

# SITE

Selection *ONLINE*

From Site Selection magazine, May 2002  
TOP DEALS

## Top Ten Deals of 2001:

### South Flexes Muscle With Blockbuster Projects

Automotive plants lead way in pacing Southeast to top of deal-making charts.

by RON STARNER



The \$44-million CitiCorp Credit Services expansion in Florence, Ky. will triple employment, adding more than 2,000 new jobs to the company's already substantial local payroll.

**T**here's a reason why Toyota, Nissan, Honda, Mercedes-Benz, BMW, Ford and General Motors all call the Southeastern U.S. home for some of the country's largest automotive assembly plants. It's because the South knows how to get the blockbuster economic development deals done.

Last year, the South accounted for three of Site Selection magazine's annual top 10 deals in economic development. In 2001, the region upped that total to five, with the automotive industry accounting for three of the projects.

With so many international automakers now doing business in the South, it's no wonder that the region again cleaned up in 2001. Tennessee is now the fourth largest producer of cars and light trucks in America. Alabama is home to such global giants as Honda, Toyota and DaimlerChrysler. Georgians produce vehicles for Ford and General Motors. South Carolina workers make BMWs. Kentuckians make Fords and Toyotas. Virginians produce Ford trucks, and workers in Mississippi will soon produce Nissans.

But the revival of the South's economy doesn't stop with the automotive sector. Major gains in the financial services and life sciences industries are producing new jobs at a record-setting clip in places like Tampa, Orlando, Atlanta, Jacksonville, Charleston, S.C., and Birmingham, Ala.

Why? Largely, it's because of the role economic developers play at the state and local level. Aggressive governors have teamed up with regional economic development partnerships to offer creative incentives packages and plenty of work-force training to entice multinational companies to the region – and the strategy is working.

In evaluating the top economic development deals of 2001, the editors of Site Selection magazine took a number of criteria into consideration: total capital investment, total number of jobs created, regional economic impact, value of jobs created, creativity of the deal structure, role of incentives in landing the deal, competition for the project to locate elsewhere and speed to market.

Based upon those factors, the winning deals of 2001 hail from five Southeastern states plus Michigan, Illinois, Oregon, China and Germany. The following is a look at each of the top 10 deals of 2001 (listed in alphabetical order):

ABN AMRO – Chicago  
\$500 million; 5,000 jobs

How big was ABN AMRO North America's announcement last February that it will build a US\$500 million office tower in Chicago's West Loop area? The deal is the Windy City's largest private investment in a corporate headquarters since 1997. At a total size of 1 million sq. ft. (93,000

sq. m.), the 30-story building will house 5,000 bank employees, including 500 new hires, when the tower opens in 2003.

But that's not all. The global banking giant based in Amsterdam also has completed plans to build an adjacent tower that will span 1.2 million sq. ft. (111,600 sq. m.). Houston-based Hines Interests is the construction manager for the project, while Chicago-based DeStefano & Partners is the architect.

The project is receiving assistance from the Illinois Department of Commerce and Community Affairs through the Economic Development for a Growing Economy (EDGE) program. Using EDGE, the bank will be able to write off payroll taxes for its 500 new employees.

The ABN AMRO Tower will be designated by the state as a High-Impact Business (HIB), qualifying the project for breaks on a number of investment taxes, sales taxes and utility taxes. The city of Chicago also is creating a tax-increment-financing district to further incentivize the deal.

Acquisition of other financial institutions, coupled with the bank's entry into the e-commerce sector, prompted the company to launch the consolidation project. "With the enormous growth of e-commerce and its impact on banking, we must ensure that our facilities can support the technology needed to provide the appropriate level of service to our customers," said Norman Bobins, chairman, president and CEO of LaSalle Bank, a subsidiary of ABN AMRO.

**BMW – Leipzig, Germany**  
\$860 million; 5,500 jobs

More than 250 locations in Europe competed for 12 months for the 5,500-job, US\$860 million BMW plant that will turn out 650 3-series sedans every day. Only one site claimed the prize: Leipzig, Germany.

The site in Germany's ex-communist east beat out four other finalists on the short list: Arra, France; Rolin, Czech Republic; and two other German cities, Augsburg and Schwerin. A total of 125 German cities made a bid for the BMW factory.

"It wasn't an easy decision for us," said BMW Chairman Joachim Milberg in making the announcement in Berlin last July.

Why did the Munich-based luxury automaker pick Leipzig, a city of 500,000 people? Milberg said the company liked the city's availability of skilled labor, quality infrastructure and transportation facilities.

BMW also liked the 495-acre (200-hectare) site that it selected in Leipzig, added Milberg. Another key aspect of the deal was the area labor unions' acceptance of more flexible work-scheduling rules at the new plant.

Other dealmakers included an estimated US\$244 million in incentives from the European Union for locating the plant in an economically disadvantaged region and the relatively cheap price of land – only \$2.23 million for the entire site.

BMW also is likely to receive financial help from the city in hiring and training workers. The city has offered similar assistance to other major manufacturing plants that have come to the area.

**BSH Home Appliances – New Bern, N.C.**  
\$220 million; 1,452 jobs

Craven County and the surrounding communities in Eastern North Carolina will soon benefit from a \$220 million, 1,452-job expansion by the BSH Home Appliances Corp. in New Bern.

The German company, the third largest maker of household appliances in the world, will expand its Craven County operations over five years. "Eastern North Carolina will realize a tremendous boost to its job market and tax base as a result of this expansion," North Carolina Gov. Mike Easley said in making the announcement on Dec. 5. "Companies like BSH are choosing to locate and expand in North Carolina because they know of our strong commitment to education and economic development."

Total annual payroll at the new facility is estimated at more than \$13.2 million. The average wage resulting from the expansion will range from \$11 to \$26 an hour plus benefits.

The project involved input from a number of public and private agencies including: the Craven County Economic Development Commission; the communities of New Bern and Craven County; local and state officials; Golden LEAF Foundation; Holland Consulting Planners; North Carolina Community College System; North Carolina Department of Commerce; North Carolina Department of Transportation; North Carolina's Eastern Region; Progress Energy; and North Carolina Rural Economic Development Center.

The project also is expected to attract a number of suppliers to the region. "It's a big deal in

this county," said Kevin Roberts, president of the New Bern Area Chamber of Commerce. "We're feeling the ripple that everyone else has been feeling."

Citicorp Credit Services – Florence, Ky.  
\$44 million; 2,100 jobs

It's not every day that a major financial services company decides to triple the size of its work force in a single location. Yet that's exactly what Citicorp Credit Services announced last June when it broke ground on a \$44 million, 180,000-sq.-ft. (16,740-sq.-m.) facility on Citibank's 81-acre (33-hectare) campus in Florence, Ky.

The expansion comes only five years after Citibank opened a 145,000-sq.-ft. (13,485-sq.-m.) facility and hired 940 people at the Boone County site in Northern Kentucky. The new facility, which triples the local work force by adding more than 2,000 new jobs, is scheduled to open in mid-2002.

"Citicorp Credit Services has been an excellent corporate citizen for Kentucky," said Kentucky Gov. Paul Patton. "Having an existing business expand in Kentucky shows the corporate world that Kentucky is a profitable place to do business."

The Bluegrass State responded in kind by granting approval for \$26.7 million in tax credits under the Kentucky Jobs Development Act through the Kentucky Economic Development Finance Authority. The total payroll at the new facility will be \$60 million a year, with the average gross salary being \$30,000.

Citibank cited the local labor pool and the area's infrastructure as major factors in securing the deal. Ohio and other locations in Kentucky were considered for the project, company officials said.

"The region's dedicated and well-educated work force, affordable housing and competitive cost of living have afforded Citibank a talented and committed team of employees," said Kevin Kessinger, director of operations and technology for Citibank. "Additionally, a modern communications infrastructure and a great public transit system, including a world-class airport, provide critical support to the business."

Ford Motor Co. – Norfolk, Va.  
\$375 million; 200 jobs

Ford Motor Co. cemented its 76-year relationship with Norfolk, Va., last July by announcing the largest single investment in the city's history: a \$375 million, 350,000-sq.-ft. (32,550-sq.-m.) expansion of the automaker's assembly plant.

The body shop addition is pivotal for the Norfolk plant, which has produced the No. 1 selling vehicle in the U.S. – the Ford F-series pickup – for the past 19 consecutive years.

The state and city helped land the project by committing \$12 million in incentives. These include \$8 million from the Norfolk Industrial Development Authority, \$3 million from the Virginia Investment Partnership, and money for worker training and site preparation.

"The expansion of Ford Motor Company's Norfolk plant is a testament to the power of partnership between state and local officials," said Virginia Secretary of Commerce and Trade Barry DuVal. "Virginia will benefit from the new jobs and the capital investment associated with Ford's expansion."

Ford, which has made cars in Norfolk since 1925, operates one of the most efficient plants in all of North America in Hampton Roads. The prestigious 2001 Harbour Report ranked the Norfolk factory as North America's second-most productive plant in the full-size truck category, trailing only General Motors' factory in Oshawa, Ontario, Canada.

Norfolk's strong labor pool proved to be a big draw for Ford, which said it had 10,000 job applications on file even before announcing the expansion. Good labor-management relations also played a key role. The Norfolk plant has not had a walkout since 1976, during the last nationwide UAW strike at Ford.

Intel Corp. – Hillsboro, Ore.  
\$2 billion; 2,500 jobs

Santa Clara, Calif.-based Intel Corp. divulged last summer that it will build a \$2 billion, 778,000-sq.-ft. (72,354-sq.-m.) semiconductor manufacturing plant in Hillsboro, Ore., about 25 minutes west of Portland. The new fab, which will make chips on 300-mm. wafers, will add 2,500 jobs to Intel's campus in Hillsboro, which already is the company's largest base of operations.

Intel, the world's largest chip-maker, will construct a three-story, 175,000-sq.-ft. (16,275-sq.-m.) clean room as part of the project and continue its rapid expansion pace since the beginning of

2000. Over the past two years, the company has announced seven expansion projects of at least \$1 billion. Other new fab sites are in Arizona, New Mexico, Colorado, Ireland and Germany.

The latest project announcement came as welcome news to an area hit hard by another Intel decision. In January 2001, Intel announced that it would halt work on a planned \$400 million R&D campus in Hillsboro. The so-called West Union facility could have employed as many as 7,000 workers over 15 years.

Still, Intel maintains a strong presence in Oregon's Washington County, where the global chip giant has 16,000 employees on six campuses.

Michelin North America – Lexington, S.C.

\$200 million; 200 jobs

South Carolina's largest deal of the year came in Lexington, where Michelin North America Inc. announced that it would expand its existing earthmover and passenger tires manufacturing facility by \$200 million and 200 jobs.

The Central Carolina Economic Development Alliance (CCEDA) in Columbia worked closely with Michelin and the consulting firm of McCallum Sweeney to ensure that all project needs were met. Other agencies involved in the deal were the South Carolina Department of Commerce, S.C. Department of Transportation, State Board for Technical and Comprehensive Education and Lexington County.

Michelin qualified for a multi-county industrial park designation, which provides the maximum tax benefit allowed by the state of South Carolina. The project also qualified for FILOT (fee in lieu of taxes) and job development credits. Also assisting with incentives was Lexington County.

"The CCEDA worked very hard to coordinate all the activities associated with the life of this significant and important project for our region," said David King, director of marketing and new industry for the CCEDA.

Lexington beat out two competing locations for the Michelin plant, including a site in Vitoria, Spain.

Pfizer – Ann Arbor, Mich.

\$600 million; 600 jobs

Anyone who follows the pharmaceutical industry knows that Pfizer is on a fast track to expand its share of the global market for prescription drugs. The maker of Viagra accelerated that growth pace in December when it announced a \$600 million, 600-job expansion in Ann Arbor, Mich.

The project represents a big payday for Michigan in more ways than one. The total annual payroll at the new Pfizer plant will top \$60 million and ensures that Ann Arbor will retain its largest private employer and biggest taxpayer.

More importantly for Michigan, Pfizer's expansion heralds a new era for the state's burgeoning life sciences sector. The international drug-maker could have gone elsewhere, but it chose to stay home.

"This is a win-win-win solution that will benefit the state, the city of Ann Arbor and Pfizer," said Senior Vice President David Canter, director of Pfizer's Ann Arbor Laboratories. "Pfizer now will have the land we need to flourish. This will bring the city of Ann Arbor and the state of Michigan economic growth and new jobs in the research and development sector, strengthening the Michigan Life Sciences Corridor initiative."

The state of Michigan has committed \$1 billion over 20 years toward the development of the life sciences cluster. Some \$84.2 million of that fund will be spent in the form of incentives on the Pfizer project. The incentives include a 20-year credit on the Single Business Tax worth an estimated \$25.8 million; a 12-year abatement of the 6-mill State Education Tax, valued at \$10.7 million; and a 12-year abatement on Ann Arbor's property tax, valued at \$47.7 million.

Philips Semiconductor – Suzhou, China

\$1 billion; 3,500 jobs

One of 2001's largest capital investments occurred last April when Philips Semiconductor announced it would spend \$1 billion to build a 3,500-employee integrated circuit assembly and testing plant in the eastern China city of Suzhou, 50 miles (80 kilometers) from Shanghai.

The entire 1.1 million-sq.-ft. (102,300-sq.-m.) facility won't be fully operational until 2006. However, Philips officials said that plant production will begin by mid-2002. At full capacity, the Suzhou facility will produce an annual output of 750 million units, mostly in ball-grid array and

chip-scale-package products.

Philips selected a construction site in the Suzhou Industrial Park for its access to skilled workers, as well as its technical and logistical infrastructure. Most of the plant's 3,500 jobs will be filled by local workers; about 500 of them will be engineers.

Despite a nationwide slump last year in demand for semiconductor products, Philips executives predict that demand for the Suzhou plant's output will be strong. All of its products will be sold within China. Chips assembled and tested in Suzhou will be used in a variety of applications, including consumer electronics, communications, computing and automotive products.

"We have long realized the importance of China in our strategy for growth," said Arthur van der Poel, president and CEO of the Dutch company.

Toyota Motor Corp. –  
Huntsville, Ala.  
\$220 million; 350 jobs

One of the Southeast's most prized catches of the year landed in Huntsville, Ala., where Japanese automaker Toyota Motor Corp. announced that it would locate a \$220 million, 350-job manufacturing plant for V-8 engines for the Toyota Tundra pickup.

Huntsville beat out Clarksville, Tenn., and Buffalo, W.Va., for the project, which will have a total annual payroll of \$29.75 million, or about \$85,000 per job.

The 300,000-sq.-ft. (27,900-sq.-m.) facility will be built on 200 acres (81 hectares) in the North Huntsville Industrial Park. Toyota has an additional 299 acres (121 hectares) under option in the park.

Ernst & Young served as the lead consultant on the project, which should reach full production and full employment by 2005.

Total incentives on the deal are estimated at \$29.895 million – compared to an estimated \$135.8 million in state and local taxes projected to be paid by Toyota over the next 20 years. Alabama Gov. Don Siegelman said that he expects the state to recoup its investment in the project in just four years. **SITE**



Senator Jeff Sessions, Toyota President Fujio Cho, Gov. Don Siegelman, and Congressman Bud Cramer at the future plant site in Huntsville for Toyota Motor Manufacturing Alabama.



TOP DEALS OF 2001: HONORABLE MENTION			
The Best of the Rest			
Company	Location	Investment	Jobs
AmeriCredit Financial	Peterborough, Ontario	\$15 million	500
Boeing Co.	Chicago, Ill.	\$56 million	500
DaimlerChrysler	New Castle, Ind.	\$97 million	1,750
ERNI Components	Chesterfield Co., Va.	\$98 million	550
Kinko's	Dallas, Texas	NA	500
Merck-Medco	Tampa, Fla.	NA	2,500
Nestle USA	Jonesboro, Ark.	\$165 million	1,000
Siemens Westinghouse	Homestead, Pa.	\$122 million	350
Target Corp.	Kalamazoo, Mich.	\$100 million	900
WorldCom	Loudoun Co., Va.	\$180 million	3,600

Source: Conway Data Inc.'s Top Development Deals Database.

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