

# Transportation Considerations for Economic Development Projects

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DCMME Manufacturing Conference

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September 29, 2017



# Benefits of Economic Development

- **Increase tax base**
- **Provide opportunities for Hoosier workers**
- **Improve quality of life for community**
- **Job multipliers**



# Site Selection Factors Ranked

1. Highway Accessibility
2. Availability of Skilled Labor
3. Labor Costs
4. Occupancy & Construction Cost
5. State & Local Incentives
6. Corporate Tax Rate
7. Tax Exemptions
8. Energy Availability & Costs
9. Proximity to Major Markets
10. Quality of Life

Area Development's "31st Annual Survey of Corporate Executives"

[www.areadevelopment.com](http://www.areadevelopment.com)

# Top Three Factors

- **Highway Accessibility**
- **Availability of Skilled Labor**
- **Labor Costs**

## Other takeaways:

- **Quality of Life ranks high**
- **State & Local Incentives & Environmental Regulation are not ranked in top three**



# Request for Proposal



# Request For Proposal (RFP)

- **Company or economic development consultant submits RFP to state agencies and/or targeted communities**
- **The purpose is to gather data for calculating site costs and reduce options**



# RFP Criteria

- **Recruiting & training**
- **Transportation infrastructure**
- **Tax credits / exemptions/abatements**
- **Discretionary grant funding**
- **Permitting & inspections**
- **Water / sewer infrastructure**
- **Utility costs**



# Transportation

- Existing or planned road improvements are suitable for client's intended use
  - Access to interstate
  - Funding for improvements
  - Construction schedule
  - Site access during construction
- Rail provider feedback on suitability of site
- Port access
- Airport access
  - FedEx, USPS, UPS
  - Corporate jets





# Location Requirements Checklist

- **Inbound Shipments**
  - Identify raw material sources, locations, annual volumes, number of shipments, modes of transportation
- **Outbound Shipments**
  - Identify customers, locations, annual volumes, number of shipments, modes of transportation
- **Highway Proximity**

Biggins Lacy Shapiro & Co “Resource Guide: Selecting the Best Location for Your US Manufacturing Plant”



# RFP

- **Data is input into client matrix**
- **Items are weighted according to client needs & priorities**
- **The goal is to reduce number of communities under consideration for project**



# Site Elimination Process

	Site A	Site B	Site C
Transportation Costs	\$X/mile		
Labor Costs	$\frac{\text{wages+benefits}}{\text{\# of employees}}$		
Energy Costs	\$0.XX/kwh		
Capital Expenses (Land & Building)	Land = \$XX Building = \$XX		
	\$XX	\$XXX	\$XXXX

Key inputs are weighted, calculated & ranked per each site

# Economic Development is a Team Sport

- **Partnership between state & local communities**
- **Confidentiality & discretion is critical to success of project**
- **Incentives often play minor role in negotiations**
- **Reducing risk is critical**
- **Clients expect everyone to be on same page**



# Incentives



# Incentives

- **Incentives are designed to reward client behavior the generates taxes and employment**
- **Companies prefer reduction in upfront costs & tax-rate certainty**
- **Government prefers revenue-neutral tax incentives phased specific time over time**
- **Economic Developer's role is to close deal using fewest resources**



# We incentivize what we tax

## Locals tax real & personal property

- Tax Abatement
- Tax Increment Financing

## State taxes payroll & capital investment

- EDGE (payroll tax rebate)
- HBI (tax credit base on capital investment)



# Who pays for infrastructure?

- **Total costs need to be calculated prior to incentive negotiations**
  - **water**
  - **wastewater/sewer**
  - **road infrastructure / traffic signal**
  - **site work**
  - **gas/electric**
  - **broadband**





# Determine Incentive Package

- Calculate potential taxes generated by project
- Calculate costs to state & community
  - Infrastructure
    - Water, Sewer, Road, Building, Land
- Value of project to your community
  - Wages
  - Reuse of existing real estate
  - Diversification of economy



# Infrastructure Investments for Recent ED Projects

- Tesla: Nevada's \$1.3 B incentive package included \$100 million in infrastructure improvements to support the Gigafactory. NV will purchase the right of way needed to link Interstate 80 and U.S. Highway 50 to the plant site at the Tahoe-Reno Industrial Park in Storey County.
- Toyota US HQ: Texas fast-tracked North Tarrant Express, a \$2.5 B 13-mile super highway, to speed commuters toward the new Plano facility. The design-build was completed in less than five years when most projects of this scope can take triple that time.

<http://www.diversifynevada.com/news/news-articles/business-facilities-names-tesla-deal-of-the-year>

<http://www.digitaljournal.com/business/business/toyota-s-move-to-tx-to-boost-local-economy-by-more-than-7-bill/article/428256#ixzz4ty8BOsrd>



# Railroads

- All Class I Railroads have economic development staff focused on business attraction and optimal rail-served site development.
- Rail infrastructure financing depends on customer product, volume and frequency of service.
- Manufacturers seek out dual-rail served sites to reduce costs through negotiations with both railroads & other logistics suppliers



# Multi-Modal Transportation

- **Port service provides the lowest cost option for international shipments**
- **Indiana has two ports on Ohio River (routes to Pittsburgh, PA & New Orleans, LA) & one port on Lake Michigan (route to St Lawrence Seaway)**
- **CN & Indiana Rail established “all-rail” movement of trans-Pacific containerized freight to/from the West Coast Canadian ports of Prince Rupert and Vancouver, B.C.**
- **Access to Fed Ex & UPS is critical for manufacturers**
- **Direct flights may be key issue for customers & staff & executive team**



# Autonomous Vehicles

- **Electrification**
  - All major automotive companies are developing electric vehicles
  - Tesla & Emission Reductions
- **Autonomous Driving**
  - Google (Waymo), Apple, Intel (Mobileye), Uber & Volvo
- **Shared Mobility**
  - Millennials less interested in owning cars
- **Connectivity**
  - Platooning, Cummins engines
- **New Entrants**
  - Silicon Valley & OEMs partner on R&D

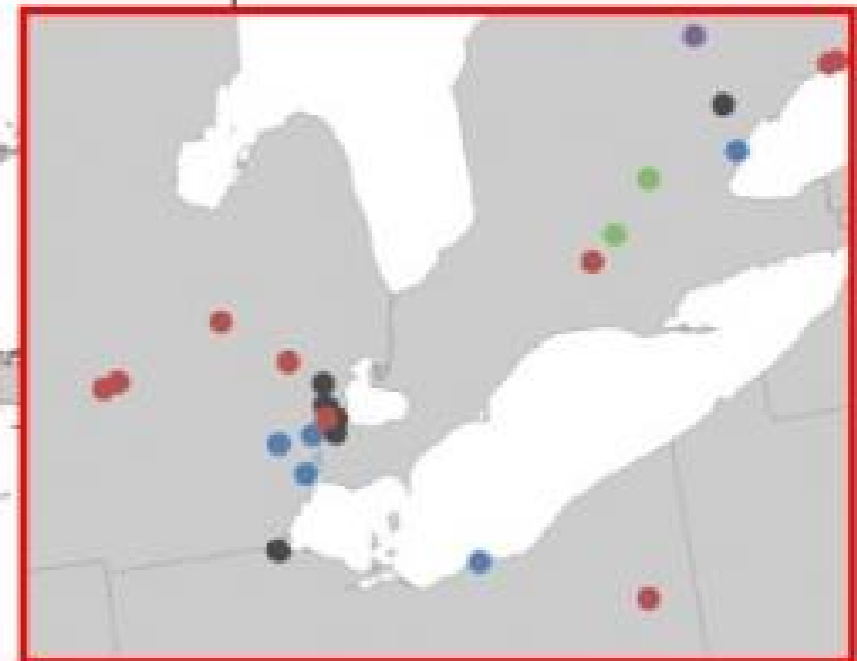
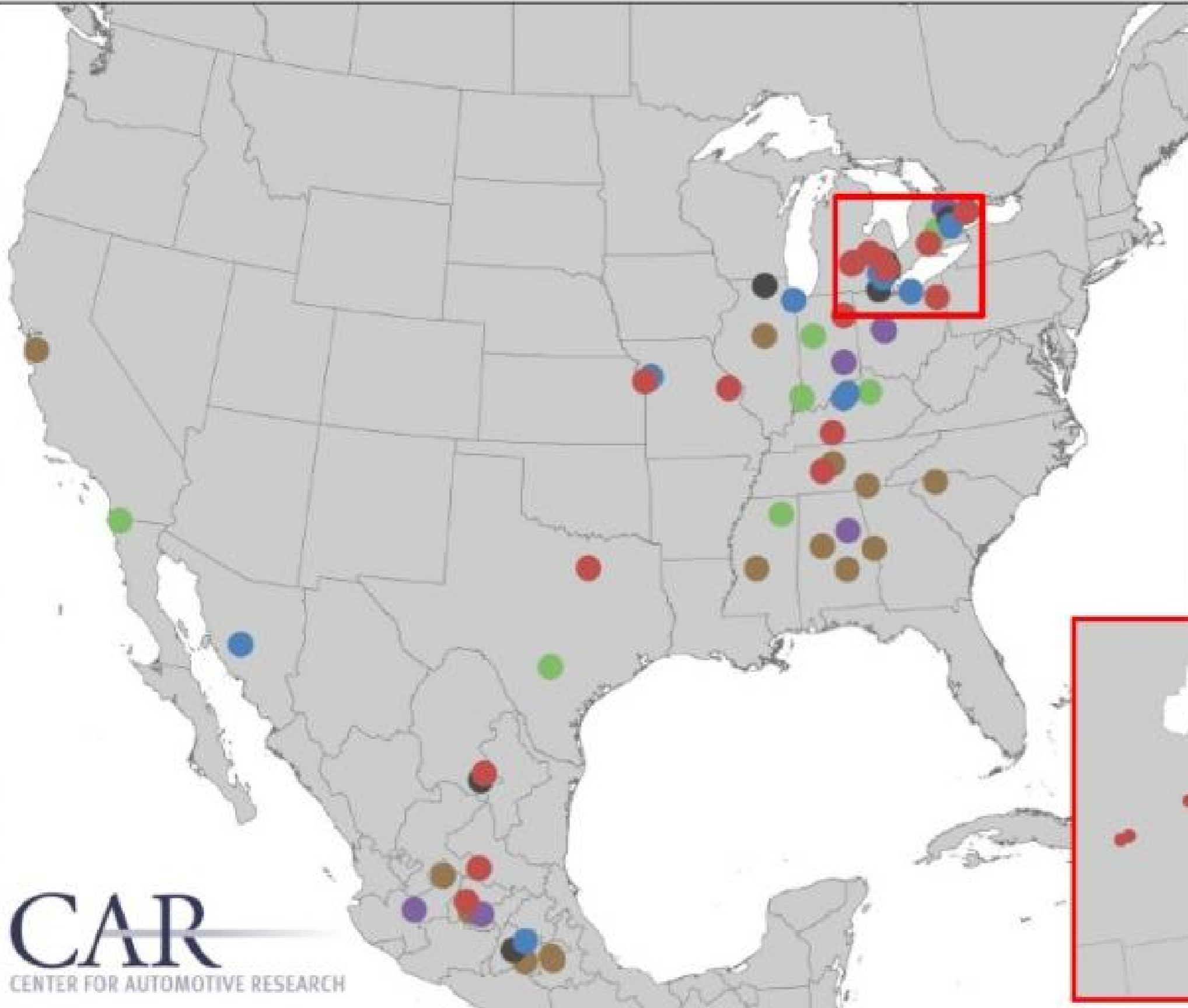
Area Development "The Automotive Industry: On The Eve Of Disruption"



# North American Automaker Plants: Assembly

## Legend

- Assembly
- Chrysler
- Ford
- GM
- Honda
- Toyota
- Others



# AV Economic Development Opportunities

## Growth Segments:

- **Hardware**
  - **batteries, electric motors, semi-conductor chips, cameras, radar, laser, lidar & other sensors**
- **Software**
  - **Communities with tech talent will attract new economic opportunities**

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# Contact Information

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