

Oroville's Competitive Position

**Does Oroville Align with
Investment Trends and Site Selection
Best Practices?**

Don Schjeldahl



AUSTIN CONSULTING

Objectives of the Site Selector Exercise

Take Away:

1. Understand the site selection process
2. Improve your ability to compete
3. Improve your ability to host a site selector visit
4. Recognize Oroville's strengths and weaknesses
5. Identify actions that will guide your ED efforts to attract job creating investments

Presentation Outline

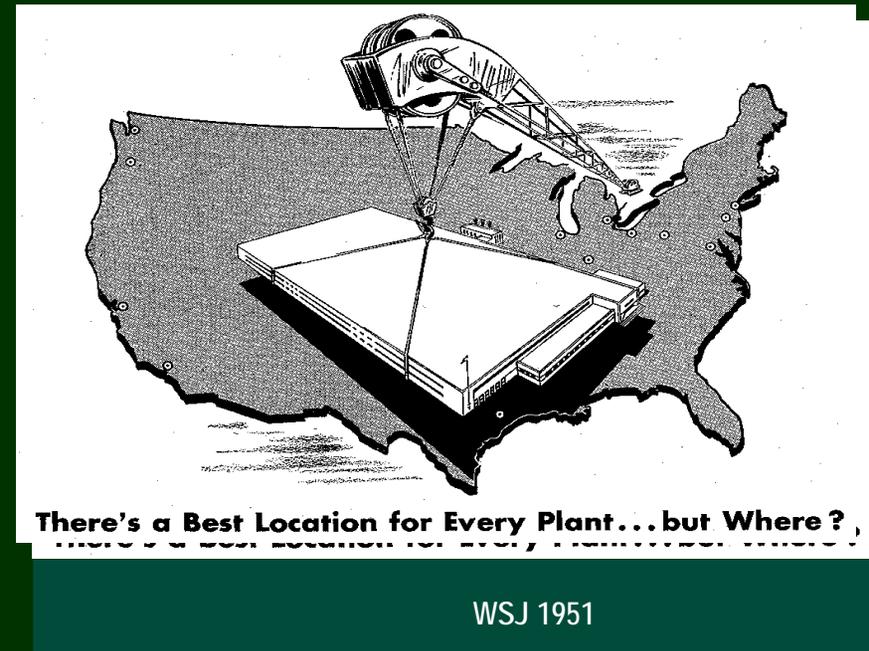
1. Overview of site selection process
2. Review factors that drive location selection
3. California and Oroville – where you stand
4. Site selector assessment of Oroville
(Project Orion)
5. Suggestions on next steps

Austin Location Services

Mission – assist corporate clients in developing and implementing location strategies for manufacturing, distribution, R&D and offices:

Number, Function and Location of Facilities

- Food & Beverage
- General Manufacturing
- Renewable Energy Products
- Aerospace/Aviation
- Publishing/Broadcasting
- Chemicals
- Pharmaceuticals



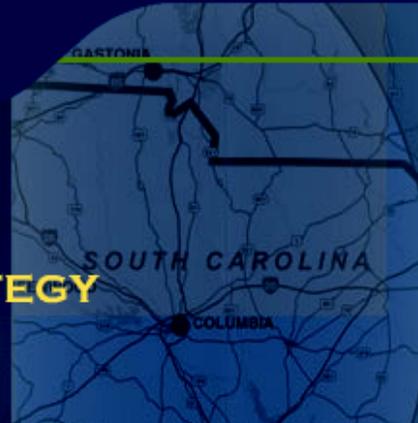
Serving Global Markets for Over 60 Years - More than 1600 Assignments Completed

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ALIGNING
LOCATION WITH
CORPORATE **STRATEGY**



WHO WE ARE

WHAT WE DO

WHO WE SERVE



GLOBAL ANALYSIS

SITE SELECTION

DUE DILIGENCE

INCENTIVE NEGOTIATIONS



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Site Map

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Location Selection Process

**Strategy
Development**



**Location
Investigation**



**Due
Diligence**



**Implement
Project**

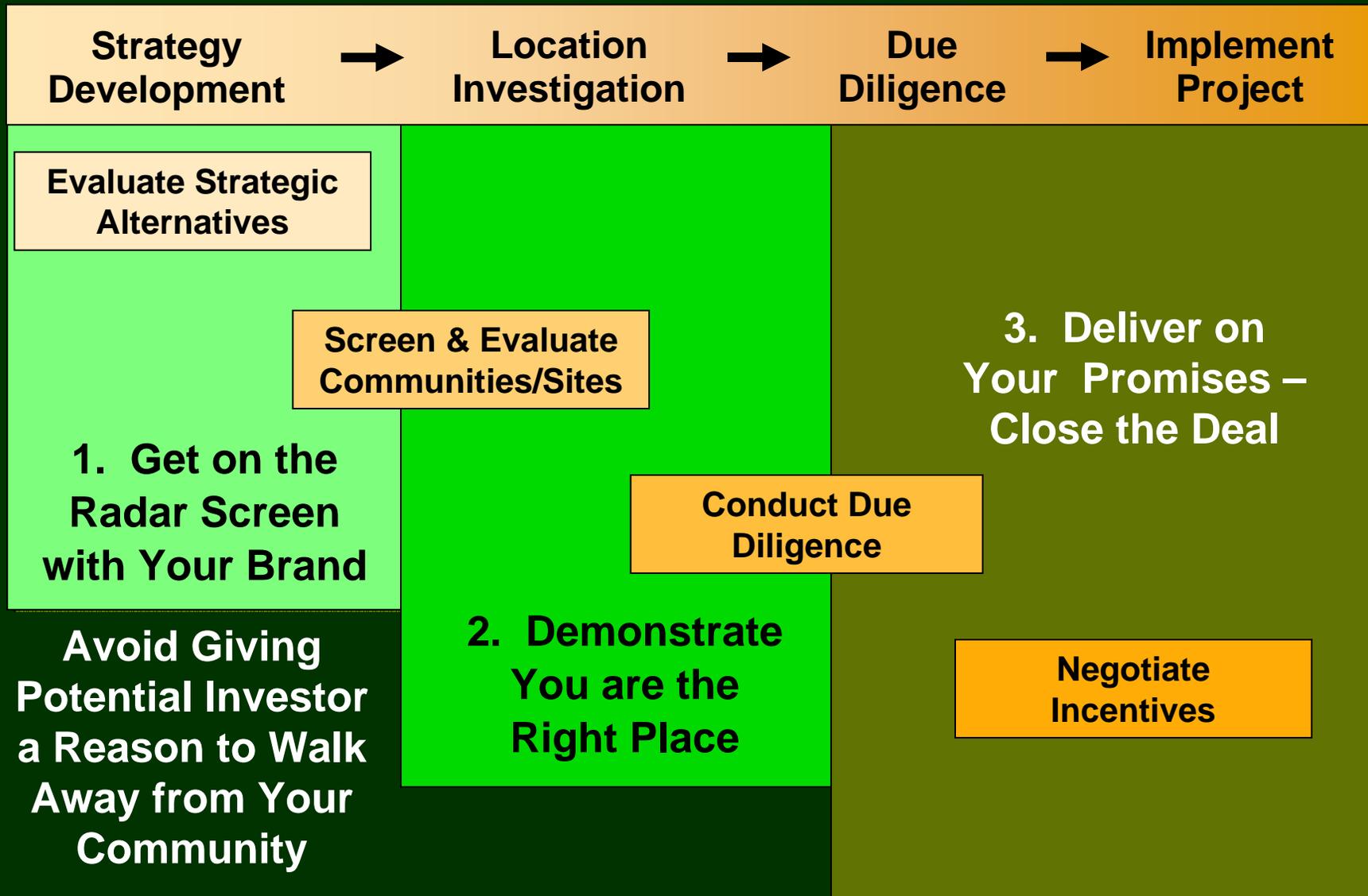
**Evaluate Strategic
Alternatives**

**Screen & Evaluate
Communities/Sites**

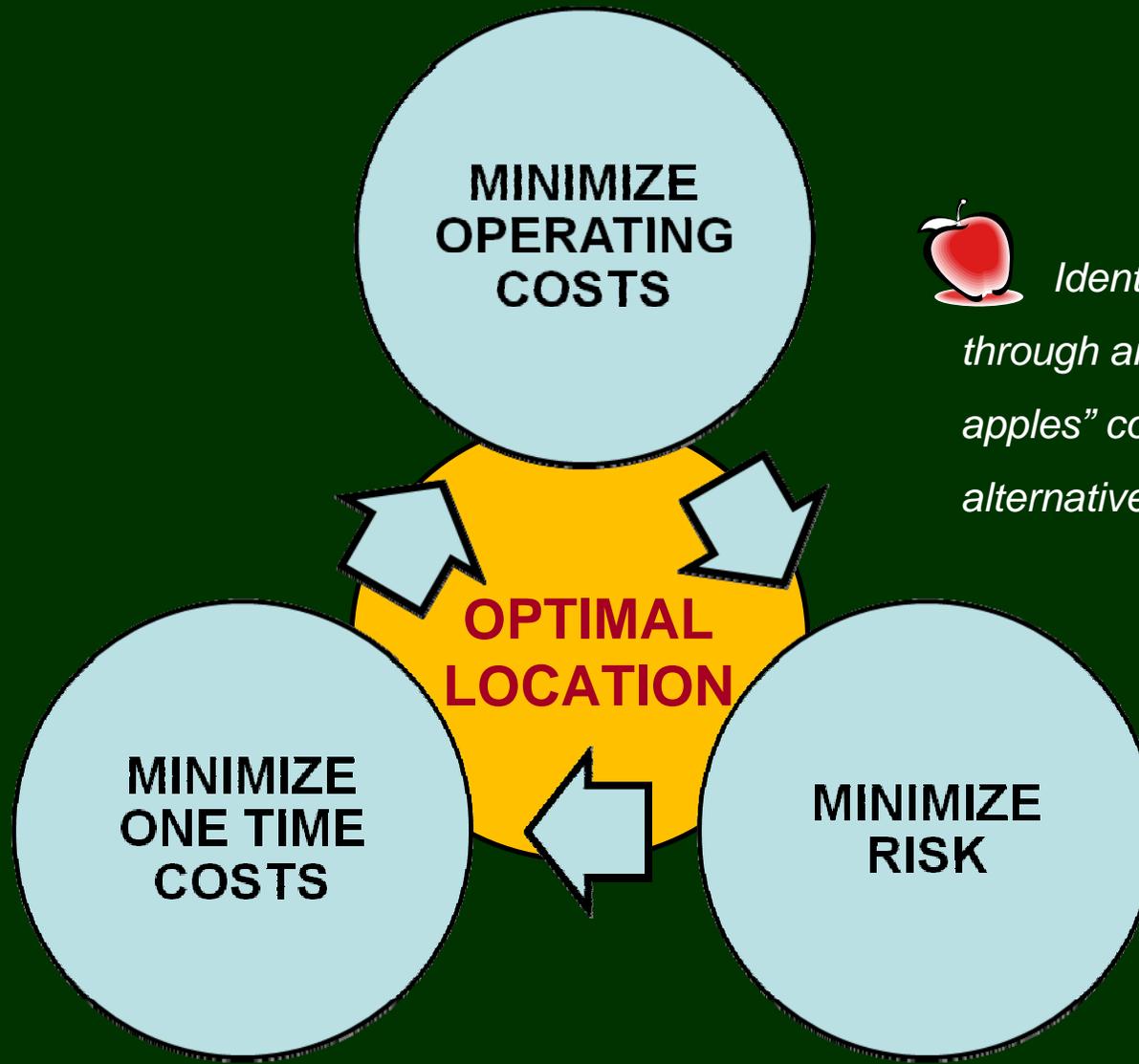
**Conduct Due
Diligence**

**Negotiate
Incentives**

Location Selection Process



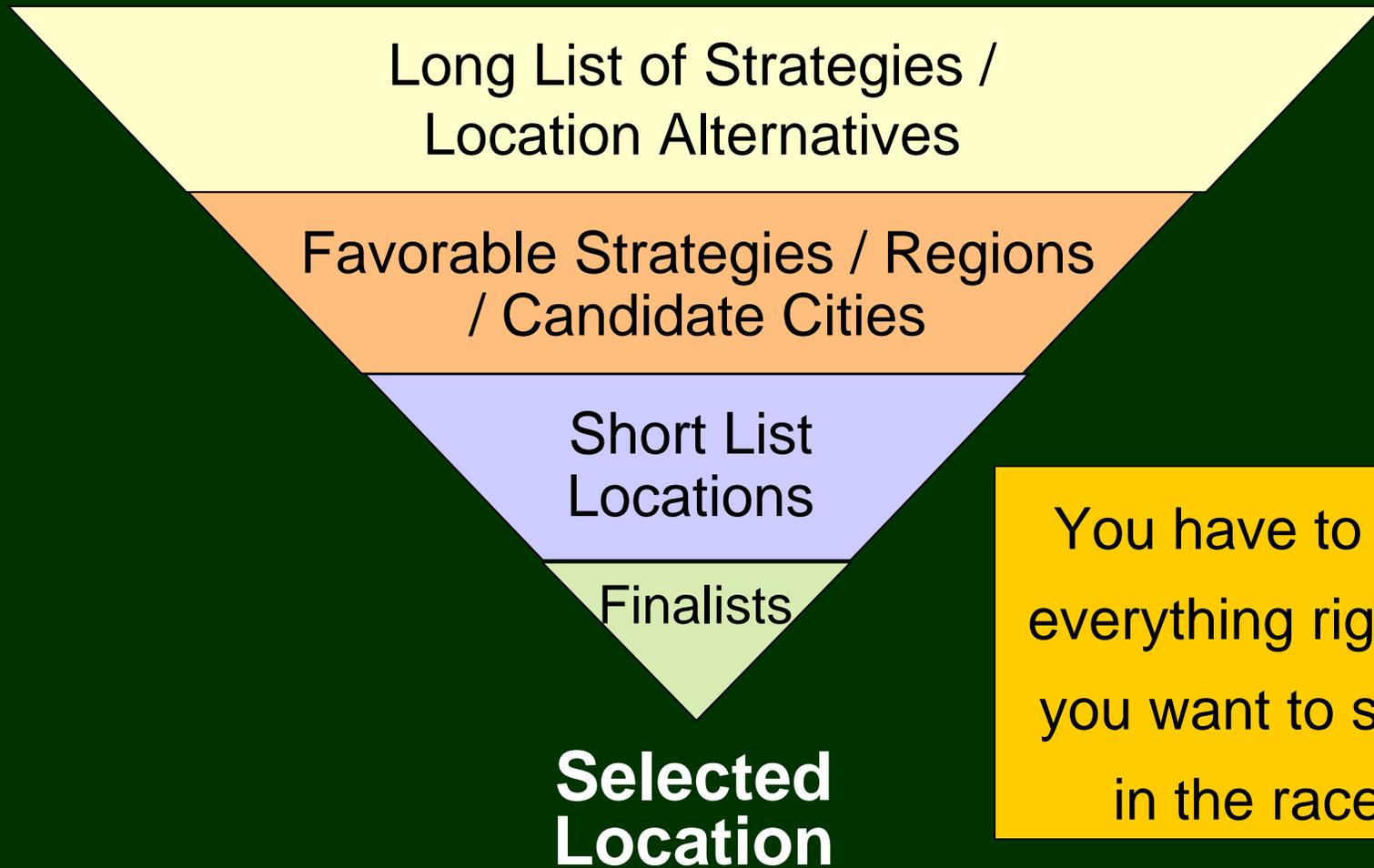
Optimal Location Balances Competing Interests



Identify location through an “apples to apples” comparison of alternatives



Location Selection is a Process of Elimination



You have to do
everything right if
you want to stay
in the race

Location Selection Process is Changing

- Decisions are more complex – more information, more variety
- Information delivery – more, faster!
- More location options - your competition is around the corner and around the world (it's the era of "everywhere" Branding & Regionalism are important for getting your message to the market)

RISK VS.
REWARD



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How Big is the Market?

Market Segment (Annual Sales)	# of Companies	Frequency of Major Investment Decisions	Annual # of Projects Originating in the U.S.
Fortune 500 (>\$3 Billion)	500	4 projects per year	2,000
Midsize Companies (\$40 million to \$3 billion)	10,000	1 every 4 years	2,500
Entrepreneurs * (<\$40 million)	100,000	1 every 10 years	10,000
Total	110,500		14,500**

*You don't have to look far - there are entrepreneurs in your community

**Austin owns .138% of the market!

Where New Investments are Going



Question to ask: What make sense for my community?

Location Drivers - the Old Paradigm

Cost/Labor Relations - The number of industries whose location decisions are driven by operating cost alone is growing ever smaller

1950-1980: Austin moved 500+ companies to the South



Post 1980: Large scale regional shifts in U.S. absent

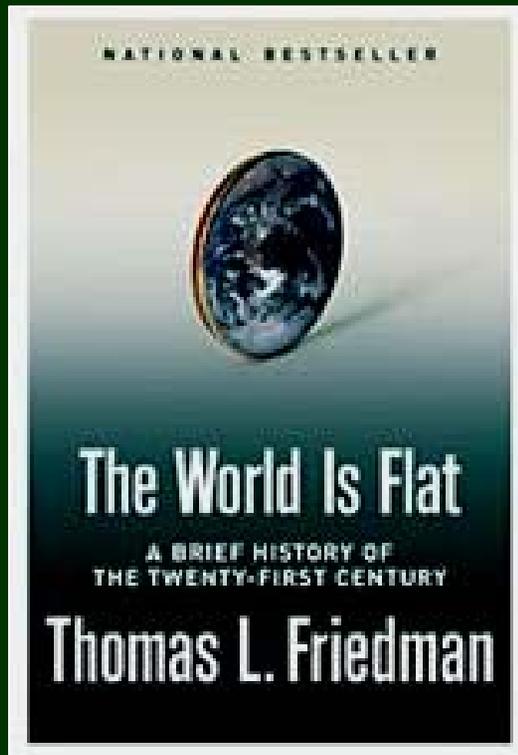
- Wage rates equalized north/south, urban/rural
- Fading influence of organized labor
- Deregulation (natural gas, transportation, electric?)
- Changing importance of location and nature of work (location selection is more service focused, skill based)

Rural South → Mexico → China

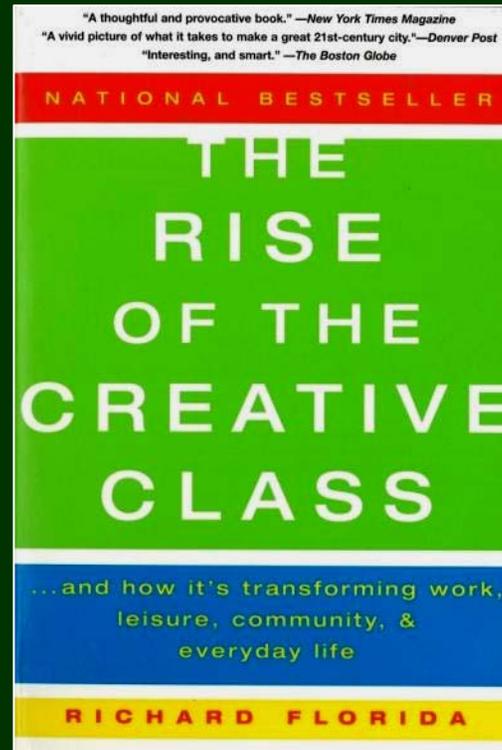
The *New* Location Selection Paradigm

- **Workforce:**
Skills, Availability, Work Ethic (and cost)
- **Certification:**
Business Ready Communities and Properties
- **Community Attraction Strategy:**
Business Case, Targeting, Branding and Marketing

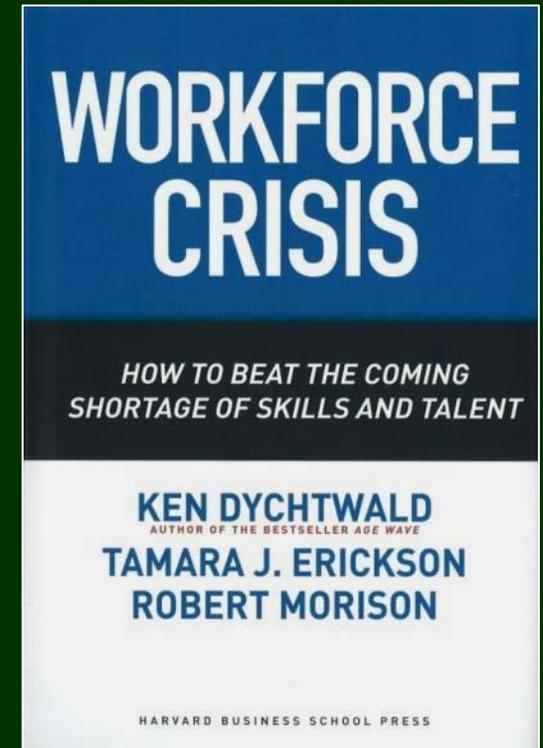
Location Drivers - *New* ED Paradigm



Corporate investments occur within a complex network of global competition



Location decisions track the personal life decisions of workers, social networks



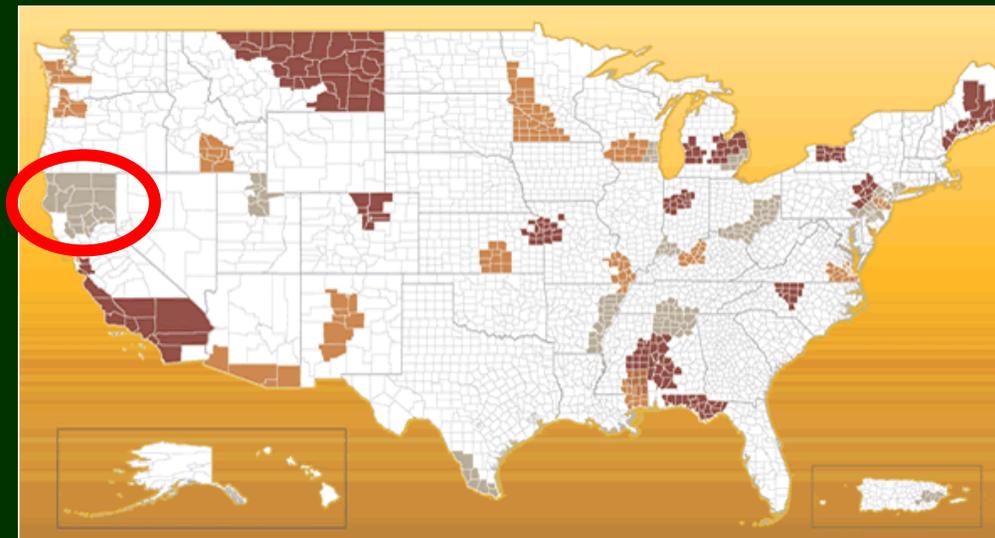
Predicted shortages of skilled workers demands workplace innovations

The *NEW* Model for Workforce Development

Positioning the Community for Economic Sustainability



Workforce Innovation in Regional Economic Development (WIRED) is a groundbreaking approach to workforce and economic development. Through the WIRED model regions integrate economic and workforce development activities and demonstrate that talent development can drive economic transformation in regional economies across the United States.



Competitive Communities*



*Economic Development "101"

Characteristics of Competitive Communities

What is needed in order to compete?

Communities **MUST** be prepared and ready for new investment before it happens

(remember: speed of business has changed!)

Successful Communities Possess:

- ✓ **Inventory of Ready Sites and Buildings**
- ✓ **Appropriate Utility Infrastructure**
- ✓ **Labor Force Ready to Work**
- ✓ **Community Support for Industry**
- ✓ **Professional Presentation**
- ✓ **Green and Sustainable**

Inventory of Sites and Buildings

"Ready to Go" Sites and Buildings

- ✓ Mix of settings
- ✓ 1 to 100 acres / various SF
- ✓ Utility served
- ✓ Transportation access - road and rail
- ✓ Suitable soils, drainage
- ✓ Proper zoning
- ✓ Free of contamination
- ✓ WILLING SELLERS

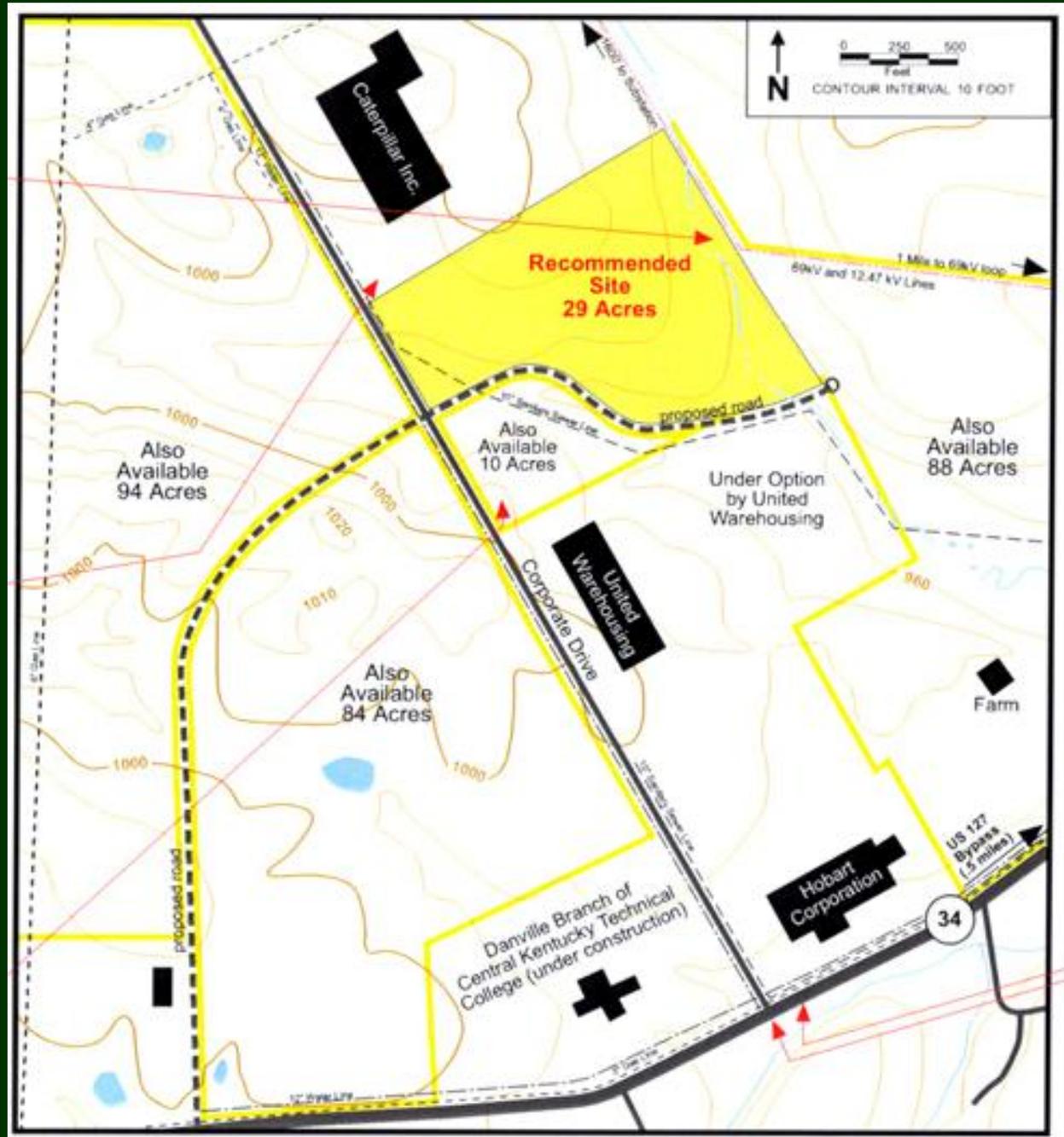


Inventory of Sites and Buildings

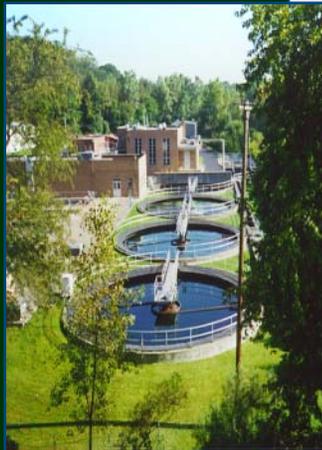
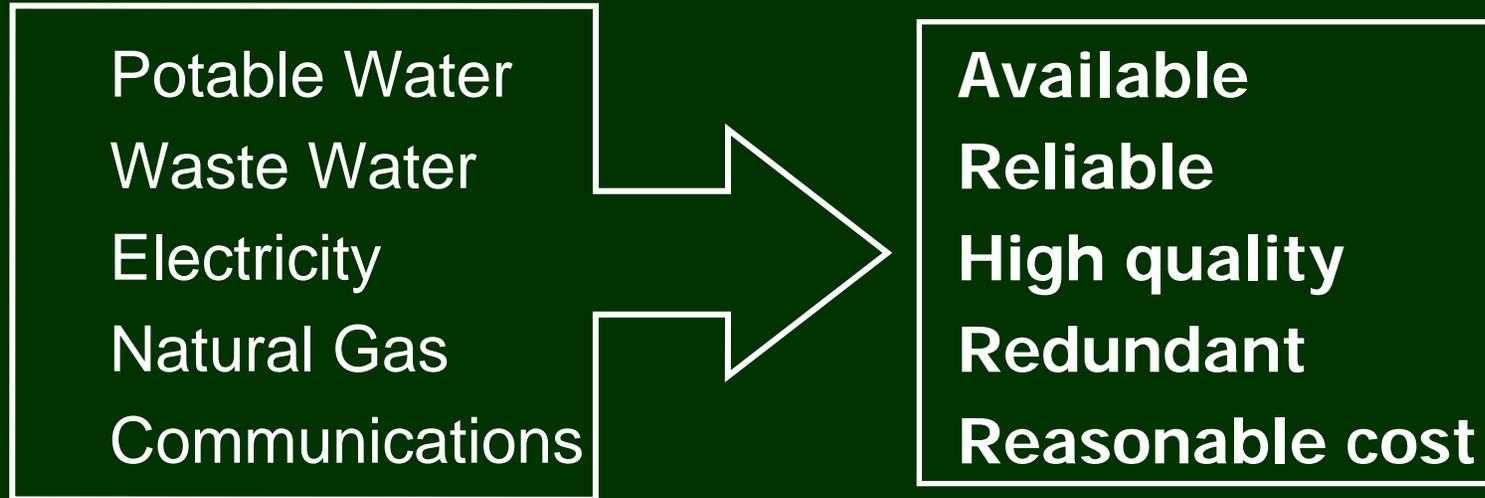
Design Standards make for good industrial sites

- ✓ Ingress/egress – Sight lines, acceleration/decelerations lanes
- ✓ Roads - All season industrial quality road
- ✓ Drainage - storm water system compliant with LEED design
- ✓ Water Service - Looped water lines reduces insurance rates, avoids need for on-site water tank
- ✓ Design - Landscaping, architectural standards
- ✓ Safety - Fire fighting capability and distance/routing to station, fire fighter training and equipment
- ✓ Buffers - Minimize neighborhood impact (odor, dust, noise, traffic, light pollution, litter)

Sites Must be
Ready for
Development
and Have the
Documentation
to Prove It



Modern Utility Infrastructure



Modern Utility Infrastructure

Example: Electric Power Service Factors to Consider

- ✓ Service rates/estimated bills
- ✓ Distance to sub-station(s)
- ✓ System capacity (reserve capacity)
- ✓ Condition of infrastructure
- ✓ Feasibility of dual feed
- ✓ Cost of infrastructure improvements
- ✓ Surrounding power users
- ✓ Service history
- ✓ Incentives (rates, infrastructure)
- ✓ Quality rating of service provider



Labor Force is Ready to Work

Labor Force Considerations:

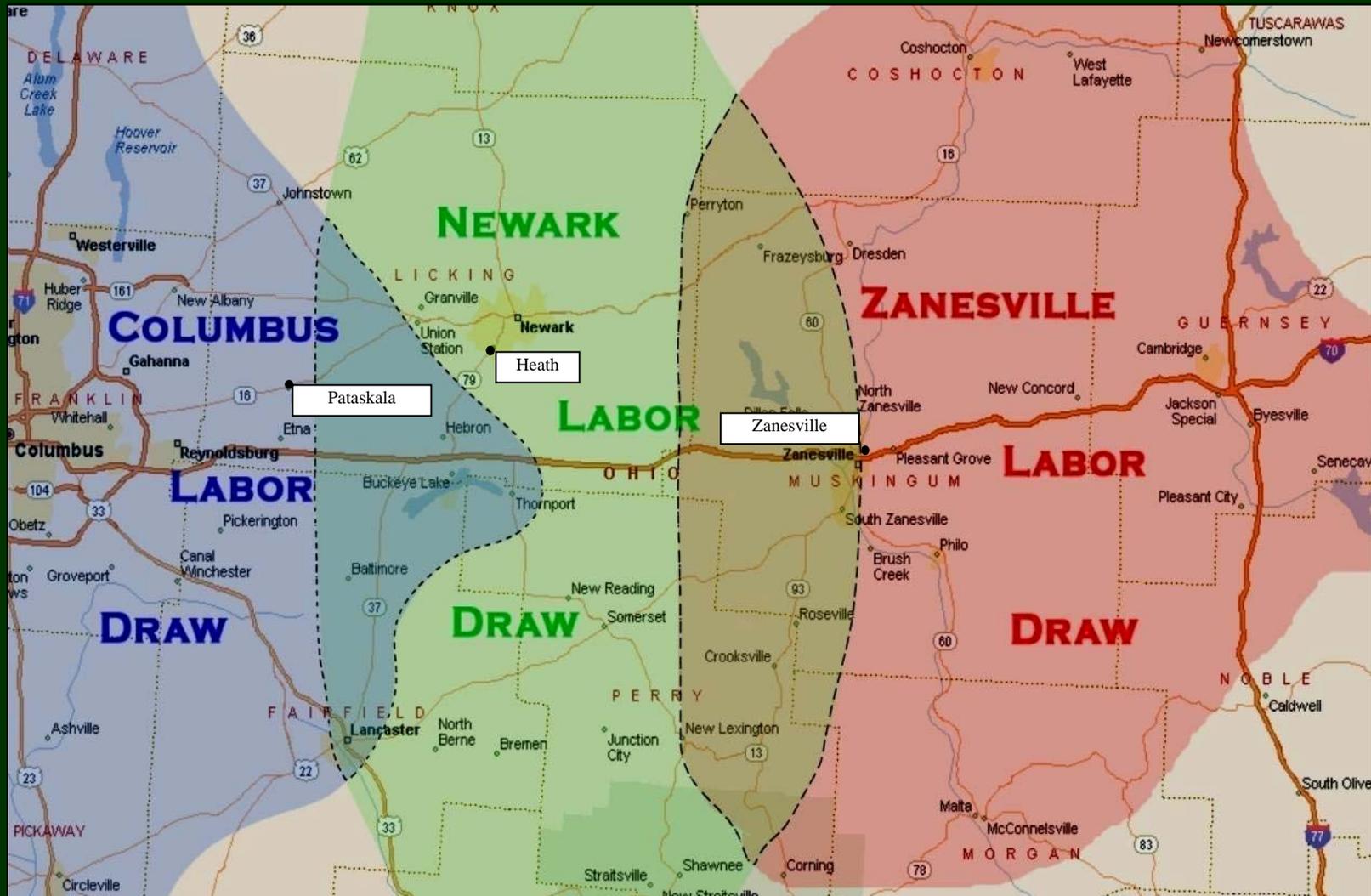
- ✓ Local wage and benefit structure
- ✓ Recruiting practices
- ✓ Work schedules
- ✓ Work ethic
- ✓ Availability of skilled workers
- ✓ Availability of unskilled workers
- ✓ Labor/management relations
- ✓ Industrial mix/industrial history

Have supporting data for all information!

Labor has become #1 location factor for many companies

Site Selectors Want to Understand the Labor Shed

Can you define the geographic dimensions of the 85% labor draw area for different workforce skills in your region?



“Certification” is More than Just Sites

Creating a “Business Friendly” Community

- ✓ Successful industry retention program
- ✓ Fast-track permitting for new investment
- ✓ Well versed on federal, provincial, and local incentive programs
- ✓ Incentives tailored to meet the needs of individual businesses
- ✓ Local business participates in community organizations, events
- ✓ Active community programs include festivals, public art, recreation
- ✓ Community is in good condition including roads, public buildings, schools, parks
- ✓ **BOARD MEMBER EDUCATION (BUY-IN)!!!**

Professional Presentation

Selling Your Community

- Be responsive, punctual, honest in all dealings
- Data rich – invest in data resources
- Do your homework – know your community
- Listen to the client – answer the questions asked
- Bring expertise to the table when appropriate
- Don't misrepresent the facts – don't hide shortcomings
- Don't air internal conflicts

Community Support for Industry

Development incentive programs help “close the deal” and are critical to attracting new investment.

These can include:

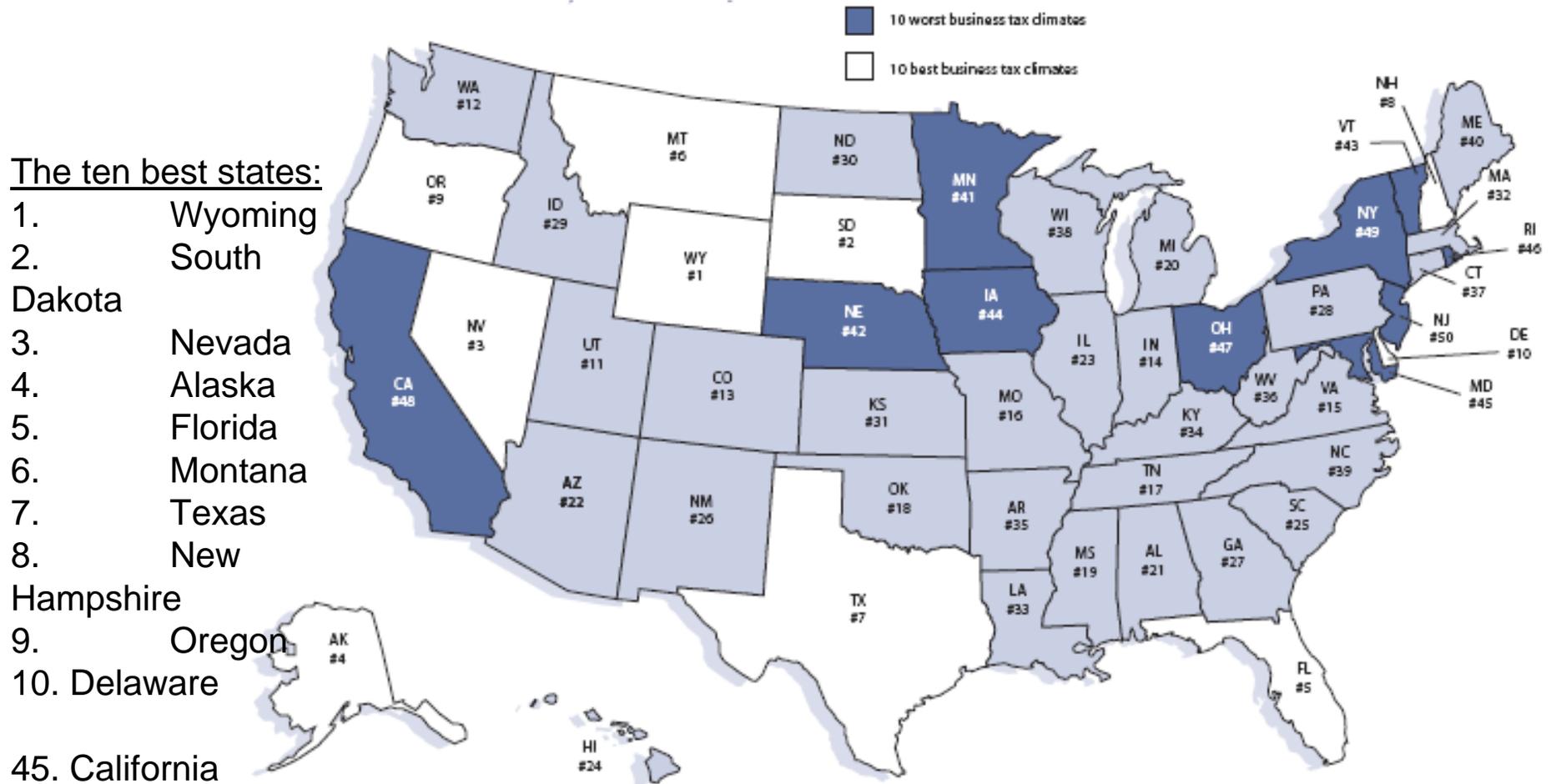
- Hiring Assistance
- Work Force Training
- State Corporate Tax Deferment
- Local Property Tax Abatement
- Alternative Financing
- Low Interest Loans
- Infrastructure Improvements
- Site Development
- **Free Land**
- Fast track permitting process



Presentation Outline

1. Overview of site selection process
2. Review of factors that drive location selection
3. California and Oroville – where you stand
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(Project Orion)
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2009 State Business Tax Climate Index *



* Index is a measure of 112 variables from 5 categories: Corporate Tax, Individual Income Tax, Sales Tax, Unemployment Tax, Property Tax.

Source: Tax Foundation 2009.

Top 20 Greenest States

1. OREGON
2. MASSACHUSETTS
3. COLORADO
4. WASHINGTON
5. CALIFORNIA
6. CONNECTICUT
7. MINNESOTA
8. ARIZONA
8. VERMONT
10. NEW YORK
11. MARYLAND
12. HAWAII
13. NEW MEXICO
14. RHODE ISLAND
15. WISCONSIN
16. NEW HAMPSHIRE
17. TEXAS
18. IOWA
19. NEW JERSEY
20. FLORIDA

Top 10 States for Business Climate

1. SOUTH DAKOTA
2. TEXAS
3. UTAH
4. COLORADO
5. WYOMING
6. VIRGINIA
7. MONTANA
8. OKLAHOMA
9. FLORIDA
10. ARKANSAS

Top 10 Quality of Life

1. SOUTH DAKOTA
2. WYOMING
3. NORTH DAKOTA
4. NEBRASKA
5. VERMONT
6. IOWA
7. NEW HAMPSHIRE
8. MONTANA
9. CONNECTICUT
10. IDAHO

Top 10 Cost of Labor

1. SOUTH DAKOTA
2. VIRGINIA
3. ARIZONA
4. MISSISSIPPI
5. SOUTH CAROLINA
6. LOUISIANA
7. GEORGIA
8. TENNESSEE
9. ARKANSAS
10. FLORIDA

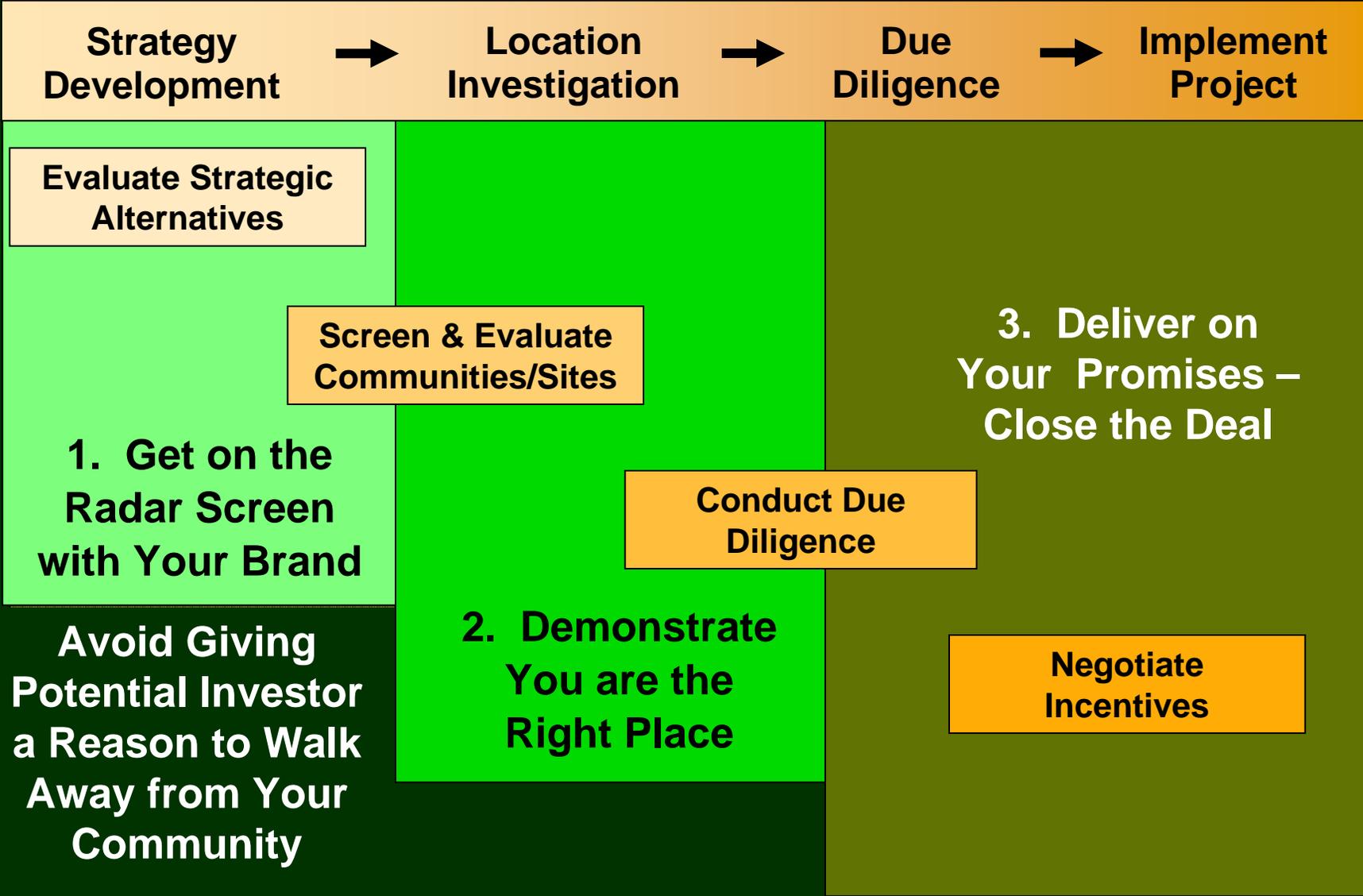
Business Facilities
THE LOCATION ADVISOR

2008 *Business Facilities* Rankings Report

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Location Selection Process



Project Orion

Solar Module Manufacturing

- Begin production in Fall 2010
- 40 truckload shipments per week
- 50 less-than-truckloads per week
- 12 to 20 acre site – to build 100,000 SF facility + room to expand
- Water: 2,500 gallons per day
- Sewer: 2,500 gallons per day
- Electric: 500 kW / 100,000 kWh per month
- Gas: 180,000 therms/year
- Investment: \$24,000,000 (plus cost of land)

Project Orion

Solar Module Manufacturing

- Startup employment – about 100

50MW Automated Module Line

Labor at end third year of operation

- Creates 711 Jobs
 - 80 Direct Labor
 - 35 Indirect Labor
 - 43 SG&A
 - 221 Community Based Direct
 - 332 Community Based Indirect



Solar Module Market Demand - 2010 to 2019



Solar Module Plant Estimated Annual Operating Costs

Trial Locations	Inbound Freight	Outbound Freight	Labor	Fringe Benefits	Electric Power	Building Lease	Property Tax	Total Annual Cost	Penalty Over Base	Index (Base=100)
Inland Empire, California	\$954,000	\$2,954,900	\$7,617,900	\$2,133,000	\$259,900	\$695,700	\$330,000	\$14,945,400	\$552,900	104
Las Vegas, Nevada	\$910,400	\$3,069,500	\$7,647,100	\$2,141,200	\$182,000	\$941,800	\$346,500	\$15,238,500	\$846,000	106
Oroville, CA	\$1,022,400	\$3,389,600	\$7,063,800	\$2,061,900	\$215,300	\$690,500	\$330,000	\$14,773,500	\$381,000	103
Phoenix, Arizona	\$901,300	\$3,002,100	\$7,256,400	\$2,031,800	\$162,400	\$539,300	\$499,200	\$14,392,500	Base	100
Portland, Oregon	\$1,230,200	\$3,840,800	\$7,519,100	\$2,105,300	\$133,200	\$589,300	\$468,600	\$15,886,500	\$1,494,000	110
Sacramento, California	\$1,021,600	\$3,145,500	\$7,937,300	\$2,301,800	\$175,700	\$732,500	\$330,000	\$15,644,400	\$1,251,900	109
San Diego, California	\$977,600	\$3,080,800	\$7,972,700	\$2,312,100	\$259,900	\$873,000	\$330,000	\$15,806,100	\$1,413,600	110
Stockton, California	\$1,022,400	\$3,189,600	\$7,467,700	\$2,091,000	\$250,900	\$693,600	\$330,000	\$15,045,200	\$652,700	105

Initial Incentive Offerings for Solar Project

Currency: (US '000)	5 Year Total
ARIZONA LOCATION SCENARIO: TAXES	\$3,400
ARIZONA LOCATION SCENARIO: FTZ Property Tax Reduction (FTZ benefits are not contingent upon duty being paid on products coming in/out of zone. Represents savings/reduction in local property taxes from 22% to 5%.)	1,100
ARIZONA: Corporate Tax Credit-Non Refundable (limited to tax liability, number is the tax liability which is the limit for the tax credit).	400
ARIZONA: Enterprise Zone Corporate Tax Credit	500
ARIZONA: Local: Phoenix Tenant Improvement Grant	250
ARIZONA: Proposed New Legislation Non-refundable Tax Credits (10% of investment divided over 5 years. Therefore the credits will continue after the first 5 years because investment continues. Will provide tax credits of 2014/400, 2015/390, 2016/200, 2017/10 for an additional 1000.	2,000
Total	\$1,900

Currency: (US '000)	5 Year Total
OREGON LOCATION SCENARIO: TAXES	\$2,300
OREGON LOCATION SCENARIO: BETC Non Refundable Tax Credit Over 3 years so maximum is tax liability OR (see below)	35
OREGON: BETC Net Present Cash Value of amount credits can be sold at a new present value of 33.5% to other entities with OR corporate or personal tax liability.	10,000
OREGON: Low Interest Fixed Rate Conventional loan for \$20 million+⁶	tbd
OREGON: Local Property Taxes Can Be Abated in EZ (potential for 3-5 year property tax exemption at the local level)	tbd
Total	-\$7,700

\$9,600,000 swing in favor of Oregon

Community Visit Outline – Typical Site Selection Visit

- Community Orientation – overview of community and business environment
- Labor Interview – meeting with local employer
- Meet with Utility Representatives – utility service details related to available site, estimated monthly bill, rates & fees
- Industrial Park / Site Visit – tour available site(s)
- Technical School Visit – overview of school as training resource
- Employment Services – local workforce information
- Community Tour
- Taxes – property tax rates and information
- Development Incentives – discussion and overview of available incentive programs

Community Visit Scoring

Scoring Categories	Possible Score
Community Reception	35
Labor	50
Transportation	35
Utilities	35
Community Appearance	35
Sites / Buildings	60
Schedule	15
Community Stability	20
Intangibles	15
TOTAL	300

Community Reception / Support



Does the community demonstrate an understanding and support for the project?

- Community knowledge
- Cooperative spirit among “team members” and all community entities
- Promises kept, timeliness
- Clear message about community strengths
- INCENTIVES!

Community Reception / Support



The ED team



Good venue

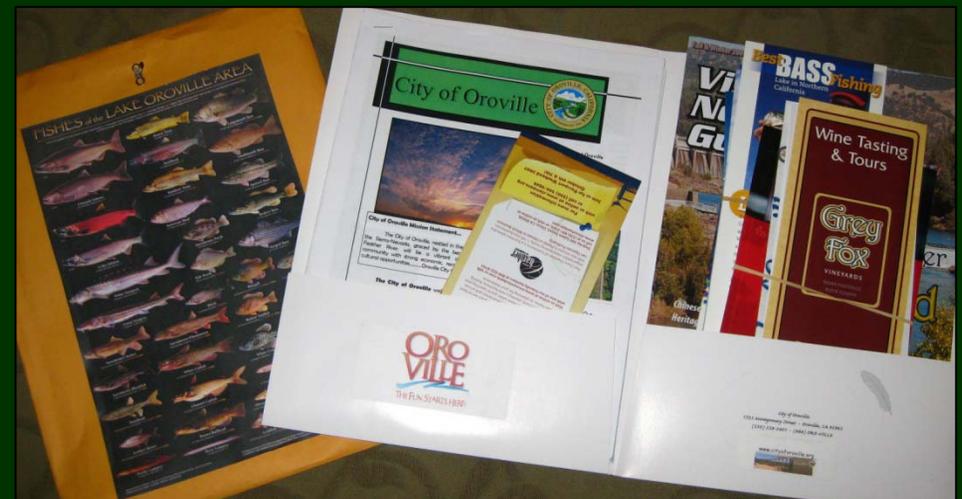
Strengths:

- Demonstrated knowledge of project
- A dozen community reps gathered for one meeting – good sign of support
- Nearly all requested meetings were arranged
- Itinerary was prepared and mostly kept

Community Reception / Support

Strengths continued:

- Professional proposal
- Marketing materials “adequate”
- Maps, orientation aides, adequate



Media Kit: Mostly Tourism Materials

Community Reception / Support

Weaknesses:

- Never a clear articulation of “why Oroville”
- Incentives, and some operating costs not defined
- Maze of organizations touching economic development is complex, distracting

COMPLEX ED SCORECARD:

- City of Oroville
 - City Administration
 - Redevelopment Coordinator
 - Enterprise Zone Manager
 - Planning
 - Public Service (fire and police)
- Sewerage Commission Oroville Region - SCOR
- Oroville Economic Development Corporation
- Butte County Economic Development
- Private Industry Council
- Butte Community College
- Chico State
- Pacific Gas and Electric
- Oroville Chamber
- Bay Tech Alliance

Sites / Buildings



Does the community have available sites or building that are 'ready to go' for this project?

- Reasonable COSTS – land/building and development
- Size, dimensions
- Infrastructure – utilities and roads
- Topography, soils
- Zoning / setting
- Ingress/egress
- Master planning of area

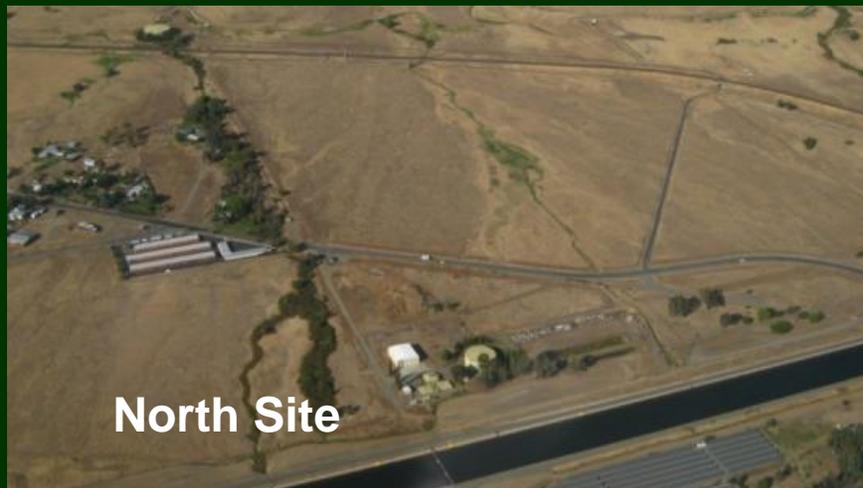
Sites / Buildings



Airport area



#1 and #2



North Site

Good mix of sites:
Airport Area – clean tech
Unit #1 & #2 – heavy industrial
North site – future not clear

Sites / Buildings



Airport is good opportunity but needs better planning, packaging:

- Utility services not clearly defined
- Cost not clearly defined
- Development schedule not clearly defined (must resolved FAA issue)
- Area not master planned



Labor



Does the community have a labor pool in place that is trained, cost effective, and available?

- Availability – skill levels as required
- Worker/management relations
- COST
- Work ethic
- Training resources
- Recruiting

Labor



Strengths:

- Available pool of workers (30+ mile commuter shed)
- Good work ethic
- Labor costs reasonable
- Good mix of basic skills
- Great training resources (Butte CC, Chico State University)



Labor

Concerns:

- Lack of good documentation on labor demographics, labor shed
- Recruiting management to region
- Industry retention program needs to be stronger

Transportation



Is the community accessible for business and residents?

- Highways / Interstates
- Local roads
- Rail
- Air service
- Trucking services
- Courier services

Transportation



Strengths:

- Community is well served by intercity highway (Highways 70 and 162)
- Local roads adequate for truck traffic, efficient flow of vehicles
- Rail service

Weaknesses:

- Air service is not ideal but within realm of acceptable
- Future of Highway 70 and 99 uncertain

Utilities



Are all utility services in place and able to support new operations?

- COST – rates and fees
- Infrastructure cost
- System capacity
- Service size
- Quality / Reliability
- Service provider reputation

Utilities



- Water / sewer / gas meets project needs and are reasonably priced
- There is a sense that there are conflicts over the way in which waste water is being handled
- Electric power? Not at the economic development table

Community Appearance



Does the community appearance reflect pride and unity within the community?

- Downtown district
- Government offices
- Streetscape
- Parks
- Schools
- Housing

Community Appearance



- Terrific cultural, recreational, heritage resources
- Obvious pride in the city
- Redevelopment efforts supports the broad spectrum of economic development

Community Appearance



Downtown Oroville is a great asset. Redevelopment efforts to-date are notable. Lots of opportunity for more. Oroville is doing more than most communities.



Schedule



Does the community promote fast track development?

- Permitting and approval process
- Due diligence status on available sites
ex. environmental studies, site survey, etc

Schedule

- Permitting reviewed – but message was quite complex. In trying to explain how well positioned community is, the story came across as difficult and uncertain (CEQA, HCP, etc).
- I suspect the Airport Site is a long way from being ready for development.

SHOVEL READY SITES PROGRAM
would eliminate these concerns

“Certification” Gets a Community in the Game

Characteristics of Competitive Communities

- Inventory of Sites and Buildings
- Appropriate Utility Infrastructure
- Labor Force Ready to Work
- Community Support for Industry
- Professional Presentation
- Adopt Sustainability ED Practices

Don't *Greenwash*. Be Real.

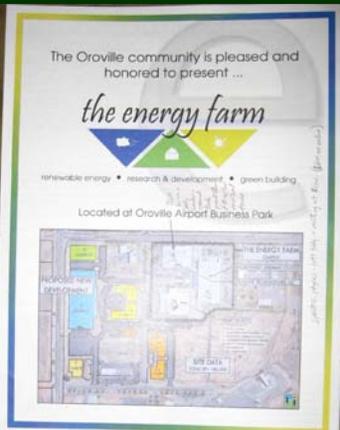
Oroville's Green Target



Solar Installations



Industry
Leading
Partner



What is this?

- REAP
- Green Tech Innovation Center
- Energy Farm



Community Stability



Does the community support new development now and planning for the future?

- Population
- Industrial history and mix
- Government support for growth
- Public opinion - do people want to grow?
- Retention program - retaining current operations

Community Stability

Strengths:

- Diverse economic base
- Government, community apparently are in general support of new development
- Dam settlement very positive, yes?
- Amazing accomplishments on community projects
- Good staff – above average capabilities and enthusiasm

Opportunities:

- Define economic development objectives and targets more clearly
- Think more regionally

Intangibles



Does the community present itself well through intangible methods during the visit?

- Meeting flow and organization
- Weather and Creativity - *“The Wacky Factor”*
- can't control, but how is it combated if bad?
- Personal touch

Project Orion - Oroville's Score

Scoring Category	Possible Score	Score
Community Reception	35	15
Labor	50	40
Transportation	35	25
Utilities	35	15
Community Appearance	35	25
Sites/Buildings	60	25
Schedule	15	8
Community Stability	20	15
Intangibles	15	12
TOTAL	300	182

* Competitive communities rank in the 260 – 270 range

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1. Overview of site selection process
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Suggestions for Next Steps

1. Get yourself ready for development
2. Establish attraction targets
3. Align property in community around targets
4. Refine your RFP – Proposal process (you are off to good start)
5. Expand your labor data resources
6. Develop an active job retention program
7. Sell the regional aspects of your competitive advantage (e.g. Chico State, Butte Community College)
8. Sell the highway system and actively lobby for the Highway 70 solution

Suggestions for Next Steps (continued)

9. Create clarity about the REAP mission
10. Incentives – you need to be ready to put a deal on the table when the opportunity presents itself (think this through ahead of time). Incentives are part of your business case argument
11. Push to reduce risk at every opportunity (e.g. provide certainty around cost and schedule, cost of property)
12. Adopt a “shovel ready sites” approach to community preparedness
13. Clearly define rolls of each group...the current landscape is confusing and the community advantages can easily get lost



Thank You

Don Schjeldahl
Vice President and Director
Austin Consulting
6095 Parkland Blvd.
Cleveland, OH 44124
Phone: 440-544-2617
Don.schjeldahl@theaustin.com