

SITE

Selection *ONLINE*

From Site Selection magazine, May 2003
TOP DEALS 2002

Global
Automakers
Lead the Pack
Year's biggest investments came from car companies;
U.S. showed strength in winning top-dollar deals.

by RON STARNER

Whoever said that Americans can't build good cars hasn't taken a tour lately through the heart of the United States.

From Michigan to Alabama, factories churn out millions of popular, high-quality vehicles every year. And the proof isn't just in record sales numbers and customer satisfaction reports. It also comes in the form of new capital investments. Original equipment manufacturers (OEMs) for the automotive industry captured seven of the Top Ten Deals of 2002 in Site Selection's annual competition.

In evaluating the top economic development projects of the year, the editors of Site Selection took into account total capital investment; number of jobs created; regional economic impact; value of jobs created; creativity of the deal; role of incentives in the deal; competition for the project to locate elsewhere; and speed to market.

The following is a look at each of the top deals, listed in alphabetical order.

Amgen

Juncos, Puerto Rico

\$800 million • 600 jobs

Amgen, the world's largest biotechnology company, announced one of the biggest economic development deals in the history of Puerto Rico last year when it committed to build a US\$800-million biotech plant in the city of Juncos. The project will add 480,000 sq. ft. (44,592 sq. m.) of space to Amgen's facilities and create 600 jobs.

The Thousand Oaks, Calif.-based molecular genetics company with \$3.5 billion a year in revenues continued its rapid global expansion. Amgen now conducts business in 19 countries, employs 9,200 people and maintains research, manufacturing, distribution and sales facilities worldwide.

The Juncos project follows a 600,000-sq.-ft. (55,740-sq.-m.) corporate campus project in Longmont, Colo., north of Boulder. The company's accelerated growth took another leap forward in July 2002 when Amgen acquired Seattle-based Immunex.

"These are exciting times for Amgen, and we are pleased with the significant progress made so far to build the foundation necessary to ensure patient access to our new products," said Kevin Sharer, Amgen chairman and CEO.

Auto Alliance International

Flat Rock, Mich.

\$644 million • 3,350 jobs

Second only to Hyundai in total economic impact in the U.S. in 2002, the \$644-million capital investment announced by Auto Alliance International in Flat Rock, Mich., represents one of the most significant business-retention stories in the history of Michigan. The groundbreaking deal retains a sprawling 400-acre (162-hectare), 2.7-million-sq.-ft. (250,830-sq.-m.) complex and 1,961 jobs, and creates another 1,389 jobs for Michigan workers.

"This retention/expansion project was the first time a job retention tax credit and a job creation tax credit were used together to create an incentive that was required to secure and expand an existing Michigan facility," says Jennifer Owens, assistant vice president of communications for the



Lansing-based Michigan Economic Development Corp.

The incentive package includes up to \$95 million in Michigan Economic Growth Authority Single Business Tax credits; 100-percent abatement of the state education property tax credit, up to \$6.7 million; and 50 percent abatement of local property taxes, approved by the City of Flat Rock, with a value of up to \$31 million.

The company -- a joint venture of Ford Motor Corp. and Mazda Motor Corp. -- considered other North American locations but did not disclose those sites.

BMW

Greer, S.C.

\$400 million • 400 jobs

Since BMW came to Spartanburg County in 1992 and opened its assembly plant in 1994, the German company has attracted 30 automotive suppliers to the state and changed the landscape of manufacturing in Upstate South Carolina.

But the changes aren't over. On Sept. 26, 2002, BMW announced a \$400-million expansion of its 2.4-million-sq.-ft. (222,960-sq.-m.) plant in Greer. The changes include construction for the 200,000-sq.-ft. (18,580-sq.-m.) body shop and paint shop, assembly area improvements and significant equipment retooling.

"Only 10 to 15 percent of our investment is in the plant -- the rest is in equipment," says Bobby Hitt, spokesman for BMW in Spartanburg County. "Since 1992, we have invested more than \$2 billion into South Carolina."

The expansion will add 400 workers and increase the plant's production to 155,000 vehicles a year -- up from 130,000 in 2002. The plant produces the Z4 Roadster and X5 sport utility vehicle for BMW.

"We have 800 trucks coming in and out of this plant every day," adds Hitt. "Our just-in-time manufacturing process enables us to produce 660 vehicles a day."

More than 4,700 full-time employees work at the plant, and with part-time help and contract workers the plant population swells to 7,000 workers a day, says Hitt.

South Carolina won the project by passing the General Obligation Economic Development Bond Act, which allows BMW to qualify for up to \$80 million in infrastructure aid.

Eli Lilly & Co.

Prince William County, Va.

\$425 million • 700 jobs

Virginia pulled out all the stops in landing a \$425-million insulin manufacturing plant for Eli Lilly & Co. in Prince William County. When the ink on the deal was dry, the Old Dominion had secured 700 jobs paying an average of \$44,400 a year and 600,000 sq. ft. (55,740 sq. m.) of manufacturing space on a 120-acre (48.6-hectare) site in Northern Virginia.

Key players in the deal included the Prince William County Department of Economic Development (see Top Groups, p. 272) and the Virginia Economic Development Partnership. Jill Lawrence of the VEDP in Richmond says the project resulted from a marketing mission to Indiana (Eli Lilly's home state) "that we then matched with a request from a consultant."

Virginia Gov. Mark Warner personally hosted Eli Lilly executives for lunch at the Governor's Mansion in Richmond to help close the deal on an incentive package that includes \$2.25 million from the Governor's Opportunity Fund to assist Prince William County with site preparation; \$2 million from the county's Economic Development Opportunity Fund; a \$3-million performance-based grant from the Virginia Investment Partnership; and \$300,000 from the Virginia Department of Transportation for road access funding.

The Virginia project, one of the 10 largest in state history, marks the first time that the global pharmaceutical powerhouse has located a U.S. factory outside of Indiana. "We felt that it was important to geographically diversify our insulin manufacturing sites," said Eli Lilly President and CEO Sidney Taurel.

Virginia beat out finalists North Carolina and South Carolina because Prince William County "offered the best tradeoff between cost of operations, quality of life and the ability to attract and retain a skilled work force," Taurel said.



ELI LILLY INVESTS \$425 MILLION IN VIRGINIA: (left to right) Chairman Sean T. Connaughton, Chairman at-Large, Prince William Board of County Supervisors; Craig S. Gerhart, County Executive, Prince William County; Sidney Taurel, Eli Lilly and Company Chairman, President and CEO; Virginia Governor Mark Warner

Honda

Lincoln, Ala.

\$425 million • 2,000 jobs

Car companies from Japan and South Korea made the biggest splashes of the year in the U.S. automotive manufacturing sector, and nowhere were the splashes as huge as those that befell Alabama, the only double winner in this year's Top Deals competition.

In Lincoln, between Birmingham and Anniston, Honda Manufacturing of Alabama announced that it will invest \$425 million into expanding its plant and create 2,000 jobs. The Tokyo-based company will add more than 1.1 million sq. ft. (102,190 sq. m.) to its 1.7 million-sq.-ft. (157,930-sq.-m.) Lincoln facility and will eventually double its annual production to 300,000 vehicles, engine blocks and engine heads. Honda currently produces 150,000 Odyssey minivans and engines a year at the plant.

The plant's strong track record prompted Honda to give Alabama the expansion nod, company officials said. Incentives didn't hurt either.

The final state and local package totaled \$89.7 million and included \$45.1 million for worker training and infrastructure improvements; \$33.1 million in state and local tax breaks over 20 years; and \$11.5 million from the City of Talledega and Talledega County for site preparation and sewer and water improvements.

Key players in the Honda deal included the Governor's Office, the Alabama Development Office (ADO), the Economic Development Partnership of Alabama, Alabama Power, Alabama Industrial Development Training (AIDT) and local officials.

Hyundai

Montgomery, Ala.

\$1 billion • 2,000 jobs

Hyundai Motor Manufacturing Alabama -- the "granddaddy" of all economic deals in the U.S. in 2002 -- stands by itself for its sheer magnitude of economic impact (see Cover Story, p. 282).

By any standard of measurement, the Korean automaker's entry into the U.S. manufacturing market is astounding. Consider the numbers: \$1 billion total plant investment; 2,000 jobs; 2 million sq. ft. (185,800 sq. m.) of floor space; 1,744 acres (706 hectares) of new development; production capacity of 300,000 vehicles per year; and a total annual payroll, upon full production, of more than \$96 million.

Kentucky, Ohio, Mississippi and Georgia all made strong runs at the project, but Alabama beat the competition because of its superior site, work-force training program and incentive package. The Montgomery Area Chamber of Commerce, ADO, AIDT, Alabama Power and others worked feverishly to meet tight deadlines.

The final package came to \$252 million, says Dave Echols, project manager for ADO in Montgomery. "But, quite frankly, the biggest incentive package was not in Alabama. Ultimately, it all goes back to the site and the labor force. Incentives are just a very necessary part of attracting business to your area and keeping them here."

International Sematech

Albany, N.Y.

\$403 million • 250 jobs Concluding a year of intense and secret negotiations, New York officials and a consortium of computer chip manufacturers announced last July the creation of a \$403-million R&D center called International Sematech North in Albany. Gov. George Pataki hailed the project as potentially "the most important economic development for upstate New York since the Erie Canal."

The project will use extreme ultraviolet lithography to develop next-generation computer chips that are smaller and more powerful than current chips. "Clearly, the state-of-the-art resources of the governor's Center of Excellence in Nanoelectronics have launched a new era for New York and the University of Albany," Albany NanoTech Executive Director Alain Kaloyeris said as the deal was signed.

Neville Bugwadia of Empire State Development said that the deal resulted from "several unprecedented, strategic economic development initiatives all designed to attract the semiconductor industry to New York." Among these programs was one called "semi-NY" which helped the state land the \$2.5-billion IBM chip plant in East Fishkill in October 2000.

The state is providing \$210 million in funding. Another \$193 million is coming from Sematech and its 12 member companies: Agere Systems, Advanced Micro Devices, Hynix, Hewlett-Packard, IBM, Infineon Technologies, Intel Corp., Motorola, Royal Philips Electronics, STMicroelectronics, Texas Instruments and Taiwan Semiconductor Manufacturing Corp.

Collaboration sealed the deal, said Sematech COO Betsy Weitzman. "The technical challenges are indeed daunting," she said. "To share resources, to share risks is what this is all about."

Nissan

Canton, Miss.

\$500 million • 1,300 jobs Sometimes plants expand even before they're built. Such was the case last summer when Nissan Motor Co. of Japan announced that it would increase the size and scope of its new plant, still under construction, in Canton, Miss.

Fueled by \$68 million in new incentives and high demand for the Altima sedan, the factory north of Jackson will grow by \$500 million and 1,300 jobs. The project's new totals are a staggering 5,300 jobs, \$1.4 billion in capital investment and 3.5 million sq. ft. (325,150 sq. m.) of space. The new incentive boost pushes the total project package up to \$363 million.

"We are working overtime to build the Altima in [Smyrna] Tennessee, and we are still not meeting consumer demand," explained Emil Hassan, senior vice president for North American manufacturing, purchasing, quality and logistics for Nissan. "Frankly, a year ago, we didn't think we would need to expand this facility. If we had, we would have designed it bigger at the time."

The expansion increases the planned size of the plant in Canton by 40 percent and increases employment by 32 percent. Production capacity will swell by 60 percent. Workers at the Nissan factory will make trucks, vans, SUVs and 150,000 Altimas a year.

The Governor's office, state legislature and Mississippi Development Authority all played major roles in securing the deal.

Saturn Corp.

Spring Hill, Tenn.

\$500 million Only two years after a record \$1.43-billion expansion of its automotive assembly plant in Spring Hill, Tenn., Saturn Corp. announced last year that it would expand the factory by yet another \$500 million to facilitate production of the Saturn Vue SUV and the new Saturn Ion sedan.

Saturn is already the largest automotive employer in Tennessee, with 8,400 workers at the Spring Hill installation in Maury County south of Nashville. The expansion will put even more distance between Saturn and Tennessee's second-largest

automaker, Nissan, which employs 6,000 people at its Smyrna plant in Rutherford County.

In 2002, the Volunteer State had become the fourth-largest producer of cars and light trucks in the country, employing 151,000 workers representing an annual payroll of \$6.1 billion.

More importantly, Saturn is attracting new automotive suppliers to the state. More than 800 suppliers now call Tennessee home, and 25 percent of them are in various stages of expansion.

The Governor's Office and Tennessee Department of Economic and Community Development played key roles in facilitating the Saturn deal.

Toyota

Cambridge, Ontario

\$414 million 700 jobs

The world's No. 3 automaker solidly endorsed the Canadian work ethic in September when Toyota announced a \$414-million, 700-worker expansion in Cambridge, Ontario.

Company officials made this announcement only two years after an earlier expansion prepared the Ontario plant to begin producing the Lexus RX30 SUV. The most recent expansion was dictated by accelerating consumer demand for the Toyota Corolla and Matrix models. Bridging that supply-demand gap is the primary reason for increasing the Cambridge work force, company executives said.

Beginning in September 2003, total output will increase by 14 percent at the plant. Cambridge

| HONORABLE MENTION DEALS OF 2002 | | | |
|---------------------------------|-----------------------------|---------------|------------|
| Company | Location | Investment | Jobs |
| General Motors | Lordstown, Ohio | \$500 million | 2,500 jobs |
| Tokyo Electron | Albany, N.Y. | \$300 million | 300 jobs |
| RadioShack Corp. | Fort Worth, Texas | \$200 million | 2,400 jobs |
| Mack Trucks Inc. | Hagerstown, Md. | \$124 million | 1,100 jobs |
| Cardinal Glass Industries | Durant, Okla. | \$110 million | 240 jobs |
| Goodyear Tire and Rubber | Topeka, Kan. | \$100 million | 1,500 jobs |
| Novartis AG | Cambridge, Mass. | \$250 million | 400 jobs |
| Robert Bosch | Anderson, S.C. | \$200 million | 200 jobs |
| Microchip Technology | Gresham, Ore. | \$200 million | 688 jobs |
| Dow Chemical Co. | Smithfield, R.I. | \$275 million | |
| Protein Design Labs | Brooklyn Park, Minn. | \$200 million | 370 jobs |
| Wyeth BioPharma | St. Louis, Mo. | \$230 million | 150 jobs |
| Coca Cola | Auburndale, Fla. | \$130 million | 300 jobs |
| DaimlerChrysler Corp. | Windsor, Ontario | \$600 million | |
| Delphi Automotive | Buena Vista Township, Mich. | \$300 million | |
| Ford Motor Co. | Dearborn, Mich. | \$200 million | |
| IDEC Pharmaceuticals Corp. | Oceanside, Calif. | \$500 million | |
| Siemens Medical Solutions | Harrisburg, Pa. | \$75 million | 6,500 jobs |
| Philip Morris USA | Richmond, Va. | \$350 million | |
| Abbott Laboratories | Barceloneta, Puerto Rico | \$350 million | |
| Bank One Corp. | Chicago, Ill. | \$305 million | |

will annually assemble 190,000 Corollas and Matrixs, and 60,000 Lexus RX30s.

The plant's high productivity prompted Toyota to pick the Ontario operation for the first Lexus production outside of Japan. The Cambridge facility won J.D. Power and Associates' 2001 Gold Plant Quality Award for North and South America for recording the fewest problems per vehicle. **SITE**



| [Site Selection Online](#) | [SiteNet](#) | [Feedback](#) | [Search](#) |

©2003 [Conway Data, Inc.](#) All rights reserved. SiteNet data is from many sources and not warranted to be accurate or current.