%
North Carolina	26.6%
United States	28.2%

Utilities

Electricity provided by: Blue Ridge Electric Membership Corporation, New River Light and Power Company
7 Propane Gas and 6 Fuel Oil Companies serve Watauga County

Frontier Natural Gas expanded service into Watauga County
Telephone and Cellular Services are provided by four companies
All forms of **internet access** are available in Watauga County: *Dial-up, Cable, Fiber, DSL, T-1, and other options*

Water and Sewer provided by three of the municipalities & **Solid Waste Disposal and Recycling** provided by the county

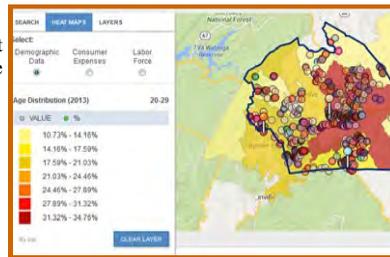


Landfill Gas Project
The closed landfill in Watauga County is now turning landfill gas into energy. This will save the county money in utilities and provide an annual profit of \$72,000.

Sites & Buildings

We have a state of the art sites and buildings database that allows you to view buildings, sites, businesses, and communities superimposed on a map of Watauga County. Search options include square footage, "For Sale" and "For Lease," as well as type of space. Heat maps of demographic data, consumer expenses, and the labor force are available. If that's not enough, you can even add city/county boundaries and points of interest to the map for further reference!

This screenshot shows just a small sample of what the database puts at your fingertips! This shows a heatmap of percentage of the population between ages 20 and 29, a great labor force, underneath pinpoint of businesses in the area.



Contact Us

For additional information or to figure out how to get involved with Watauga County, contact Joe Furman at the Watauga County Office of Economic Development.

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331 Queen Street, Suite A
Boone, NC 28607



<http://www.wataugaedc.org>
<http://www.exploreboonearea.com>
<http://www.wataugacounty.org>
<http://aectr.com>

Thank you for considering Watauga County for your business. We hope to see you here soon!



Watauga County

Take Your Business to Higher Ground



Conceptual Master Plan

Four Twenty One South

Western North Carolina's Premier Class "A" Business Location
Located in the Heart of the North Carolina High Country
Watauga County, North Carolina



*Watauga County Economic Development Commission
Positioning the Region for Economic Prosperity*

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Master Plan Background and Objectives

Planning for the Four Twenty One South Business Park was sparked by recommendations from the Watauga County Economic Development Commission in the winter of 2011. At that time, the EDC was actively involved in the preparation of a Five Year Targeted Marketing Plan and had engaged the services of InSite Consulting, a site selection and economic development firm. The Targeted Marketing Plan would assist the EDC in establishing a better foundation for their work program and help the County engage in more efficient and effective marketing efforts. The development of the Targeted Marketing Plan reinforced and emphasized the fact that a significant "gap" exists in attracting targeted industry sectors to the area – the absence of "client-ready" manufacturing space or "product".

The idea to work toward the development of new client-ready "product" began to gain momentum following a presentation at the 2012 Economic Development Summit. Interest began to grow in the development of a major employment center that offered client-ready "product" in the form of a business park. Searching for available land was added to the EDC's work program and the EDC has been evaluating potential locations within the County ever since. Today, the EDC and Board of County Commissioners remain committed to the development of client ready space necessary to attract jobs and investment to Watauga County. The decision to create a "conceptual" master plan was made to provide elected officials, business leaders and county residents with a better understanding of the intended use and ultimately enable the creation of a well-planned employment center in Watauga County.

For a number of reasons, US Highway 421 is widely regarded as the preferred location for a regional employment center. Highway 421 is a major thoroughfare that is identified in long-range plans as an "economic gateway" corridor, where the County would especially encourage economic development activity. This corridor has many areas that are suited for increased levels of development because essential services and infrastructure can be provided here most efficiently. However, finding an "ideal" site in the High Country for such a development is difficult. Conventional wisdom leads the EDC to look for sites in much the same manner as professional site selectors when initially evaluating candidate communities. For example, is the site of sufficient acreage to ensure that current and future expansion needs are satisfied? Is the property close to higher density housing to provide an adequate pool of labor? Is there ready access to both customers and suppliers? Is necessary infrastructure in place to increase speed-to-market? Are there zoning, environmental or regulatory concerns that would increase a company's risk?

The Conceptual Master Plan for the Four Twenty One South Business Park attempts to answer these questions

Master Plan Context

The Master Plan will guide the planning, public investment and development of the property by giving structure to a vision for the ultimate development of the property and the building types that are desired both locally and by those primary and future targeted industries.

Highway 421 is planned as the primary transportation system connection. Minor side streets are often available to provide a secondary access point. An internal street network will provide access to individual development sites. Roundabouts at internal street intersections provide for efficient traffic control, internal directional signage, and for aesthetic appeal. Transportation planning needs are geared toward accommodating over-the-road trucks, delivery vans and passenger vehicles. Because of dangers inherent with mixing large and small vehicles in internal streets, transportation planning will attempt to effectively separate the two. It is also anticipated that pedestrian traffic will be accommodated and encouraged within the park.

The plan edges are designed to provide a buffer to surrounding land uses and function as passive recreation areas. Water quality measures include riparian buffers, protection of a water conservation area, and the use of Low Impact storm water measures. The plan envisions a multi-use trail system which will link internal development areas together and ultimately provide a fully-integrated recreation area.

More recent examples of research and technology parks demonstrate today's business preferences in facilities and infrastructure. Many of the newer parks are built with a density that enables an active pedestrian life. Some integrate residential and retail land uses in attractive mixed-use development areas. One thing is for sure, potential park tenants and owners are sure to be drawn to the region by its greatest strengths: an extremely high quality of life and a highly educated workforce. The population of the high country is highly-educated due to the strength of our institutions of higher education, including Appalachian State University and Caldwell Community College. A substantial portion of students here pursue studies in science, computer science, healthcare and technology-related fields. Graduates are well prepared for technology and research-based employment opportunities.

The EDC recognizes that this effort cannot fully anticipate or incorporate changes brought about through the community visioning process. It will therefore be important to engage the community with each step of the development process to ensure the vision being carried forward reflects the community's desires. In order to facilitate the development of individual properties within the park, specific standards will need to be in place to ensure the vision of this plan is being carried forward. The EDC recommends the establishment of reasonable requirements for the development of the property relating to land use, architectural features and site planning in the form of restrictive covenants. Proposed covenants and restrictions are found later in this document.

Master Plan Land Uses

In order to maximize the potential for the property the Master Plan is designed to accommodate diverse land uses identified in the Targeted Marketing Analysis for Watauga County. The following descriptions provide greater detail of these potential land uses.

Conservation

Natural areas including riparian buffers, steep slopes, ridge tops and intensely forested lands. Conservation areas provide for natural water quality preservation and function as potential storm water treatment areas. These areas also function as natural buffers between the park and surrounding land uses in addition to providing for passive recreation activities that contribute to the daily health, fitness and quality of life for those working in the park and living nearby.

Watauga's Existing Companies

Retention and expansion of existing companies in Watauga County is of primary importance. A majority of a community's new jobs and investment (approximately 80%) is created by existing businesses. Without space for these companies to grow, many will (and some already have) been forced to look outside of Watauga to expand.

Professional, Scientific & Technical Services

Flexible space intended for growth of Watauga's existing businesses, Entrepreneur training and development, and the EDC's recruitment efforts targeting identified Primary and Future Target market sectors, including:

- Computer Systems Design Services
- Research & Development in Biotechnology

This employment area would be ideal for services involving research and development with limited or no manufacturing. These sectors are generally considered "green" targets due to limited environmental impacts and limited infrastructure demands. Limited retail activity and/or related supporting businesses may be permitted as an ancillary use.

Computer, Electronic & Miscellaneous Product Manufacturing

Flexible space intended for growth of Watauga's existing businesses and the EDC's recruitment efforts targeting identified Primary and Future Target market sectors, including:

- Analytical Laboratory Instrument Manufacturing
- Surgical and Medical Instrument Manufacturing
- Surgical Appliance & Supplies Manufacturing
- Sporting & Athletic Goods Manufacturing

Development in this area is envisioned to project attractive building façades, with outdoor service activities, manufacturing, loading, and storage areas limited to the rear or the building. These industries project a clean appearance and are relatively quiet. External impacts from excessive noise, smoke, and odors are limited or non-existent. Limited retail activity and/or related supporting businesses may be permitted as an ancillary use. Larger scale office uses would also be included.

Agribusiness

Employment area supporting the production of agriculture and innovation in the agriculture industry. Locally, tree farms, nurseries, farmers markets, agricultural support businesses, greenhouses, and agricultural educational opportunities abound. In addition, Western North Carolina is developing a strong reputation in the bio-energy field with numerous alternative energy entities. This region remains well positioned to capitalize on green, sustainable, and innovative industry.

Master Plan Design Fundamentals

The park is intended to develop with sustainable design elements and attract (and retain) businesses suitable for our region. The street design will include pedestrian amenities, landscape features, and modern mobility considerations. Utility infrastructure will reflect changing demands. Above all, the plan seeks to reduce waste, pollution, energy use, and water consumption through sustainable practices shared by public and private entities alike. The following sections highlight actions that will ensure future development and land use activities within the park are created in a manner that supports the community's desires.

Thematic Design Elements

The park is intended to develop with a unified design theme which will include landscape design, building design/façade treatments, coordinated signage, and site lighting design to project a professional and harmonious character. Individual projects will be designed to include complementary elements used throughout the development.

Waste Reduction

The County encourages site development and building construction designed and managed to minimize waste to the County's landfill. Excess materials should be reused where possible. Individual business operations should be planned to ensure waste materials are sorted for recycling and reuse. Targeted businesses should reduce product packaging to the absolute minimum to allow for safe transportation and consumer purchase.

Pollution

Development projects should use locally available materials to reduce carbon emissions caused by transport where feasible. Storm water generated from paved surfaces should be adequately cleaned and filtered before being discharged into the natural system. The transportation system should encourage transit use, pedestrian and bicycle travel, and carpooling.

Energy Conservation

Individual buildings should be sited and oriented to capitalize on solar exposure to lessen energy demands related to lighting and heating. Landscaping along exterior building walls should provide both shade and cooling in the summer and protection from the winds in winter. The County will encourage the design of buildings with architectural features that utilize sunlight for interior illumination. All business will be encouraged to explore opportunities to install solar PV and wind harvesting elements on new structures to offset energy consumption and to capitalize on their large surface coverage.

Water Conservation

Landscaping material should be limited to native and drought tolerant plant species. The County will encourage the collection of rain water for irrigation and toilet flushing purposes and request that businesses utilize water efficient utilities (i.e. toilets, sinks, showers and the like).

Master Plan Common Elements

The Roadways

The High Country region in general enjoys excellent transportation access. US Highway 421 is one of several major highways currently serving the region. As the park name implies, Highway 421 will serve as the major access to and from the park. Roadways within the park will be designed and sized in anticipation of the transportation needs of targeted sectors. Right of ways will include space for multiple telecommunications / fiber optic lines, natural gas lines and underground power lines.

Transit

Because of limited available options, most people will drive to and from the park in the near term. However, planning for transit alternatives is essential as part of a sustainable vision for the future of the park and the region. Current development surrounding the park, along with new development drawn to the area as a result of the park, will tend to help support transit ridership in the area.

Utilities and Infrastructure

This plan recognizes that development in the park will depend upon sufficient and sustainable infrastructure. The Highway 421 corridor is generally well served by power and telecommunications. In the long term, the water supply might be subject to potential risk from seasonal drought. Managing water use in a sustainable way is therefore critical. A wide range of possible green initiatives for water and energy resources can provide sufficient, reliable and efficient utility support for the park over the long term.

Pedestrians

Internal circulation will include accommodations for pedestrians, bikes and greenways. The Plan anticipates that structured parking will be integrated into development and used for most parking in the long term. At the outset, surface parking areas would be planned in such a way that future development accompanied by garage construction can build upon the established street grid and embrace the transit circulation

Gateways

The plan includes recommendations for unique and uniform gateway signage and landscape elements as a means to further promote the presence of the park within its larger context. Gateway signage can help give the park a greater identifying physical presence. The focus for gateway enhancements will be at the main park entrances off the major highway.

Rendering



Conservation Elements

Key Elements: passive recreational activities, public parks, multi-purpose trails (with potential connections to regional assets), visual buffers, protection of riparian corridors (and other natural environmental assets), treated storm water discharge (utilizing Low Impact Development techniques),



Low Impact Development
Effective
Economical
Flexible
Adds value
Achieves multiple objectives
Follows a systems approach
Makes sense



Riparian Buffers
Trap Sediment
Remove nitrogen, phosphorus
Moderate temperature
Provide stream bank stability
Reduce storm water impacts
Provide aquatic habitat
Provide wildlife corridors



Multi-Purpose Trails
Provide transportation options
Promote healthy lifestyles
Provide recreational opportunities
Promote economic development
Promote history and culture

Professional, Scientific & Technical Services Elements

Key Elements: accommodate targeted sector uses, provide parcel size flexibility, design with a unifying theme including compatible architectural styles and building materials, business incubator space, local learning and teleconferencing center,

Sample Architectural Styles And Building Materials

(See Local Architectural Styles pg. 11)



Computer, Electronic & Misc. Product Manufacturing Elements

Key Elements: accommodate targeted sector uses, attract skilled higher wage employment opportunities, limit industrial activities producing excessive noise, odor, light & vibration, accommodate large scale office uses, provide parcel size flexibility, design with a unifying theme including compatible architectural styles and building materials, effectively screen outdoor service areas, accommodate semi-trucks and delivery vans,

Sample Architectural Styles and Building Materials



Local Architectural Styles



Cheap Joes Art Stuff Boone, NC



BREMCO Boone, NC



Federal Express Boone, NC



Charleston Forge Boone, NC

Sample Covenants and Restrictions

FOUR TWENTY ONE SOUTH BUSINESS AND TECHNOLOGY PARK COVENANTS

KNOW ALL MEN BY THESE PRESENTS that the Watauga County, North Carolina, as the owner of the lands described below, in order to assure the public and future owners of parcels included in said lands being developed as a Business and Technology Park by the Watauga County Economic Development Commission (the "EDC") and the orderly and compatible development and use of said lands, hereby declares that the lands described below and the building parcels and/or lots resulting from subsequent divisions or re-divisions of said lands, shall be subject to the following provisions, restrictions and covenants, which shall run with the land, intending hereby to preserve the value of the lots and parcels contained within the area described below. The EDC has, and is continuing to undertake, the development of certain lands located in Watauga County for the Four Twenty One South Business and Technology Park (the "Park") and incident thereto, has imposed certain covenants and restrictions on said lands and may further impose covenants and restrictions on additional lands if acquired in the future. All further references in this Declaration of Covenants and Restrictions to the term the "Park" shall be deemed to mean those lands specifically subjected to this Declaration of Covenants and Restrictions. If these covenants address matters set forth in Watauga County ordinances, the more restrictive provision shall control.

DESCRIPTION OF LAND

The land which is subjected to these restrictions and which the EDC is undertaking development of for a Business and Technology Park is more particularly described as follows, to-wit: Four Twenty One South Business and Technology Park, and any future lots which may be created by further division or re-division thereof by the EDC.

1. GENERAL PROVISIONS.

It is the intent of this declaration that all structures and uses erected, enlarged, added to, altered, used, and maintained shall be designed, constructed and used so as to meet all applicable State of North Carolina laws and administrative codes pertaining to building construction, sanitation and local ordinance authority, and so as to provide for a compatible and aesthetically pleasing development. No building or improvement shall be erected, placed or altered on any building site in the Park until the plans and use for such building or improvement, including site plans, landscaping plans, building plans and specifications, have been approved by the Park Architectural Review Committee. All proposed construction shall be continuously undertaken and/or completed within one year of commencement. Alternative and redundant energy systems and methods, such as wind, solar, and geothermal, are encouraged to generate energy on-site, primarily for the principal use on the site or for other principal uses within the Park. Use of parcels covered by these covenants shall be occupied only for uses permitted and approved by the EDC and shall be limited to trades or industries of a restrictive character which are not detrimental to the Park or to the adjoining properties by reason of appearance, noise, dust, smoke, odor or similar condition as hereinafter provided. The following uses, not intending hereby to limit by enumeration, shall be prohibited:

1. Quarrying.
2. Junkyards or Salvage Yards.
3. Forges, foundries, refineries, concrete and plaster manufacturing and assemblage, asphalt plants or any similar use, the normal operation of which causes objectionable noise, odor, dust or smoke.
4. Any other use, not specified, the normal operation of which causes objectionable appearance, noise, odor, dust or smoke.

2. LOT DEVELOPMENT.

All improvements, structures, additions or alterations shall be thirty (30) feet to the R.O.W. line on any park street or road. Side yards shall be a minimum of fifteen (15) feet set back on each side of a structure to the side lot line. Corner lots shall have a side yard designated on the face of the site plan and such yard shall be a minimum of fifteen (15) feet distance from the side lot line. Rear yards shall be a minimum of thirty (30) feet from the rear lot line. Setbacks for lot edges adjoining designated open spaces shall be a minimum of thirty (30) feet. The combination of all building structures, all parking, driveways, loading areas and other paved areas shall cover no more than sixty-five percent (65%) percent of the total lot area. At least thirty-five percent (35%) of the total lot area shall be green area.

3. PARKING AND ACCESS.

- a. Parking of vehicles (other than passenger vehicles) or storage of products or equipment shall be prohibited at all times within fifty (50) feet of any street right-of-way. Parking of passenger vehicles shall be prohibited at all times within thirty (30) feet of any street right-of-way; however, the EDC Architectural Review Committee may reduce the setback for passenger vehicle parking to twenty (20) feet, provided suitable landscaping is provided between the parking lot and the street right-of-way.
- b. One circular drive may be permitted in front of the building; however, any parking of vehicles other than passenger vehicles must be at least fifty (50) feet from the street right-of way along said circular drive.
- c. All driveways and parking areas shall be paved and constructed with materials meeting the accepted standards of the construction trades.
- d. Parking lots shall be subdivided by landscaping so that no uninterrupted parking expanse exceeds one-half acre. Parking rows shall be separated from perpendicular drive lanes by a landscaped island or peninsula that extends the full length of the parking stall. All landscape islands, areas, and buffers, shall have a minimum width of eight (8) feet to ensure the long-term viability of trees planted there.
- e. Landscaping and earth berms shall be utilized to shield parking areas from public rights-of-way. A minimum of fifty (50) percent of the plant material used for screening shall be evergreen in order to promote year round screening, except where berms are also used as a means to provide all-season screening.
- f. Bicycle racks shall be provided on each site.
- g. Walkways shall be provided to connect the building entrance to the parking lot and the public sidewalk. Where these walkways cross parking areas and driving lanes they shall be clearly identified, either with different paving materials, such as brick or colored concrete (preferred) or with painted crosswalk striping.
- h. All landscaping, drives, parking lots, and walks shall be completed within six (6) months of construction of the building, or within six (6) months of paving of the street serving the property, whichever is later.

4. BUILDING DESIGN.

- a. All buildings shall be sited, designed, and constructed in such manner as to provide an aesthetically pleasing development, emphasizing building styles, designs, and materials that reflect local architectural vernacular, reinforcing a professional Business and Technology Park theme, and that promote sustainability, energy-efficiency, and environmental responsibility.
- b. Buildings under two stories are encouraged to establish vertical elements along the street facing façade, and for the elements within the façade.
- c. New buildings shall be designed to be compatible with nearby buildings within the Park, without discouraging creativity in design or promoting uniformity or monotony in architectural styles. Factors such as exterior materials, height, transparency and landscaping of the neighboring facility shall be considered in the design of a new building.
- d. No buildings shall be designed with long, uninterrupted, horizontal blank walls facing any public right-of-way. The primary entrance of the building shall face or be visible from the public right-of-way that provides principal access to the lot.
- e. Where possible, buildings shall be oriented along an east-west access to gain maximum use of natural light. All principal buildings shall also incorporate features to promote energy efficiency and environmental responsibility, including but not limited to transom or roof windows/skylights to promote natural light, alternative energy options such as building mounted wind turbines or solar panels, green roofs, and use of recycled and locally-sourced building products. Buildings that are "LEED-certifiable" are encouraged.
- f. The front and side wall of all structures facing a street shall be faced with at least thirty percent (30%) decorative masonry or other material approved by the Architectural Review Committee after review of plans submitted by applicant. Side walls of a structure facing a yard shall have the aforementioned material percentage facing extended for a minimum distance of twenty (20) feet or to a natural dividing point approved by the Architectural Review Committee. Walls facing interior side and rear yards shall be finished in materials complimentary to the facade facing the streets. Exposed concrete blocks are discouraged but may be used upon approval of the Architectural Review Committee. Brick, natural stone, wood and glass are the only allowed primary materials for building exteriors, however, articulated flattened architectural grade metal panels (not corrugated metal) and metal shingles may be approved by the Architectural Review Committee if it finds that they can be incorporated into the building design as an attractive, efficient and cost-effective way to define building forms in a contemporary or modern way.
- g. Buildings shall provide for an active street environment by providing a minimum of twenty-five (25) percent clear glass at the ground floor façade facing the primary public right-of-way. The use of reflective or dark-tinted glass at ground level is strongly discouraged. Buildings that include both office space and research or production space requiring privacy from the public right-of-way shall be designed with the office use oriented along the street façade.
- h. Accessory buildings and ancillary structures such as fences, walls, and dumpster enclosures shall be designed to be architecturally compatible with the principal building on the lot.
- i. All buildings shall at all times be kept clean and in good repair, condition and appearance.

5. LIGHTING.

Exterior lighting shall be designed to provide uniform illumination with low glare. All exterior lights shall be full cut-off, dark-sky compliant fixtures. Parking lot and driveway fixtures shall not exceed thirty (30) feet in height. Pedestrian pathway lights shall not exceed fifteen (15) feet in height. LED or equivalent low-energy lighting is preferred on all external lighting fixtures. Electrical reflectors, spotlights, floodlights and other sources of illumination may be used to illuminate buildings, landscaping, signs, and parking and loading areas on any site, but only if they are equipped with lenses or other devices which concentrate the illumination

upon such buildings, landscaping, street graphics, and parking and loading areas. All lighting shall be directed away from residences and public rights-of-way and other public lands.

6. OUTDOOR STORAGE.

Outdoor storage will be limited to containers for periodic collection of refuse and recyclables only, within enclosures that provide for full screening of the refuse and recyclables. Approval of other outdoor storage or outdoor service areas must be obtained prior to the issuance of a Certificate of Occupancy for the primary building or any addition thereto.

7. FENCING.

No chain link or barbed wire fencing shall be allowed within the Park. Wooden stockade and similar types of solid fencing is discouraged. All fence design and materials shall be subject to review and approval by the Architectural Review Committee. Fences are not permitted to extend beyond the minimum required street yard, or in case of a greater setback, shall not extend beyond the front of the structure into the street yard. Corner lots may have fencing extending to the minimum street setback requirement and shall not extend into the street yard in front of any structure.

8. LOADING AREAS.

Loading areas and docks shall be secondary elements of any principal building, focused in locations and provided with screening in a manner that minimizes their visibility from public rights-of-way and adjoining properties. Loading areas shall not be permitted in the street yard or along any façade facing public street areas, except that loading docks located at least one hundred fifty (150) feet from the street right-of-way may be permitted with the specific approval of the Architectural Review Committee and where such loading docks are extensively screened from the public right-of-way. All loading areas shall be screened from view from public right-of-way through the use of landscaping, berms and walls, or methods otherwise approved by the Architectural Review Committee.

9. LANDSCAPING.

- a. Landscaping of the building site shall be accomplished so as to enhance the aesthetic and architectural beauty of the principal building, contribute to the park-like setting of the technology park, and emphasize native and sustainable planting schemes. All landscaping shall be approved by the Architectural Review Committee prior to installation.
- b. All plant materials shall be nursery grown. Landscaping designed to conserve water resources and to minimize use of herbicides and pesticides shall be emphasized within all landscape plans. Use of bioswales, rain gardens, prairie plantings in lieu of lawn, and native planting solutions are encouraged. Decorative berms with organic shapes are encouraged.
- c. The street yard setback areas shall be entirely graded, sodded and seeded and properly landscaped between side lot lines and from the public road to the building facades, excepting only such areas as may be required for driveways, sidewalks and permitted parking areas. See also "Parking and Access" standards above.
- d. Landscaping may include ponds and/or storm water detention and/or retention basins or areas that are intentionally designed to provide an aesthetic element to the site, subject to the approval by the Architectural Review Committee.
- e. The entire parcel of land under each ownership shall have all vegetation maintained, replaced where dead or dying, and kept in good appearance at all times.

10. DRAINAGE CONTROL.

Prior to any site development, a storm water management plan, site grading plan, and erosion control plan shall be approved by the County Property Development Coordinator, who shall transmit his or her decisions to the Architectural Review Committee. No land shall be developed and no use shall be permitted that results in flooding, accelerated erosion or sedimentation on adjacent properties. All runoff shall be properly channeled into a storm drain, watercourse, storage area, or other storm water management facility.

11. SIGNS AND BILLBOARDS.

No sign shall be erected or maintained on the Property except in conformity with the following:

- (a) All signs required shall be subject to approval by the Architectural Review Committee and shall meet applicable standards of the Watauga County Sign Ordinance.
- (b) All signage shall be designed in a manner that reflects the architectural theme and materials of the principal building on the lot.
- (c) The Architectural Review Committee may require a degree of uniformity in sign type, placement, and styles within the Park in an effort to foster a compatible or contemporary theme, while still allowing creativity in individual sign designs.
- (d) The base of all ground mounted signage shall be attractively landscaped in a manner that relates to the overall landscape plan for the lot.
- (e) Signs shall not be painted directly on the outside wall of a building, nor are they permitted to be painted on a fence, tree, stone or other similar object.
- (f) Offices, warehouses and other buildings with multiple businesses may construct a directory sign which must receive Architectural Review Committee approval.
- (g) Signs shall be restricted to advertising only the person, firm, company or corporation operating the use conducted on the site or the products produced or sold therein.
- (h) Signs may be illuminated subject to the Architectural Review Committee approval.

12. UTILITY CONTROL.

Except where integral to on-site energy generation systems, all utilities, including all electric power, telephone and other communication equipment, gas, water, storm and sanitary sewers, excepting electric power lines exceeding [] KV?, shall be underground. The location of the utility shall be subject to approval by the Architectural Review Committee.

13. RUBBISH AND WASTE MATERIALS.

No rubbish shall be burned on the premises except in an incinerator designed and approved for such purposes, meeting all appropriate state and federal air emission standards. All waste materials shall be located and kept in containers for pick up or proper disposal. Storage of waste materials shall not exceed thirty (30) days on any lot. All waste material storage areas shall be fully screened from view from public rights-of-way and adjacent properties through the use of landscaping, berms and walls, fences, or methods otherwise approved by the Architectural Review Committee. All waste storage areas shall be located at the rear of the building, except where an alternate location better meets these objectives as determined by the Architectural Review Committee.

14. MECHANICAL EQUIPMENT.

Mechanical equipment mounted on the roof shall be screened and/or positioned in a method that is architecturally compatible with the building and set back, providing screening from public view. All ground-mounted equipment shall be screened from public areas.

15. NOISE.

To reduce external noise associated with businesses with the Park, a maximum external decibel reading of fifty (50) db at the property line must be maintained.

16. RESALE OF LOTS.

In the event a land owner, other than the County, elects to sell any portion of the undeveloped land which is not being used in connection with his or her business, the same shall be first offered for sale, in writing, to the County at the price per acre paid for such land when such land was purchased from the County, together with the costs of any special assessments paid from the date of purchase of said land from the County to the date of closing if purchased by the County. The County shall have ninety (90) days from the date of receipt of such offer to accept or reject the same, unless, an extension of the time may be mutually agreed upon and set forth in writing. Acceptance or rejection of any such offer shall be approved by the Board of County Commissioners. In the event the County accepts such offer, the owner shall convey title to said land to the County by Warranty Deed free and clear of all liens and encumbrances, except these covenants, conditions, and restrictions, recorded easements for public utilities approved by the County, rights of the public in roadways as laid out, dedicated or used, deferred unpaid special assessments for public improvements, if any. Seller shall be responsible for prorated real estate taxes for the year of sale through the date of sale; Owner shall provide, at Owner's expense, a title insurance policy insuring the County as the owner upon repurchase for the full amount of the repurchase price. In the event the County rejects any such offer and said owner proceeds with the sale of any portion of its undeveloped land to a third party, said conveyance shall be subject to the continuing provisions of this paragraph and said third-party purchaser, if it in the future elects to sell any portion of the undeveloped land which is not then being used by it in connection with its business or industry, shall be required to again first offer said portion for sale in writing to the County at the price paid per acre for such land by the initial purchaser from the County, together with the cost of any special assessments paid by owners of said lands from the date of the original sale by the County to the date of repurchase, all on the same terms and conditions as first set forth above; it being the intent that the County shall have and retain a continuing right to repurchase undeveloped lands under this paragraph.

17. RECAPTURE AND RESALE OF LAND.

A. If an Owner other than County of any lot does not commence construction of a building or buildings thereon within two (2) years after the date of purchase of said lot, the County shall have the option to repurchase said lot. Exercise of the Option shall be affected by a resolution adopted by Watauga County Board of Commissioners. So long as said owner has not commenced construction of a building or buildings on said lot, said Option shall be exercisable by Watauga County upon delivery in writing of a notice to said Owner at any time after the expiration of said two (2) year period, or such longer period as may be agreed to in writing between said Owner and Watauga County. Closing shall take place within sixty (60) days following the exercise of said Option on said date as shall be designated by the County in said Notice of Exercise or on such later date as may be agreed to in writing between said Owner and the County. In the event the County exercises its Option to Purchase contained in this paragraph, the purchase price to be paid by the county shall be computed at the price per acre paid for such land by the initial purchaser of said land at the time of purchase thereof from the County, plus any special assessments paid by the Owner of such land from the date of purchase of such

land from the County to the date of closing of the repurchase by the County under this paragraph. In the event the County exercises its Option to repurchase hereunder, conveyance shall be Warranty Deed from said owner to the County free and clear of all liens and encumbrances, except County ordinances, the provisions of this declaration and any amendments hereto, recorded easements for public utilities approved by the County, rights of the public in roadways as laid out, dedicated or used, unpaid future installments of special assessments for public improvements, if any; owner shall be responsible for prorated real estate taxes for the year of closing through the date of closing; owner shall furnish to the County, at Owner's expense, a title insurance policy for the full amount of the repurchase price insuring title in the County upon consummation of said repurchase in the condition called for above.

B. Nothing contained in this paragraph shall be deemed to give the County a right of first refusal or option with regard to lands which have been improved by the construction of a building or buildings thereon, it being intended that the Option provisions set forth above shall apply only to vacant parcels and that the owner of any lot which has been improved by the construction of a building or buildings thereon shall have the right to sell all of such property as one parcel together with the improvements thereon.

C. Any proposed subdivision or re-subdivision and any sales of parcels or portions of parcels resulting in change or adjustment of lot lines must be approved by the Architectural Review Committee.

18. DURATION OF COVENANTS AND RESTRICTIONS AND EXTENSION THEREOF.

The covenants, restrictions and provisions of this declaration shall apply to the parcels herein described and, upon subsequent re-divisions thereof, shall also apply to all such resulting additional lots and/or parcels, and shall be considered covenants which are to run with the land and shall be binding upon all parties and persons claiming under all parties for a period of ten (10) years from the date this declaration is recorded, after which time, said covenants, restrictions and provisions shall be automatically extended for successive periods of ten (10) years, unless within either the original ten (10) year term or any successive ten (10) year term, an instrument signed by the then owners of the lots or parcels then subject to these covenants and restrictions holding a majority of the votes (as hereinafter defined) and approved by the EDC has been recorded agreeing to terminate these covenants, restrictions and provisions, and in the event of amendment of these covenants, restrictions and provisions in accordance with the provisions of paragraph 16 hereof, the same shall continue in force as so amended, in like manner for the balance of that ten (10) year term, and shall in the same way be automatically extended for successive ten (10) year periods. In determining voting rights hereunder, one (1) vote shall be counted for each developed lot or developed parcel, and if there is more than one (1) owner of any such developed lot or developed parcel, the vote allocated to such developed lot or developed parcel shall be divided between said owners according to their percentage of ownership interests of record. Any lot or parcel owned by the county shall be included in such voting, with one (1) vote for each such separate lot or parcel; however, in the event any such lot or parcel owned by the county is greater than [] acres, then the county shall have a number of votes with respect to such larger parcel equal to the nearest whole number arrived at by dividing the number of acres contained in such larger parcel by the number twenty (20). Those votes of the County shall be exercisable and cast by action of the EDC. Each owner, with the exception of the County, shall be limited to a maximum of one (1) vote.

19. ENFORCEMENT OF COVENANTS.

Any disputes involving these covenants shall be decided by the Architectural Review Committee. The enforcement of the restrictions and covenants contained in this Declaration of Restrictions shall be by proceedings of law or in equity against any person or persons violating or attempting to violate any covenants, either to restrain violation or to recover damages with such election at the option of

the enforcing party. Such proceedings may be commenced by any owner or owners of parcels then subject to these restrictions and covenants or by the County.

20. AMENDMENT OF DECLARATION OF RESTRICTIONS AND COVENANTS.

Except as hereinafter provided, the within restrictions and covenants may be amended by a written instrument executed by the then current owners of lots or parcels then subject to these restrictions holding a majority of votes as determined under the provisions of paragraph 14 hereof and approved by the County. Notwithstanding the foregoing, any amendment or modification of the provisions of paragraph 1 of these covenants and restrictions which would result in said provisions being less restrictive shall require that said written instrument be executed by 100% of the owners of the lands then subject to these restrictions who would be entitled to vote under the terms of paragraph 14. Any such amendment shall be effective upon the recording of such amendment in the Office or Offices of the Register of Deeds for the County which the real estate which is then subject to these restrictions is located.

21. VARIANCES.

Where, in the judgment of the Architectural Review Committee, it would be inappropriate to apply literally the provisions of these restrictions and covenants because of unusual circumstances or because exceptional or undue hardship would result, the Architectural Review Committee may waive or modify any requirements of sections 2 through 9 inclusive hereof, subject, however, to the following: (a) Not less than ten (10) days prior to the date of consideration of such waiver or modification by the Architectural Review Committee, written notice specifying the proposed waiver or modification and the time, date and place when the Architectural Review Committee will consider such proposed waiver or modification shall be mailed to the then current owners of all of the lots or parcels then subject to these covenants and restrictions who would be entitled to vote under the terms of paragraph 14, utilizing for such mailing purposes the most recent addresses for such owners contained in the assessment rolls of the County; (b) In the event written objections to such proposed modification or waiver executed by a majority of the owners who would be entitled to vote under the terms of paragraph 14 are delivered to the County Clerk prior to the time and date of the meeting at which the Architectural Review Committee is to consider such waiver or modification, such waiver or modification may not be approved or granted by the Architectural Review Committee.

22. EXPANSION OF LANDS SUBJECT TO THESE COVENANTS AND RESTRICTIONS.

The City of Whitewater reserves the right to subject additional lots and parcels of land to these covenants and restrictions by written instrument specifying that such additional lots or parcels are so subjected hereto. In the event any additional lots or parcels are so subjected to these covenants and restrictions, such additional lands shall then be deemed to be parcels or lots subject to these restrictions and, thereafter, the then current owners of such additional lots or parcels shall have the same rights and obligations as the owners of the lots or parcels initially subjected to these restrictions and covenants.

23. SEVERABILITY AND INVALIDATION.

Invalidation of any of the covenants or restrictions herein set forth, or as hereafter existing by way of amendment or modification as herein provided, by judgment or court order, shall in no way affect any of the other provisions hereof, which shall remain in full force and effect, nor shall any such judgment or court order render inapplicable the provisions of these covenants and restrictions to persons or circumstances other than those held invalid by such judgment or court order.

Economic Impact of the Current Industrial Park

In September 2014, a report was prepared by the Center for Economic Research & Policy Analysis at Appalachian State University. The report evaluated the economic impact of the current 45 acre Watauga County Industrial Park. The Industrial Park was developed during the 1980s and is currently home to 9 distinct businesses. Many of these are highly successful "homegrown" companies specializing primarily in manufacturing, production, and distribution.

The report demonstrated that the presence of Watauga County Industrial Park **directly** supports 257 jobs held by Watauga County residents with earnings of \$9 million, and approximately \$35.5 million in annual economic output. Through secondary spillover and multiplier effects, these direct onsite operations then **indirectly** generate further effects that are captured in the economic model. Overall, taking into account the multiplier effect, the total impact of the existing industrial park on the Watauga County economy is 387 jobs, \$51.3 million in economic output, and \$13.6 million in additional labor income. Another 169 jobs in the park are held by workers who reside outside Watauga County, thereby contributing to the regional economy.

Measuring the Economic Impact of the Existing Watauga County Industrial Park

November 2014

Center for
Economic Research
& Policy Analysis

Appalachian State University

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Executive Summary

The purpose of the study is to evaluate the economic contribution of the existing Watauga County Industrial Park, located in Boone, NC. As some of these companies would still likely locate in Watauga County absent the Industrial Park, the impact estimates are not intended to capture the economic activity that would be lost to the County absent the Industrial Park, but rather provide a measure of the total economic contribution to the County from the Park complex as it exists today.

The existing Industrial Park is 45 acres in size and was developed during the 1980s. At a size of 286,806 total square feet, the Park has a total building assessed value of \$7,305,000, providing over \$32,000 annually in property taxes to the County. The park is home to nine distinct businesses, employing 426 workers that specialize primarily in manufacturing, production, and distribution sectors.

The report demonstrates that the presence of the Watauga County Industrial Park directly supports 257 jobs for workers that live in the county with earnings of \$9.0 million, and approximately \$35.5 million in annual economic output. Through secondary spillover and multiplier effects, these direct onsite operations then indirectly generate further effects that are captured in the economic model. Overall, taking into account the multiplier effect, the total impact of the existing Industrial Park on the Watauga County economy is:

- 387 jobs;
- \$13.6 million in additional labor income; and
- \$51.3 million in economic output.

It should also be noted that presence of the Industrial Park doesn't just benefit Watauga County, but also adjacent counties and beyond. The measured economic impact of the Industrial Park would be greater when analyzing the economic effects over a larger geographical scope.

For example, if the counties immediately adjacent to Watauga were included in the analysis, both the direct and secondary impacts of the Industrial Park on the larger regional economy would be greater. The direct effects would be increased because more of the direct salaries earned from employment in the Industrial Park would be captured in the model. On its own, this would create greater secondary effects, but also, as the regional economy is widened, there

would be fewer leakages (imports), so the overall economic contribution of the Industrial Park to the larger region would be more significant.

I. Introduction

Watauga County has a dynamic and diverse economy that is driven primarily by the presence of Appalachian State University, but also thriving year-round tourism, a regional medical center, and a robust service sector. To some extent, these economic sectors (albeit principally Appalachian State University) provide a stabilizing influence on the regional economy. While no region is recession-proof, the University's presence in particular provides a buffer to recessionary pressures and a platform for post-recession recovery. This is evident from the recent experiences from the Great Recession (2007 – 2009). While the downturn reduced employment across all counties in the region, the percent increase in post-recession employment levels has been approximately 1.5 times greater in Watauga County than the wider western North Carolina region, indicating a stronger local recovery.

Watauga County also has a handful of principally wholesale and manufacturing businesses that are successful “home grown” companies that manufacture and distribute items such as leather products, wood furniture components, indoor metal furniture and specialty paint systems. To help facilitate opportunities for companies like these to locate and/or expand in the area, Watauga County Industrial Park (WCIP) was developed in the 1980s. While for many years now, WCIP has made positive economic contributions to both the local community and region, the general lack of quality available sites in the area is seen as a major impediment for attracting more companies to the area to foster future economic growth. The analysis detailed in this report examines the economic impact of the nine businesses located in WCIP on the local Watauga County economy as a means to assess the current impact of the existing Industrial Park.

The nine WCIP companies as of 2013 are:

1. Carroll Companies (Warehousing) has been in business over three decades. The corporate office is located in Boone, NC. Their industry consists of textiles and leather goods.
2. Charleston Forge (Manufacturing) is a family owned American maker of fine furniture using time-honored skills with a sense of handiwork and attention to detail that no machine could match.

3. Cheap Joe's Art Stuff (Wholesale) established in 1985, provides an array of art supplies. Its facility covers an area of more than 20,000 square feet and features a workshop and outlet store.
4. Goodnight Brothers (Food processing and shipping) has been in operation since 1948, and produces traditional country ham in Boone, NC. The firm provides a variety of hams. Some of its distributors include Dan'l Boone Brand Ham, Blue Ridge Country Ham, BoJangles Country Ham and Hardee's Country Ham.
5. Highland International (Manufacturing) was founded in 1989, and is privately held. The business is categorized under the paint, varnish, and supplies merchant wholesalers industry.
6. Molecular Toxicology (Medical Manufacturing) has been in operation for more than a decade and it is also known as Moltox. The business has been providing pharmaceutical companies, contract research organizations, academic institutions and testing laboratories throughout the world with quality products for research and testing. Moltox manufactures products for invitro and genetic toxicology, S9, metabolic activation products, prepared bacteriological media, reagents and custom prepared media. Headquartered in Boone, N.C., the company is privately owned.
7. Mountain Times Publications (Printing) was founded in 1972, and serves a special niche, covering community news and entertainment events happening in the Watauga County region. Currently there are nine publications produced under Mountain Times Publications, such as Ashe Mountain Times, The Avery Journal, The Blowing Rocket, Watauga Democrat, The Mountain Times, All About Women, Winter Times, Summer Times and Autumn Times.
8. US Buildings (Manufacturing) has been a factory-direct provider of the advanced clear span protective buildings in the United States for more than 25 years. It maintains a 50,000-square-foot facility that features a fully automated, computer-aided manufacturing line that creates high-quality products. The company employs various architects and engineers to develop its arch system. U.S. Buildings constructs small

backyard shops and garages and recreational, agricultural, commercial and housing structures. Its buildings are improved for ventilation and airflow and insulated in order to reduce heating costs. The company also provides various arches, service doors, end walls, ventilators and skylights. U.S. Buildings is stationed in Boone, North Carolina, and Deerfield Beach, Florida.

9. FedEx (Transportation warehousing) is recognized as the world leader in the express transportation sector, with the combination of their air ground and IT networks, which together provide you with the best logistics and distribution solution to enhance competitiveness in the global economy. One of the important factors contributing to the success of customers is their innovative warehousing solution.

Data on 2013 employment figures and related salaries were provided by eight of the nine companies. To include the missing data in the analysis, conservative estimates of employee counts and average market salary estimates for the relevant economic sector were used.

II. Methodology

The purpose of the research is to estimate the annual economic impacts arising from the presence of the Watauga County Industrial Park on the Watauga County economy. To conduct the analysis, we construct a 20-sector regional input-output model that investigates the effects of the direct impacts of the Industrial Park. The 20-sector model was constructed to present results at a two-digit North American Industry Classification System (NAICS) level of aggregation. NAICS is the standard used by Federal statistical agencies in classifying business establishments when analyzing statistical economic data.

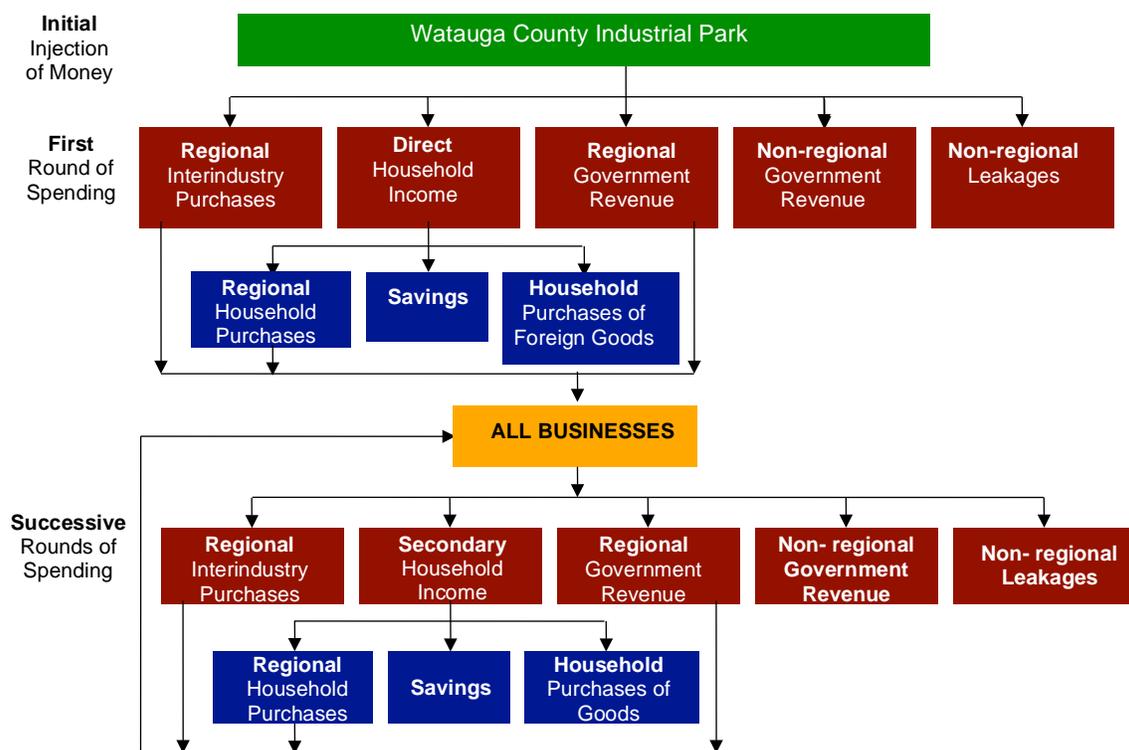
Each year, WCIP provides injections of money into the economy in the form of labor income to the employees and owners of the nine companies. Further, the local economy benefits from injections of funds for capital expenditures in the form of building and infrastructure construction, and furniture and equipment, although from a modeling perspective, these are one-time foregone expenditure flows and so, not included in the analysis.

The details of the construction of the input-output model are presented in Appendix I. The essential element of the input-output model is that it captures all of the economic linkages in the

regional economy and by so doing is able to compute the final effects of an injection of a dollar to the regional economy. The process works by means of a “multiplier” which aggregates the effects of the dollar circulating through the various sectors that comprise the regional economy.

The economic effects of these injections of money consist of the direct impacts of the local spending and the subsequent indirect impacts as these dollars circulate through local businesses and are, in turn, spent locally again. The initial injections of money and subsequent spending would not occur in the region in the absence of WCIP. The total impact is the net effect of spending, considering that some leakage of spending will occur to domestic and international trade. These funds do not remain in the local economy and do not contribute to indirect or induced spending.

Figure 1. The Multiplier Process



The multiplier process is a key component of the input-output model and provides conceptual insights into the relationship between direct and indirect effects. Figure 1 is a graphical

representation of the multiplier process that results from the operation of the nine WCIP companies in the regional economy. These expenditures are disbursed in five different ways. The three local (regional-level) recipients of the disbursement will continue to spend this money in the same five ways over successive rounds of spending. Money that flows to non-local governments and other non-local leakages (intermediate purchases from non-regional suppliers, and non-regional employees) have no further impact in the regional economy. The initial expenditures associated with WCIP system have a ripple effect through the economy as successive rounds of spending magnify its impact. This is the principle of the multiplier.

The multiplier analysis used in this study captures the full effects (direct, indirect and induced) of the DCR on the economy. These effects are described below.

Direct Effects.

Direct economic impacts consist of the jobs and payroll created by the nine companies that make up WCIP.

Indirect Effects.

Indirect impacts consist of the additional jobs and payroll created when WCIP companies purchase goods and services from the many diverse businesses that support it. These businesses include equipment suppliers, construction services, transportation services, management services, food services, and many other types of support businesses. The indirect impacts include both the payroll of the support businesses themselves, and the additional payroll created when employees of the support businesses spend their wages throughout the local economy.

Induced Effects.

Induced effects consist of the additional payroll created throughout the economy when the employees of WCIP companies spend their personal incomes on consumer goods, other property, services and taxes. As a result, more economic sectors benefit from the presence of WCIP than the direct sectors. Via induced effects, for example, as employees spend their earned income on local groceries or property, the retail sales and real estate sectors also derive a benefit that otherwise wouldn't exist absent the companies at WCIP. These effects are captured as induced effects and are components of the final total economic impacts.

III. Direct Impacts and Adjustments

Employee data were provided for eight of the nine companies that make up WCIP. Commensurate salary data were provided for seven of the nine companies. For the single company that did not provide data, a conservative estimate of the number of employees was used, together with the commensurate industry average salary for that particular economic sector. Data on employee residency were also provided. In total, WCIP employs 426 workers. As the model estimates impacts for Watauga County alone, all employees that reside outside of the county, and therefore take their income outside of the region of interest, were removed from the analysis. There are 169 workers that reside outside of Watauga County. Further, salaries are adjusted downward by subtracting the taxes paid to the federal government and the contributions to retirement incomes. The former are direct leakages out of the region.¹ The latter are deferred income that will be spent at some point in the future.

The total direct injections for FY 2013 to the Watauga County economy arising from the nine institutions of WCIP are **257 full-time equivalent jobs** or approximately **\$9 million** in labor income before adjustments for federal taxes and pension contributions. These direct impacts are entered into the input-output model as a vector of changes to Watauga County aggregate demand.

IV. Total Economic Impacts

Metrics

Economic impacts can be measured in different ways. Considering that the presence of WCBP creates jobs, a job count is an appropriate way to measure impact. It is also an intuitive concept and provides a broad measure of economic opportunities created for workers. However, it is worth noting that not all jobs are equal. Differences in industry structure between regions and differences in pay for similar jobs due to other factors (e.g., quality of life) may mean that jobs in one region are different from jobs in another region. Also, the number of jobs alone does not indicate whether the quality of employment opportunities has changed. Relying on job numbers

¹ Although some of these tax payments will undoubtedly be returned to the regional economy in the form of federal expenditures. We opted for a conservative measure and treated these taxes as a leakage.

alone would overlook the implications of creating low paying jobs at the expense of relatively higher paid employment.

WCIP's presence also creates labor income. Changes in labor income include changes in employee compensation and proprietor income resulting from changes in final demand. Employee compensation constitutes wage and salary payments as well as benefits including health and life insurance, retirement payments, and any other noncash compensation. Essentially, it includes all income paid to workers by employers. Proprietary income consists of payments received by self-employed individuals as income, e.g., includes income received by private business owners, doctors, lawyers, and so forth. Any income a person receives for payment of self-employed work is counted. Personal income, however, excludes net business income (profit) and therefore is an underestimate of the true income impact to the region.

Perhaps the most widely accepted measure of economic impact is the change in total industry output. The change in output attributable to WCIP represents the change in the annual value of production, by industry. Essentially, the change in output can be thought of as the increase in the value of sales plus or minus inventory. In addition, we also report federal tax revenues attributable to WCIP activities.

The Watauga County Industrial Park's Annual Economic Impact

The aggregate economic impacts attributable to WCIP, broken out by direct, secondary, and total effects are shown in Figure 2.

The total—direct plus indirect and induced—impacts are estimated to be \$51.3 million.

Figure 2. WCIP’s Annual Economic Impact on Watauga County

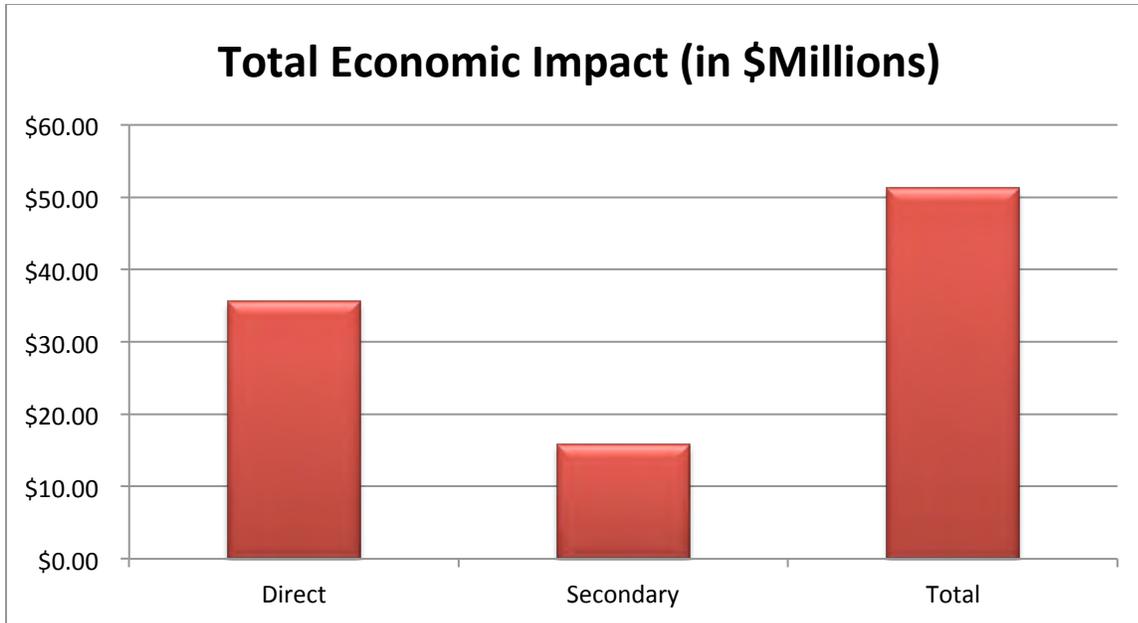


Table 1. Total Impacts, by Employment and Labor Income

Impact	Employment	Labor Income (\$Millions)
Direct	257	\$9.0
Secondary	130	\$4.6
Total	387	\$13.6

Table 1 demonstrates that WCIP directly and indirectly creates a total of **387 fulltime equivalent positions**. Further, WCIP’s activity adds an additional **\$13.6 million in labor income** (wages and salaries) to the Watauga County economy, which translates into an average net earnings per new position of approximately \$35,000. The additional economic activity associated with WCIP also yields **\$3 million in additional federal tax revenue**.

V. Concluding Remarks and Discussion

WCIP consists of a nine separate companies located in Watauga County. After correcting for leakages from the region, a conservative estimate is that the direct economic impacts (salaries) stemming in aggregate from WCIP were \$9 million in 2013. When these expenditures circulate through the local economy the multiplier effects add indirect economic impacts for a total impact to the regional output of \$51.3 million for the Watauga County. This equates to a total of 387 jobs in the county and \$13.6 million in labor income.

These figures represent a well-grounded estimate. The data were gathered from eight of the nine companies (with conservative estimates provided for the other one entity) to provide highly specific direct effects for the modeling process. Our objective is to present a measure that avoids the common mistakes found in many economic impact analyses, such as double counting direct impacts and jobs, and understating expenditures that immediately leave the region. Thus, we have made appropriate adjustments to the gross salaries paid to WCIP employees to subtract federal and state income tax. We employ Type II multipliers, which require only the assumption that subsequent round spending patterns match the patterns of the direct expenditures arising from wages and salaries paid by WCI.

It is also worth reiterating that the measured impacts are attributable solely to Watauga County. If the geographical scope of the analysis were expanded, to say, Watauga and all adjacent counties then the direct impacts would be greater (as more workers would live in the larger region of interest). Also, the secondary effects would be greater, again as a result of greater direct effects, but also as there would be fewer leakages from the region, and so, the multiplier effect would be augmented.

Appendix I: The Input-Output Model Methodology

The state economic model is based on the database generated by the Minnesota IMPLAN Group (MIG). IMPLAN is an input-output database that uses financial flow data generated from businesses' accounting data, and spending patterns for households of particular income levels, to describe the economic linkages that exist within an economy. These models begin with U.S. government-generated county level data on business purchases and receipts in order to model the inputs that are used from across the many sectors of the economy in the production of particular goods and services. These data incorporate adjustments using regional purchase coefficients accounting for leakages from the local economy. The IMPLAN database is available at the county and state level.

The IMPLAN databases report industry level transactions for 440 sectors comprising the structure of the state economy. As such, the level of geographic and commodity detail in IMPLAN can vary from production of printing ink, to storage batteries, to banking services in a geographic area as small as the county or as large as the national economy. It is typically useful to aggregate these data into a smaller number of sectors. Any aggregation scheme will, of course, sacrifice some of the information that would be available in the detailed data. However, the tradeoff is that the results of the impact analysis are much more accessible and can be evaluated more readily. The aggregation design used for this study is reported in Table 1. The input-output model used for the impact analysis is made up of 20 economic sectors that describe the entire economy of the county. These 20 sectors were derived from the original 528 using the IMPLAN aggregation utility.

The IMPLAN database covers the most recent year of data available - 2011.

TOP 10 FACTORS DRIVING LOCATION DECISIONS

Source: Area Development Magazine – 28th annual Survey of Corporate Executives, 1st Quarter, 2014

1. Skilled, Educated Work Force
2. Highway Access
3. Labor Costs re: union presence, local wage rates
4. Cost of New vs. Existing buildings
5. Good ICT/Broadband availability
6. Good Available Buildings
7. Corporate Tax Rates
8. Tax Exemptions/Incentives
9. Low Union Profile
10. Energy Availability and Costs

Notes:

1. Quality of life factors are considered separately; Low crime rate is highest ranked factor – if ranked along with the top 10, would replace low energy costs as # 10. Generally quality of life factors are “tie-breakers” between communities.
2. According to information provided by Advantage West Economic Development Group, 65% of new projects in Western NC (2012) were manufacturing, followed by data centers and distribution. 63% of companies preferred to relocate to an existing building, which is downward trend. To compete for projects, a community must have either affordable available land or usable buildings.

HOW DOES WATAUGA COUNTY MEASURE UP WHEN THE ABOVE FACTORS ARE APPLIED?

Watauga County certainly does not lack for “quality of life” attributes. Geographic location, beautiful scenery, clean air and water, four seasons of outdoor recreation opportunities, cool summer temperatures, and fall colors all make the County a desirable place to live and work. The presence of Appalachian State University is an exceptionally attractive quality. Also attractive is the prospering Appalachian Regional Health Care System, Samaritan’s Purse, and the award-winning public school system. Finally, the County has a much lower crime rate than does North Carolina as a whole, which as mentioned is the highest ranked quality of life issue among corporate executives.

THE POSITIVES:

1. Skilled Educated Workforce

Highly educated work force, active community college continuing education & skills training

3. Labor Costs

Low local wage rates, relative lack of unions – NC is “Right-to-Work” state

5. Good ICT/Broadband Availability

Availability throughout Watauga County

7. Corporate Tax Rates

North Carolina is phasing reduction of the corporate tax rate over a five-year period, and provides several attractive tax exemptions and incentives.

9. Low Union Profile

Low labor union profile (little if any visible activity)

10. Energy Availability and Costs

Energy availability and costs are not seemingly negatives however availability of natural gas could be a problem depending on location within the county.

THE NEGATIVES:

2. Highway Access

Interstate highways are at least an hour away, which is a negative, but US Highway 421 South (and US Highway 321 South in the near future) provides four-lane access to the interstates.

4. Cost of New vs. Existing Buildings

N/A

6. Good Available Buildings

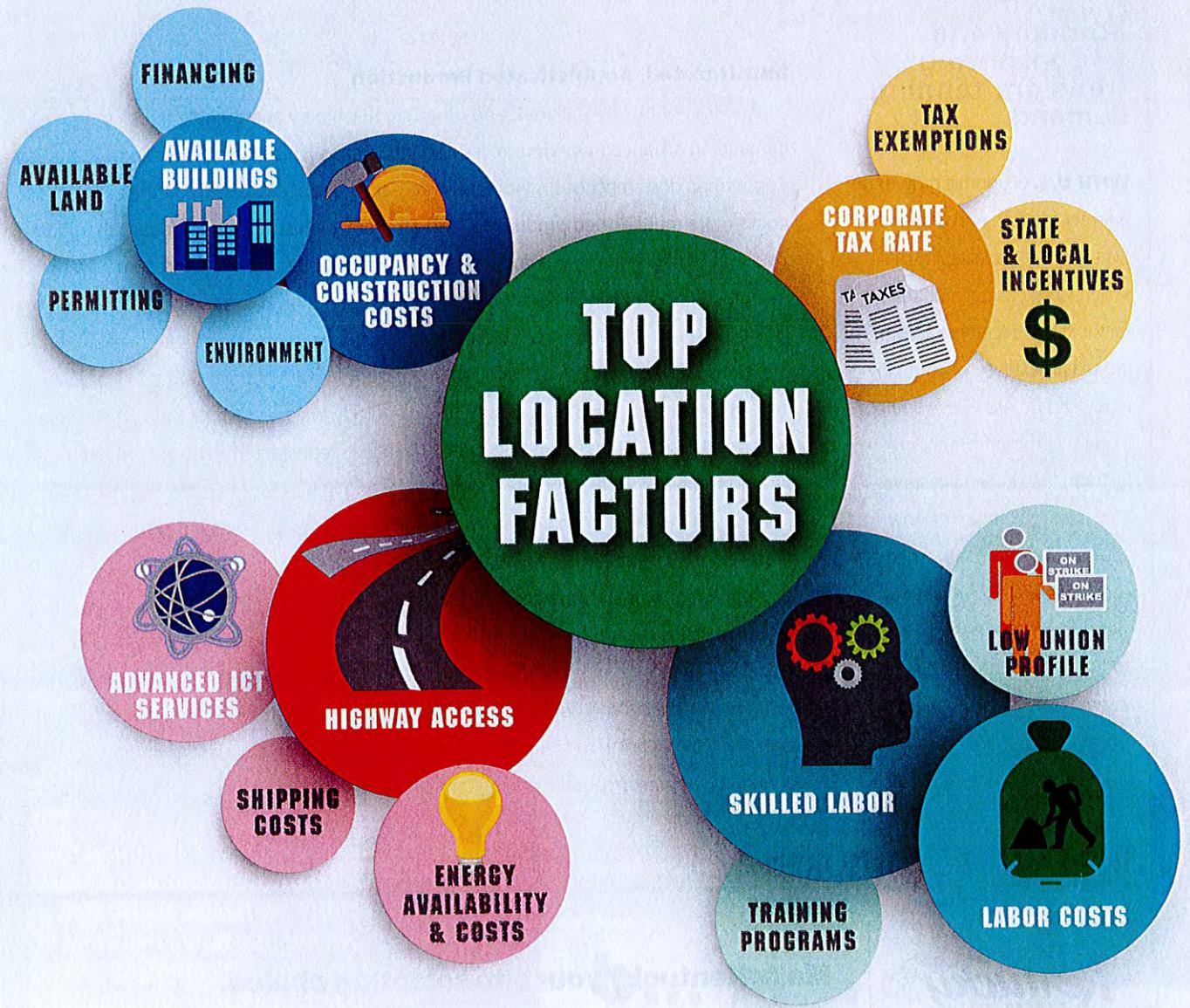
The County's most glaring shortcoming is the lack of "product", i.e. available buildings or land. While there are several small, commercial buildings available, they are not of the size, location, or design attractive for recruiting business such as manufacturing or research and development. Similarly, while an abundance of land is available, it is expensive and not located in a protected park setting, which is generally required by businesses considering relocation.

8. Tax Exemptions/Incentives

The County is limited as to tax incentives that can be offered, and does not have a formal incentive program applicable to business recruitment.

Top 10 Location Factors Driving The Decision

The articles in this section examine the top 10 site selection factors from our Q1 2014 **Corporate Survey** that determine where companies will locate/expand their facilities. There's an acute need for skilled labor and highway access is vital, but cost factors also figure prominently.



Factor articles written by Dale D. Buss



1

AVAILABILITY OF SKILLED LABOR

An Acute Need

A growing economy and an “onshoring” trend are fanning demand.

WITH U.S. economic growth on a firmer footing, and demand ticking up, the availability of skilled labor has become the #1 factor in site decisions, according to latest survey of company executives by *Area Development* magazine, rising from the #3 factor in the year-earlier survey.

Growing companies now apparently are more worried about adequately fulfilling demand than generating it. Also adding to the urgency of this criterion is that to the extent more U.S. companies are “onshoring” manufacturing that

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used to be done abroad — or businesses are locating factories and expanding in America in situations where previously they might have looked to Asia — the greater availability of skilled labor in the U.S. tends to be one of the most important attractions.

“If it’s a highly labor-intensive operation, it’s probably not coming back to the United States, but some of the things that are complicated types of manufacture and that are highly automated are,” says Dick Sheehy, director of Advanced Planning and Site Selection for CH2M Hill. “They need good, experienced, highly trained operators who can run complicated machines and automated equipment.”

Multifaceted, Sophisticated Production

And it’s not just cars, planes, and other big machinery and durable goods that are demanding advanced workforces. It’s also industries such as food processing, where Scott Kupperman does most of his work. In large part that’s because such businesses also are doing more multifaceted production, and on more sophisticated equipment, than before.

“That world is far more complex and automated, a lot more focused on innovation and manufacturing flexibility,” says the founder of Kupperman Location Solutions. “No one is making just millions of cans of chicken noodle soup anymore. Now there may be hundreds of different flavors, and lots of different ingredients, and eight different types of packaging. That means being able to change things quickly in your manufacturing operations. And the skill sets are different and more advanced. People need to be able to learn on the fly, and troubleshoot and modify a food-processing line — and that’s not your \$12-an-hour guy or girl. It’s someone who’s got significant training; it demands more sophistication. And our country is not rife with those people.”

Kupperman’s final comment underscores an unfortunate reality that also leads companies to stress the importance of the #1 factor: a shortage of qualified workers in many places in America, in areas as diverse as skilled tradespeople who assist manufacturing, to trained scientists and engineers who staff research-and-developments operations. In Oakland County north of Detroit, for instance, where many automakers, suppliers, and affiliated companies conduct and are expanding research, product development, and

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HIGHWAY ACCESSIBILITY

The Supplier/Market Connection

In-and-out is more important, but concerns are growing about highway quality.

JUST AS in the 2012 *Area Development Corporate Survey*, in 2013 highway accessibility ranked as the #2 most important factor to corporate executives. Certainly that reflects the crucial role of transportation costs and logistical efficiencies in a U.S. and global market with less and less margin for error in the supply chain.

HIGHWAY ACCESSIBILITY HIGHWAY ACCESSIBILITY

One reason this factor may be even more important is the continued sweep of just-in-time supply chains across the U.S. industrial landscape and the increasing consolidation of distribution and warehousing facilities. These two trends put an even keener edge on the ease of highway accessibility for the existing facilities that remain, and for larger new ones that are being built to handle broader geographic areas.

"A lot of companies are reducing the number of warehousing operations that they may have scattered around the country and building fewer but larger distribution facilities," says Dean Uminski, an executive in site selection consulting for Crowe Horwath LLP. "They need to be highly accessible; trucks need to be able to get in and out of there quickly; and they often need to be within one day's drive of a huge chunk of the U.S. population."

Infrastructure Investment Is Critical

If the *Area Development* survey were taken in the spring of 2014, later than its actual timing, another consideration might have been layered onto the others that make highway accessibility important: concerns about the nation's long-crumbling transportation infrastructure and which states and cities have been experiencing it most acutely, handicapping the companies and operations located there.

This year's record-harsh winter bashed many roadways, even principal ones like interstates, and left crucial economic lifelines in tatters — or at least enough damaged that they slowed activity for the rest of the year. Yet in Michigan, for instance, the governor and legislature were still debating a massive increase in funding to fix the state's crumbling roads and bridges, a problem that has become severe enough to put a crimp in its overall rising economic tide.

"If you think about the 10,000 miles across the state that your goods are moving on, a big chunk of them could be gravel, Michigan Department of Transportation Director Kirk Steudle recently told a crowd of CEOs and other business leaders from across the state.

This problem of an increasingly decrepit network of highways and bridges is true to one degree or another across the country, and politicians at the national level as well as at

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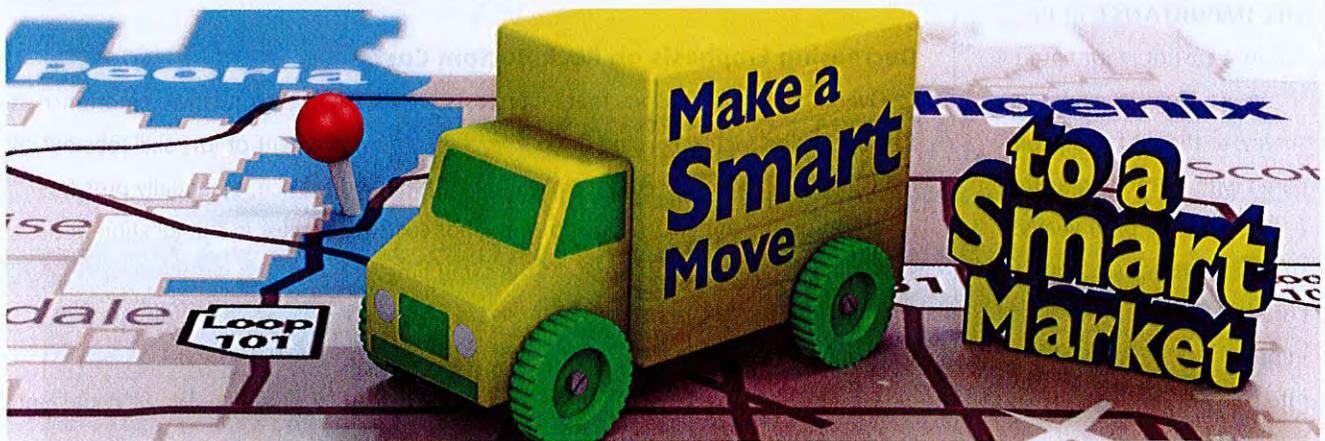
Most Cost-Effective State Highway Systems*

1. WYOMING
2. NEBRASKA
3. SOUTH DAKOTA
4. SOUTH CAROLINA
5. KANSAS
6. NORTH DAKOTA
7. NEW MEXICO
8. MISSISSIPPI
9. MONTANA
10. KENTUCKY

the state level have only paid lip service to the situation. States cut their budgets for spending on infrastructure by 3.8 percent in 2009 and by an accelerated 5.7 percent in 2010 and haven't made up much of the lost ground since the Great Recession officially ended.

Exacerbating the problem for site locators is the fact that the infrastructure crisis remains largely unabated, even while the gradual strengthening of the U.S. economy and a quickening pace of business expansion and construction is placing even more of a premium on dependable and efficient highway systems — a situation that hasn't been seen since the last time the economy was humming, mid-last decade, when all the roads and bridges were a decade younger. "We've seen a major uptick in industrial deals in the last two years, and highway accessibility and quality is important in those deals," concludes Eric Stavriotis, a senior vice president at CBRE's Economic Incentives Group.

*Source: Reason Foundation's 21st Annual Highway Report, which measures the condition and cost-effectiveness of state-owned roads in 11 categories, including pavement condition on urban and rural interstates, deficient bridges, unsafe narrow lanes, traffic fatalities, administrative costs, and total spending on state roads. The study's rankings are based on data the states reported to the federal government for 2012.



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3

LABOR COSTS LABOR COSTS LABOR COSTS LABOR CO

LABOR COSTS

The Costs vs. Quality Dilemma

Although still of great importance, labor costs have taken a back seat to other factors.

THE IMPORTANCE of the outright cost of labor eased in the latest *Area Development* survey, to the #3 factor, compared with its ranking as the #1 factor in the prior year's survey. Nonetheless, labor costs scored 90.8 percent in importance, the same absolute value as the year earlier, but lower in the rankings because survey respondents became more concerned about other things.

But labor costs remain a huge factor in many location decisions, and nothing illustrates this truth better than the monumental drama early in 2014 that determined where Boeing would build its 777X aircraft. The aerospace giant got proposals to host the massive program from 22 states and played off its own growing, lower-cost South Carolina operations against its relatively expensive unionized labor base in the Seattle area.

While many states propose millions of dollars in tax breaks and other incentives to lure airplane-manufacturing jobs, Boeing's decision came down to its two existing operations — and their relative long-term labor costs. It strong-armed the International Association of Machinists and Aerospace Workers into voting (51 percent to 49 percent) to approve a package worth tens of millions of dollars in wage, benefit, and retirement concessions to land the 777X for Washington. In doing so, Boeing called the bluff of union leaders and politicians who argued that Boeing wouldn't leave its Seattle-area skill base and existing infrastructure behind over something as baldly bottom-line-oriented as labor costs.

Decreasing Emphasis on Rock-Bottom Costs

Overall, there are reasons that labor costs are easing in their relative importance as a site selection factor. For one thing, the continued movement of low-skill jobs out of the United States, still bound for places like China and Mexico, essentially puts less emphasis on the appeal of rock-bottom labor costs as a factor in site location decisions among domestic locations. At the same time, the fact that labor costs in many low-wage countries are rising relative to U.S. levels eases some of the pressure on companies to secure the cheapest possible labor in America.

"There's also greater recognition that the quality of labor is increasingly important, and because with the economic recovery the availability of good people is getting tighter, companies are willing to pay more and are willing to be not quite as cost-sensitive," says Larry Gigerich, managing director of Ginovus.

Yet like Boeing, many companies still look intently at labor cost differentials.

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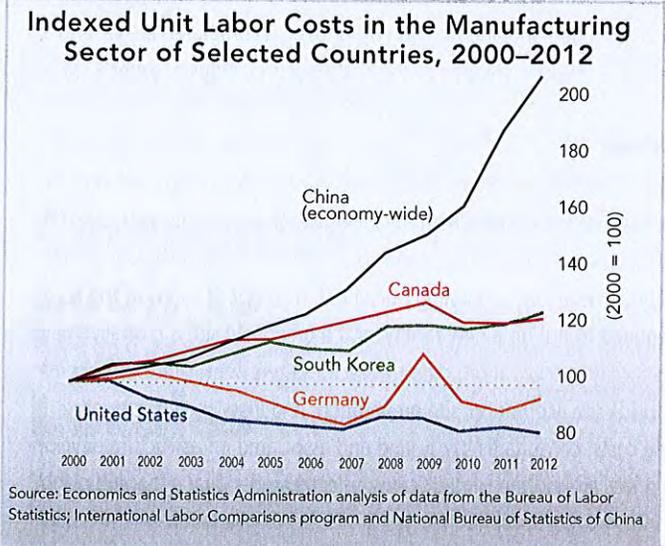
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Presumably that is what Reliance Worldwide, for example, did in deciding to open a new plant in Cullman, Alabama, to launch U.S. production of an innovative plumbing-connection system. In September, the Atlanta-based company announced that it would invest \$50 million to create 130 jobs over five years to manufacture its SharkBite system in the town where it already has a plant that makes other plumbing components. Previously, SharkBite was made only in Australia.

And while the company and Alabama officials cited the state's offer of employee screening and training as a lure, no doubt Reliance also was attracted by Alabama's low labor costs — notably, the consultants ranked

Alabama #1 for low labor costs in Area Development's Top States For Doing Business survey. This advantage serves as an anchor for the state, which has been happy to supplement with other attributes.

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4

OCCUPANCY/
CONSTRUCTION

On An Upward Trend

Land costs remain the biggest wild card, but construction costs have been rising as well.

OCCUPANCY and construction costs continued to be top of mind for site selectors, moving up one spot in the rankings in *Area Development's* latest Corporate Survey. Occupancy or construction costs also indexed higher on an absolute basis in the most recent version, with a score of 87.4 in 2013 compared with 82.8 in 2012.

The higher importance reflects not only the continued proportional significance of occupancy and construction costs in companies' overall cost equation, but also the fact that such costs are continuing to ratchet up as the U.S. and global economies proceed with

OCCUPANCY/CONSTRUCTION COSTS OCCUPANCY/CO

recovery at varying paces, increasing demand and nudging up prices. So companies are casting a more critical and anxious eye at this massive element of the cost equation, industry experts say.

Land and Construction Costs

Such costs typically are the second-most-important cost consideration for companies after the cost of labor, says Eric Stavriotis, a senior vice president at CBRE's Economic Incentives Group. Of course, some key options affect occupancy or construction costs, most crucially a company's decision whether to erect a new facility or move into an existing building. If a company can wait the several months or even few years required to put up a new facility, or if a greenfield site is crucially important for some reason such as facility specialization, then this factor enters heavily into its considerations. Construction costs include site acquisition, site preparation, and installing infrastructure.

The most variable of these costs, consultants say, is land and associated infrastructure development, because their varying prices around the United States reflect foundational geographic and economic factors as well as intra-market specifics that typically dwarf any variations in the actual costs of erecting a building.

"There are pretty significant differences in land costs across the country," notes Scott Kupperman, founder of Kupperman Location Solutions in Chicago, whose clients typically need sites for light manufacturing or distribution. Similarly, he says, pre-development, roadway, and other utility-infrastructure costs also can be highly variable depending on potential site locations. "One site may cost you \$1 million and another site might cost you \$7 million," he explains. "So land is more of a blank canvas, more of a question mark, and less predictable than the actual costs of construction going vertical." And, Stavriotis notes, land prices overall "have come back up after the recession."

Companies also have a lot to think about when it comes to construction costs per se. Those also have been rising lately and are "extremely high right now," Stavriotis says. "Money is still cheap, but if you look at what kind of risk a contractor has to take to build a building right now, from an insurance perspective, and what it costs to get the right [labor] trades to do it, that's expensive."

Meanwhile, occupancy costs also have been ticking up. A semi-annual survey by CBRE Global Research and Consulting found that global prime office occupancy costs, for example, rose by 2.3 percent year-over-year, and that the 3.3 percent increase in the Americas was the biggest boost for any region because the U.S. economy is re-emerging as one of the world's best-performing. Office demand by high-tech and energy-related businesses in markets such as Seattle, San Francisco, and Houston surged the most, with suburban Seattle posting the largest annual increase, 19.4 percent.

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5

ADVANCED ICT

Companies Look to Visionary Locales

"Unlikely" locales have become big players in providing this capability.

THE RISE OF "big data" in nearly every industry vertical has promoted continued importance of a robust information and communications technology (ICT) infrastructure as a site selection factor. In the most recent *Area Development Corporate Survey*, availability of advanced ICT services ranked as the #5 factor, with an importance score of 84.6 percent.

Corporate decision-makers now regard advanced ICT capabilities — telecommunications and wireless, Internet capability, fiberoptic networks, backup systems, and the software that integrates it all — as another aspect of infrastructure that now amounts to table stakes for potential locations, along with factors such as reliable

ADVANCED ICT ADVANCED ICT ADVANCED ICT ADV

electricity and sound transportation systems. Such capabilities are especially critical for certain kinds of operations such as data centers, shared-service facilities, and call centers. "It's one of those boxes that you need to be able to check," says Ginovus' Larry Gigerich.

Need for Operational Talent

In significant ways, the need for ICT capabilities in a locale is strongly related to the availability of a local workforce that can support a company's heavy reliance on high technology. The relationship reminds some corporate site selectors of how the industry was emphasizing a sort of precursor of IT talent, i.e., engineers, a decade ago.

"If you go back to projects from that era, one of the challenging tactical needs was to find engineering talent to work on a facility," notes John Morris, leader of Industrial Services for the Americas at Cushman & Wakefield. "Now there's the same sort of need for operational talent to work at a facility, but because the operations and automation in the building are so much more computer-driven, much of that need for engineering-operations talent has transited to the need for IT talent."

That helps explain why some of the cities that perform best in this criterion are America's well-established centers of high technology. These include Austin, Texas, and Provo, Utah, which are consistently ranked among the nation's top centers of high-technology startup and early-growth-stage activity. They were the first cities — along with Kansas City — to get Google Fiber, the company's nascent ultra-high-speed Internet service. And in 2014, Google announced that it is taking steps to expand the service to 34 other municipalities in nine metro areas: San Jose, California; Salt Lake City; Phoenix; San Antonio; Nashville; Charlotte; Raleigh-Durham, N.C.; Portland, Ore.; and Atlanta.

Atlanta is an example of cities that don't come to mind as digital hotbeds but already fare well in advanced-ITC infrastructure. The city supports a booming health-IT and medical-devices industry with companies such as McKesson Technology Solutions, C.R. Bard, and CardioMEMS. All told, Georgia leads the nation with more than 200 health-IT companies and more than \$4 billion in annual reported revenue.

Visionary thinking and leadership in ITC infrastructure also can vault some unlikely locales to the front of the pack in this factor. Chattanooga, Tennessee, is the best example of that. Thanks to the establishment of its ultra-high-speed Internet that began in 2008, the mid-size city has become home to a burgeoning local tech scene and the relocation of a number of businesses that have been drawn by the fast Internet and an accompanying "smart" grid. IT-services firm Claris Networks moved its 85-person operation from nearby Knoxville, Tennessee, to Chattanooga mainly because of the network. "It's logical for every city to do it, but that doesn't mean it's going to happen," Hunter Lindsay, Claris' regional director, told CNNMoney.



6

AVAILABLE BUILDINGS

Can't Get Much Tighter

Companies are now facing the bottom of the barrel in existing spaces.

THE SQUEEZE on vacant, existing facilities keeps growing as the U.S. economic recovery takes hold, which is why the available buildings factor climbed to #6 in the 2013 *Area Development* Corporate Survey from #8 in the 2012 survey — and from #15 in the 2011 survey! This criterion was rated 83.3 percent in importance.

The reason is clear: Now that we are in a clear growth mode, companies seeking industrial, distribution, R&D facilities, and office space increasingly are pressed to find existing buildings that will accommodate their needs. And companies are well aware of the vast cost savings they can realize if they somehow

AVAILABLE BUILDINGS AVAILABLE BUILDINGS AVAILAB

can locate and rehab an existing building rather than putting up a new one. "Most projects still prefer an existing building instead of taking the time and expense to build from the ground up," says Kathy Mussio, managing partner at Atlas Insight.

Scott Kupperman, founder of Kupperman Location Solutions, notes that "there were a lot more options with existing buildings during the recession. But in the past two years, quality buildings have been snapped up by developers, investors, and users. Meanwhile, many national developers are being far more cautious about starting to build right now. That is an issue, mostly because companies tend to not allow enough time from the point where they determine they have a requirement to the time they actually need to be in a building. They think it should take six months and it actually takes 14."

The Default Position

"The default position remains that if a company can find an existing building that will work for them, they can get into it faster and at a better price point, and that's the preferred approach," says Larry Gigerich, managing director of Ginovus. "The challenge we're starting to see in some markets — and that will grow in particular in the next 24 months — is the quality of what's left, particularly on the industrial side. We're getting down to some buildings that aren't in very good shape and won't work for many businesses."

Genova Products Inc. is one company that has managed to beat the increasing odds. It now is leasing a 100,000-square-foot factory in Paducah, Kentucky, that once housed Infiniti Plastic Technologies Inc. The maker of PVC pipe and fittings plans to grow from about 15 jobs currently to about 125 jobs there. "The building was constructed to create at least 100 jobs in the plastics industry and that's exactly what Genova is proposing to do," said an official of McCracken County.

In this environment, some of the most fortunate companies are those that can work with their own existing space to accommodate their needs for expansion. For instance, Smoker Craft Inc., a metal and fiberglass boat manufacturer, plans to invest \$4 million to expand its operations center in New Paris, Indiana, in the next few years by renovating and equipping its own 500,000-square-foot production facility there.

And with the uptick in the economy, U.S. warehouse vacancy rates also continue to decline, says Colliers International, which conducts a quarterly review. Vacancies fell over a period of six quarters to a nationwide rate of just 7.7 percent during the second quarter of 2014, the firm reported. The lowest vacancy rate was in the West; in Los Angeles, the rate dipped below 2.5 percent. At the same time, that region also booked 40 percent of net leasing activity and 25 percent of all transaction activity during the period.



7

CORPORATE TAX RATE

Lower Rates = Stronger Economies

But have we hit a “tipping point” in how low rates can go?

CORPORATE TAX rates remained a high concern for those corporate executives polled by *Area Development*, ranking #7 among the location factors. The ranking was identical to a year earlier, but the factor scored higher in importance, at 82.4 percent, up from 79.3 percent.

The reason was simple: a state’s corporate tax rate is usually a bedrock indicator of its business-friendliness and a simple but substantial number that has a huge long-haul impact on the financial performance of a new plant or other facility. Tax rebates and other incentives can offset the overall corporate tax rate, but only to a certain extent.

“The tax rate is something

CORPORATE TAX RATE CORPORATE TAX RATE CORPO

that is there for the long term,” says Dean Uminski, a site selection consulting executive for Crowe Horwath. “Incentives go away, but in the long term, you’re stuck with rates. And a number of states now are moving to revise their corporate tax structure and trying to attract business for the long haul without incentives. Other states are going to a single sales tax or an apportionment for income tax. So states that haven’t revamped their tax structures might be of less consideration to some companies.”

Indeed, company site selectors look at the broad array of taxes in a state — including personal income taxes, sales taxes, and even estate taxes, as well as corporate tax rates — when evaluating what kind of overall tax burden would come with a particular location. And in a number of states — including Ohio, Missouri, Colorado, Kansas, and Michigan — recently enacted packages have included substantial cuts in or restructuring of these other taxes.

But corporate tax rates alone are a telling indicator. In the aggregate of economic performance, which is an important criterion to companies considering sites, lower corporate tax rates outshine higher ones. The American Legislative Exchange Council evaluated 10-year economic-performance data for the 50 states and correlated that with the eight states with the lowest corporate income-tax rates and the eight states with the highest.

The conclusion: “States with low or no corporate income taxes are outperforming their high-tax counterparts.” Included in the former group were Nevada, Wyoming, Texas, Ohio, Alabama, North Dakota, and Colorado, whose top marginal corporate income tax rates averaged 2.46 percent — versus an average of 11.8 percent in the eight states with the highest such rates.

At the same time, however, states need to balance their desire for attractiveness on this score with other fiscal and economic priorities. In Kansas, for instance, the extent of incumbent Gov. Sam Brownback’s cuts in a variety of personal and business taxes became a lightning-rod issue in the 2014 re-election campaign because the cuts made it difficult for the state to fund all of its programs, and Standard & Poor’s even downgraded the state’s credit rating from AA+ to AA.

“We talk to C-suite people who say that we’ve hit a tipping point on corporate taxes now because of examples like Kansas,” notes Larry Gigerich, managing director of Ginovus. “They’re saying that there are basic services that governments provide, and if states cut taxes too much, they don’t have the revenue to do it. They want states to be able to pay for services and infrastructure and workforce development.”

And, of course, corporate tax rates have become a major issue on the global business stage. In 2014, a number of major U.S. companies proposed or carried out big acquisitions of foreign companies largely in order to qualify themselves for the significantly lower national corporate tax rates in other countries.



8

STATE & LOCAL INCENTIVES STATE & LOCAL INCENTIVES

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Special Lures Figure More Heavily

With big money at stake, states are more careful to make sure they are getting what they pay for.

THE IMPORTANCE of state and local incentives smashed up through the ranks of site selection factors to #8 in *Area Development's* most recent Corporate Survey from #13 a year earlier.

The emphasis on company-specific incentive packages rose in part because states have begun evening out their differences in important struc-

tural differentiators such as corporate income taxes. Plus, many companies now are finally opening their capital-expenditure purse strings after the long recession and its aftermath, and they are eager to strike the best deal for building facilities that have been dormant on the drawing boards for some time.

"Incentives have taken on an increasing importance weighting in the decision-making process," says Kathy Mussio, managing partner at Atlas Insight. "Since the 2008 recession, companies have been seeking ways to help increase project-cost feasibility on an initial go/no-go basis as well as to keep overall operating costs down on an ongoing basis."

Another reason for the greater interest in incentives, explains Eric Stavriotis, senior vice president at CBRE, is that most companies now have more flexibility about where to locate than, say, in the era before the Great Recession. "Incentives weren't as widely utilized," he says. "But now many companies can deliver what they make from everywhere. Incentives are more important for companies in figuring out the best place for them to be. And so states and localities want to be at that table."

Some High-Profile Cases

One of the highest-profile examples in 2014 of the importance of incentives was the \$1.25 billion package of tax and other incentives that Nevada offered Tesla to get the electric-vehicle company to build its so-called "gigafactory" for making batteries in the Reno area. Although the incentives package was not the largest offered to Tesla (San Antonio's was reportedly higher), when combined with other factors, it did help Nevada to win the plant which is expected to produce up to 22,000 direct and indirect jobs and inject up to \$100 billion into Nevada's economy over the next 20 years.

In this case, Nevada had to throw in a bunch of tax offsets even though the state has no corporate income tax. Instead, Nevada relies heavily on a sales tax, a tax on business machinery and equipment, and property taxes, as contrasted to some other states that competed for the Tesla complex that limit such taxes, including Texas. So more than half

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of the \$1.25 billion total in Nevada incentives consisted of a sales-tax exemption alone. "That's what they had to come up with just to be on a level playing field with some of the others," notes Dennis Cuneo, a partner at Fisher & Phillips.

There have been other huge incentive-laden deals lately, including South Carolina's promise to Boeing of \$120 million in exchange for adding 2,000 jobs at a factory near Charleston that builds 787s, and Volkswagen's deal for another \$178 million in benefits for adding 2,000 jobs at its assembly com-

TOP 11 Tax Incentive Deals Nationwide:

WASHINGTON: Boeing	\$8.7 billion
NEW YORK: Alcoa	\$5.6 billion
WASHINGTON: Boeing	\$3.2 billion
OREGON: Nike	\$2 billion
NEW MEXICO: Intel	\$2 billion
LOUISIANA: Cheniere Energy	\$1.7 billion
PENNSYLVANIA: Royal Dutch Shell	\$1.65 billion
MISSOURI: Cerner Corp.	\$1.64 billion
MICHIGAN: Chrysler	\$1.3 billion
MISSISSIPPI: Nissan	\$1.25 billion
NEVADA: Tesla	\$1.25 billion

Source: Good Jobs First

plex in Chattanooga, Tennessee. And, with the amount of incentives skyrocketing, more corporate site selectors are running into a greater determination by states to ensure that the deals end up generating sufficient numbers of jobs, with their long-term spinoff economic benefits, and not just a massive initial dose of capital investment. On the other hand, says Dean Uminski of Crowe Horwath, companies still want to be rewarded for making those investments through creative use of incentives such as upfront grants for land acquisition.



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9

LOW UNION PROFILE

Unions Still a "No-Go" Factor for Many

The rise of right-to-work has changed the equation.

HAVING a low union profile ranked as slightly more important in *Area Development's* latest Corporate Survey, up one position to #9. But in a similarly incremental sense, U.S. unions overall actually may have gained some ground over the last year.

If they had their druthers, most companies would prefer to locate and operate without unions because labor contracts typically add significant fixed costs and because their work rules deny important flexibility and efficiency in operations that increasingly must compete on a global basis. Unions also tend to stand in the way of building a cohesive company culture. "The perception of unions can be

LOW UNION PROFILE LOW UNION PROFILE LOW UNION PROFILE

debated all day long," notes Eric Stavriotis, senior vice president at CBRE, "but the reality is that a lot of management folks have been burned by them and they want to avoid them."

Kathy Mussio, managing partner at Atlas Insight, notes that union presence "can be a first-screen go/no-go to some companies, regardless of whether a state that is not right-to-work can demonstrate that it has very low private unionization rates." She adds, "The bottom line is that some percentage of companies will only consider right-to-work states."

Correlation Between Growth and Low Union Influence

Thus the addition of Indiana and Michigan to the ranks of right-to-work states over the last two years has given corporate site selectors more hope that they can avoid unions even in the traditional industrial Midwest, which has been a bastion for labor organizations for decades. It more readily puts these states into consideration, not only because of the lack of concern about union hamstringing per se, but also because there has been a strong correlation between economic vigor and lack of unionization.

In important measures — including net domestic migration, nonfarm payroll employment, personal income, and gross state product — the 23 right-to-work states (as of study date), on average, vastly outperformed not only the average of all states, but especially the average of 27 non-right-to-work states over the decade that ended in 2013, the American Legislative Exchange Council found. There's a similar correlation between the strongest growth states and low union influence: The nine states having union membership rates below 5 percent in 2013 were topped, in order, by North Carolina, Arkansas, Mississippi, South Carolina, and Utah, according to the Bureau of Labor Statistics.

Foreign Companies' Union Avoidance

Foreign companies establishing U.S. locations tend to be especially interested in avoiding unions, says Dick Sheehy, director of Advanced Planning and Site Selection for CH2M Hill. "Most American companies understand the union issue and make decisions accordingly, but we have to educate some international clients on what it means to have unions," he says. "A lot of them haven't been unionized and probably never will be."

Still, the pendulum that has swung so decisively against unions over the last few decades may be slowing or even beginning to shift the other way. For one thing, says John Morris, leader of Industrial Services for the Americas for Cushman & Wakefield, for company decision-makers, "the conversation around union avoidance is less significant now than it was a couple of years ago." Meanwhile, the bellwether United Auto Workers union is demonstrating new determination on issues including organizing southern auto plants and rolling back two-tier wages. And overall U.S. unionization in 2013 held at 11.3 percent, the same rate as in 2012, according to the Bureau of Labor Statistics.



10

ENERGY AVAILABILITY & COSTS ENERGY AVAILABILITY

ENERGY AVAILABILITY & COSTS

Factor Is Losing Currency

Rising supply and falling prices are easing this factor's importance.

THE COST and availability of energy has been dropping in importance as a site selection factor, ranking #10 in the 2013 *Area Development Corporate Survey*, down from its #6 position a year earlier. The drop seems to reflect a persistent weakness in natural gas prices as well as a steady rise in alternative-energy capabilities across the country.

A more relaxed attitude about energy costs and availability has taken hold in the corporate community, and a huge reason for that is the boom in U.S. hydrocarbon exploration and production, thanks to the revolution enabled by horizontal drilling and hydraulic fracturing. A resulting, nascent sense of national "energy security" has promoted everything from a plummeting in natural-gas

prices, to a lack of consumer panic about oil supplies despite geopolitical turmoil abroad, to a mini-boom in the sale of large SUVs that not so long ago were considered dinosaurs.

When it comes to site selection, too, "a lot of corporate decision-makers are now viewing America's position from an energy perspective as much better than in a long time," says Larry Gigerich, managing director at Ginovus. "There's more comfort about supply, at least setting aside coal-fired plants in certain parts of the country. In fact, from a natural-resources standpoint, the growing concern isn't energy but water."

Adds John Morris, leader of Industrial Services for the Americas for Cushman & Wakefield, "There is a general declining concern over energy costs in this country right now." Still, Morris notes, energy availability and costs "should remain a big concern" in the business, and "many people have sort of gone to sleep on that idea." There remain many reasons that corporate decision-makers continue to take a close look at the issue. Manufacturing plants and data centers are huge energy-users — so for that reason alone, energy remains a top-10 factor, says Eric Stavriotis, senior vice president at CBRE.

What's more, such energy-intensive projects will continue to keep the cost of electricity and the reliability of the grid in competing locations at the forefront of siting decisions. A large, capital-intensive dairy-manufacturing company, for example, recently was choosing from sites across six states in the Midwest and West with assistance from Dean Uminski, a consultant for Crowe Horwath. "They still had some concerns about the grid being outdated in some areas," he explains. "And they were seeing wider variations in electricity costs than in site and labor costs."

Recent Data

The most recent data from the U.S. Energy Information Administration underscores this caution. Average commercial electricity rates rose by only 4 percent in July 2014 for the year to date over a year earlier, to 10.69 cents/kwh from 10.25 cents/kwh. But rates in the contiguous 48 states were as high as 14.63 cents/kwh in the New England States and as low as 8.25 cents/kwh in the West South Central States of Arkansas, Louisiana, Oklahoma, and Texas — where economies also tend to be relatively healthy.

A rising interest of corporate decision-makers is the availability and cost of "green" energy such as solar power, wind power, and other renewables. Renewables already increased their share of global power production to 22.7 percent in 2012 from 18.7 percent in 2000, according to the Worldwatch Institute.

"Many of our clients want to be fully green or have a high profile of green," notes Dick Sheehy, director of Advanced Planning and Site Selection for CH2M Hill. "By definition, it's difficult for them to go to areas that have low energy costs because they're not green. But most companies are planning on cap-and-trade or some sort of carbon tax that will make hydrocarbons more expensive, so renewables will become relatively less expensive."

Combined Ratings CORPORATE SURVEY 2013*

Site selection factors	2013	2012
Ranking		
1. Availability of skilled labor	95.1	89.4 (3)**
2. Highway accessibility	93.5	90.1 (2)
3. Labor costs	90.8	90.8 (1)
4. Occupancy or construction costs	87.4	82.8 (5)
5. Availability of advanced ICT services	84.8	85.1 (4)
6. Available buildings	83.3	78.4 (8)
7. Corporate tax rate	82.4	79.3 (7)
8. State and local incentives	81.9	71.1 (13)
9. Low union profile	81.4	73.5 (10)
10. Energy availability and costs	80.8	81.3 (6)
11. Tax exemptions	80.6	75.4 (9)
11T. Right-to-work state	80.6	72.6 (11)
13. Available land	80.3	59.0 (18)
14. Expedited or "fast-track" permitting	76.3	67.2 (15)
15. Proximity to major markets	75.6	72.2 (12)
16. Availability of long-term financing	74.8	63.1 (17)
17. Environmental regulations	71.7	71.1 (13T)
18. Inbound/outbound shipping costs	70.9	63.7 (16)
19. Proximity to suppliers	67.7	54.9 (19)
20. Raw materials availability	60.5	49.7 (23)
21. Accessibility to major airport	59.4	52.9 (21)
22. Proximity to technical college/training	54.1	50.3 (22)
23. Training programs	51.5	54.7 (20)
24. Availability of unskilled labor	48.9	42.9 (25)
25. Railroad service	29.4	43.6 (24)
26. Waterway or oceanport accessibility	20.2	19.9 (26)
Quality-Of-life factors		
Ranking		
1. Low crime rate	80.9	79.3 (1)**
2. Healthcare facilities	79.7	69.8 (2)
3. Housing costs	75.3	66.9 (4)
4. Ratings of public schools	73.0	63.3 (5)
5. Housing availability	71.5	69.8 (2T)
6. Recreational opportunities	66.4	52.9 (8)
7. Colleges and universities in area	59.5	61.6 (6)
7T. Climate	59.5	55.0 (7)
9. Cultural opportunities	54.8	48.9 (9)

*All figures are percentages and are the total of "very important" and "important" ratings of the Area Development Corporate Survey and are rounded to the nearest tenth of a percent.
 **(2012 ranking)

Figure 32

Figure 32: Combined Ratings - Site Selection Factors

In response to a related question about types of incentives, more than 70 percent of the survey respondents say they consider tax incentives most important when making a location decision (Slideshow, Figure 41), and two thirds say incentives are very or somewhat important to a project moving forward in a particular location (Slideshow, Figure 42). However, slightly fewer than half say they have actually received and utilized incentives in the past. Of those that have, about half only received a quarter or less of the incentives initially estimated value

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