

Eye of the Beholder

**In the field of site certification,
there is no substitute for credible due diligence.**

Mark Williams likens a certified site to a cheeseburger.

"You know what you are going to get. You got your beef, your bun, lettuce, pickle, cheese. You have certain required essentials and there should be no surprises," said Williams, president of Columbia, S.C.-based Strategic Development Group, who has initiated certified site



Scott Kupperman
Senior Vice President
Epstein

programs in northeast Indiana and central and west Tennessee.

If only life could be so simple and straightforward. Scott Kupperman recalls visiting a "certified site" with a client in need of a future distribution facility. Kupperman, senior vice president of strategic services for Chicago-based architecture, interior design, engineering, and construction services firm Epstein, was surprised to say the least.

"There was an oil well in the middle of it. The property was also encumbered with an oil and gas lease in perpetuity. Suffice it to say, my client lost all confidence in that state's certification program. I said, 'So this is a site being hyped as certified by the state?'"

Cheeseburgers and oil wells aside, site selection consultants and economic development practitioners agree that the concept and terminology of a "certified site" is fuzzy and differs from place to place. And that inconsistency lessens the brand.

"Part of the problem is there is no national standard," said Jeanette Goldsmith, a principal with McCallum Sweeney Consulting. "There is no standard that says a certified site meets these 12 criteria. So what you find sometimes are places, consultants, states, engineers, where the work has not been done as thoroughly as it should be. The properties get a certified label associated with them and they're just not that good."

Three Basic Elements

The lack of standards means that "certification is in the eye of the beholder," said Bob Ady, president of Chicago-based Ady International.

"I've looked at the certifications being done by the various states and there is no real comparison. In some states, they don't even require that a community own or control the prop-

erty and the sites are being called certified,"

erty and the sites are being called certified," Ady said. "Some communities are certifying themselves, and I don't know what that means from an outside consultant point of view. Frankly, that doesn't hold much water with me. 'Let me guess, you passed.'"

Site certification in theory promises that a site can be developed faster and at less risk because certain due diligence measures have been completed and documented.

"The basic premise of a certified site program, whether you are certifying a site that is 75 acres or 2,000 acres, focuses on whether the site owner or the community has done enough homework on a site to know what it is going to take to get a project up and running," Goldsmith said. "So if it's a 100,000-square-foot facility that needs only 50,000 gallons of water and sewer a day, does the community know enough about the site, does it have enough information, has it done enough due diligence to say, 'Yes, we can get your project up and running in 12 months or 18 months and here is the documentation?'"

There are three basic elements that are essential to what can be a lengthy process of certifying a site, Goldsmith said.

The first, alluded to by Ady, is control of the property. Communities don't necessarily have to own the property, but they "need to have an option in place in order to pull the trigger, exercise the option and guarantee the site is going to cost 'X' thousands of dollars per acre," Goldsmith said.

Second, the property has to have the capability of being served by all utilities.

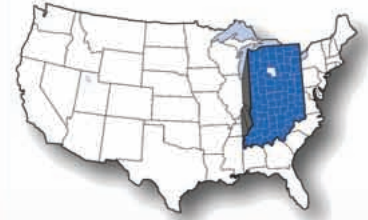
"We are not saying the county has to run water and sewer lines to every conceivable site in their county, but they do need to have well-developed plans," Goldsmith said. "Those plans need to be engineered and documented with price tags and schedules. That is so the prospect can say, 'Well, there is not water right here at my site but I can see on paper that it's only going to take you \$200,000 and three months to get that done.'"

Third, the site has to be developable. That means a community has done its homework, has completed the environmental phase ones, the wetland delineations, and endangered species study and can attest that this is a site where a building, parking lot and whatever is needed can be built in a timely manner.



Jeanette Goldsmith
Principal
McCallum Sweeney
Consulting

Logansport, Cass County, Indiana



"All that matters at the end of the day is that there is a plan in place identifying and mitigating any identified risks," Goldsmith said. "We are talking about documentation. We want to see engineered drawings, engineered estimates on costs and schedules, knowing how many linear feet of pipe will be needed and what size pump station is going to be required. We want to see it all down on paper."

DIY an Option?

Can communities effectively do all this due diligence work themselves, absent the presence of a private third-party consultant holding their feet to the fire?

Maybe, but what so often happens is that standards and requirements suffer and a laxness enters the picture when communities or states attempt to "self-certify" properties, said Mark Williams.

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— Mark Williams,
Strategic Development Group

You need to accomplish these things before we can certify your property.' A third party consultant can be that heavy," Williams said.

Conversely, more and more site selection consultants see the certification process as a revenue stream for their particular businesses. Still, they argue, their third-party role adds more objectivity and more credibility to the process. Self-certified programs will always be suspect.

"I would be suspect if someone advertised that they had a certified site and revealed that they were the ones who certified it. Obviously, that's a built-in conflict of interest," said Kupperman.

State self-certification programs lack credibility because the state "can really never divorce itself from its underlying goal, which is to obviously promote those sites and sell them," Ady said. "The consultant, however, is not trying to sell the site but rather evaluate it as it relates to his client's needs. It's more of an arm's length relationship."

Alabama has offered a hybrid system. Its third party judging system comes not from a single hired consultant, but rather a panel of in-state experts, albeit sponsors of the AdvantageSite program. The sponsor/judges are the Alabama Development Office, Alabama Gas Corp., Alabama Power Co., the North Alabama Industrial Development Association, PowerSouth Energy Cooperative and the Economic Development Partnership of Alabama (EDPA), which administers the program. The term "certification" is purposely avoided.

"'Certified' to us implies that the site is certified to a particular standard for a particular use or industry," said Greg Knighton, vice president and director of business information for EDPA. "In order to do that, you have to know the standard of that industry."

Because the certified sites label had been somewhat debased because of the wide variation of state programs, EDPA wanted to lower the rhetoric, all the while requiring Alabama communities to go through an extensive eight-step due diligence process, with sites evaluated by its in-state panel through desktop and onsite analysis.

"Far be it from us to tell a company what their criteria should be. What we wanted to do was put something in place where we have all the information we could in oneplace. At the end of the

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day, the prospect is the expert. We just want to provide them with the tool kit so they can make the determination whether or not a site met their criteria, whatever they might be," Knighton said. "And because we were doing our own work here, we did not want to appear as though we were saying that we were experts, because obviously we would have a self-serving interest in certifying a site."

For differing reasons, Deloitte Consulting is also not using the word certification. The company was recently hired by the Tennessee Valley Authority to do a data center site evaluation program.

"The TVA project is basically to evaluate potential data center sites in the TVA region, so that TVA can decide which ones it wants to emphasize in its marketing programs," said Darin Buelow, a principal at Deloitte Consulting. "It's a bit of a differ-

ent spin. Deloitte is not coming out and certifying anything. We are giving them an objective site selection viewpoint on the sites being submitted for this process. And then TVA is deciding what it's going to do with that information."

Deloitte is taking a user approach to site evaluation. And that approach is also being taken by other site selection consultants.

Industry Specific Is Best

Bob Ady has partnered with Frank Spano of Cleveland-based Austin Consulting in providing services to designate (the word "certify" has a legal connotation to avoid, Ady said) sites as suitable for the food industry. The two are currently working with four communities, comprising five sites. By concentrating on certain sites that lend themselves to certain

We tend to call a spade — a spade.

Numbers can't be misconstrued. New Braunfels continues to experience a phenomenal growth with the number of primary jobs increased by 4% in 2009 and office inventory grew 20% with absorption rates at its lowest level in seven years. Ten firms expanded operations locally and the local technical college reached the 2,000 enrollment mark. Baptist Health Systems announced a new hospital to be built to service the growing population and 32% of the number of new businesses that have opened occurred in the last five years.

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With over 3,500 acres of vacantland ready for development to meet the current and future growth demands, New Braunfels has a number of shovel ready sites that can be found on our property database — www.newbraunfelsprospector.com. One particular site receiving a lot of interest is a distribution center site



that sits on 29 acres on FM 306 and less than 1/2 mile from IH-35. San Antonio developer Koontz McCombs has designed the site to be comprised of four (4) class A, high cube warehouses. Buildings can range in size from a 60,000 square foot, "rear-load warehouse" up to a "double-loaded" building of approximately 142,000 square feet. Ceiling heights will range from 28' to 32' with the number of docks to be determined. Phase I of the development will consist of one "rear-load" building of approximately 105,000 square feet.

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industries, in this case food processing, the consultant can offer more value.

"I think it is because the requirements are much more specific in terms of what companies need. It means we can do our job of evaluating a site much more thoroughly rather than in terms of stating that this site is good for every kind of industry," Ady said.

"For example, you can have a site that would be suitable for a metal fabrication operation, but if you are going to look at that same site for food processing, then all the elements and requirements are completely different."

Goldsmith agrees that site certification "gets harder when you get away from a specific target industry."

"The difficulty comes into play when you don't have an end user in mind. It's hard to put parameters around things like wa-

ter and wastewater requirements, how close or how far away from an Interstate, does it need rail, things like that."

'Trust, But Verify'

President Ronald Reagan made famous those three words in stating the United States' position in dealing with the former Soviet Union. Thankfully, such antagonistic relationships are not the norm between economic development organizations and site selection consultants, but the consultants still will not take certain information at face value.

Even with a certification program in place and due diligence done, a good site selection consultant will not abrogate key responsibilities.

"You must thoroughly verify what is provided because you are being provided information with a motivation behind it,"

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said Scott Kupperman of Epstein. "The certification may very well reduce the time needed to perform due diligence, but will in no way eliminate the need or diminish the importance of a thorough level of investigation."

In that case, providing the due diligence up front, whatever you want to call it, has served a purpose.

"Even if a site is certified by some other consultant group, we are still going to put that site through our processes. We are still going to do our due diligence. We are not going to take anybody's word for it," said Buelow. "Now maybe that means the site owner and the ED group are more ready to go for their own due diligence work, and that makes it easier, yes. It might save you time. It should save you time."

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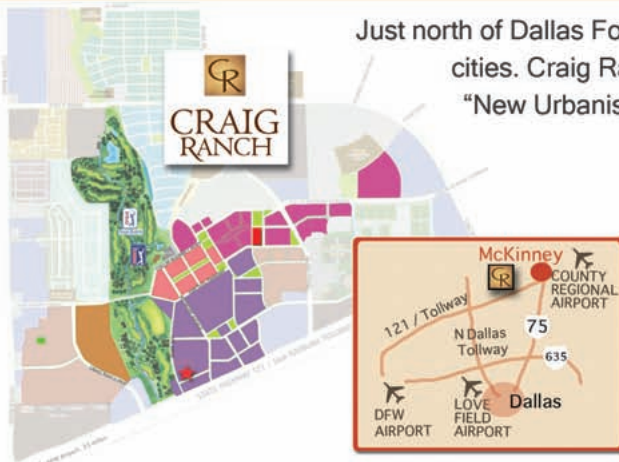
McCallum Sweeney certified nine mega-sites of over 1,000 acres for TVA, originally with the idea that these sites could serve as automotive assembly plant operations. One site has since become decertified because of the loss of options on the property. But five of the eight remaining sites have been snapped up, largely because of the rigorous requirements and due diligence work performed.

"There is a bit of undeniable proof here," said Deloitte's Buelow. "Five of the eight have sold. That's not a bad hit rate. So there is proof in that pudding."

In the end, it is the heavy lifting, the homework, the due diligence that matters. Whether it is called "certified" or "designated," the implication is that documentation can be provided that should lower risk and fast track a project. And that ultimately serves as a marketing tool for economic development organizations.

"Certification may get you to second base, but any site selection consultant will validate what is being stated as true. So certification never takes away all the

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“Certification never takes away all the risk, but it may help you get further down on the list in the site selection process.”

– Randy Broome,
Consultant to Duke Energy

risk, but it may help you get further down on the list in the site selection process,” said Randy Broome, formerly director of business development for Duke Energy and now consulting for the utility.

As the head of a regional economic development organization, Mike Philpot says the certification process has forced his communities to better understand their sites.

“The bottom line is that our communities have become better prepared and their chances of success have been enhanced,” said Philpot, executive director for the West Tennessee Industrial Association. “And as a result, we’ve been able to add this external marketing component.”

Kupperman would agree that it comes down to marketing.

“The reason for a certified site program is to entice a buyer to look at a property at a closer level because of its readi-

ness. In short, it means you should be able to develop the site faster.”

Still, Kupperman holds out that one day there will be a national standard for site certification that everyone can subscribe to.

“I truly believe a set of meaningful national standards could be arrived at by a committee of site selectors, engineers, economic developers and other interested parties,” he says. “A bigger issue centers on how to get these standards adopted with a national or even regional level of buy-in.”



Dean Barber has served as the vice president of business development with the Northeast Indiana Regional Partnership and as a director of international development for the Economic Development Partnership of Alabama. He is currently looking for employment opportunities in economic development.

Middle Tennessee's PowerCom Industrial Center

Companies considering expansion into Middle Tennessee will find available facilities and sites at the 446-acre PowerCom Industrial Center in Hartsville. The development is certified as a target-industry specific site through TVA's Automotive Certification by McCallum-Sweeney Consulting. The site, located on State Highway 25, is also a “Deal Ready” site certified through the Middle Tennessee Industrial Development Assn. by CH2M Hill/Lockwood Greene.

The PowerCom Industrial Center provides access to the Cumberland River, availability of a large acreage site and warehousing space. A 54,000 sq.ft. Speculative Building was designed and completed in 2008. A Business/Manufacturing Incubator facility (consisting of forty 4,000 – 32,000 sq. ft. buildings) currently leases ten buildings to nine businesses. Local workforce training is provided by the Tennessee Technology Center at Hartsville.

The PowerCom Center is located in the Four Lake Regional Industrial Development Authority's (FLRIDA) five-county region. Growing out of an announcement by the Tennessee Valley Authority (TVA) in 1974 to construct the world's largest nuclear plant in Hartsville, TN (Trousdale County), the FLRIDA was created by State Legislature after progressive cutbacks halted construction and eliminated employment at the nuclear site by 1982. The Four Lake Authority was “created and established for the purpose of developing the resources of the region embracing the counties of Macon, Smith, Sumner, Trousdale and Wilson . . .” in the State of Tennessee. The region comprises both the Greater Nashville Regional Area, as well as the Upper Cumberland Development District.

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