

READY

OR NOT | The Value and Future of Site Readiness Programs in Corporate Location Decisions





THE SITE SELECTORS GUILD

The Site Selectors Guild is the only association of the world's foremost professional site selection consultants. Guild members provide location strategy to corporations across the globe and for every industry, sector, and function. Founded in 2010, the Site Selectors Guild is dedicated to advancing the profession of international corporate site selection by promoting integrity, objectivity, and professional development. Members are peer-nominated, vetted, and must demonstrate significant professional location advisory experience. Guild Membership is the highest standard in the site selection industry.

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Site readiness is an umbrella phrase that site selection consultants and economic development organizations (EDOs) use to categorize programs that have been created to prepare and document various sites for an investment project. Now active in at least 36 states in some form or another, the formal concept of site readiness programs is typically traced back to New York State's Build Now-NY initiative, launched in 1998. It was designed to make the State more competitive with neighbors like Pennsylvania, as well as competitors farther afield such as the Southeastern states that had been coming on strong in attracting manufacturing investment.

Since then, site readiness programs have become a valuable tool for EDOs to attract projects and manage portfolios, especially for locations that are oriented to specific industry uses such as data centers or automobile manufacturing. Such designations have benefitted companies and site selection consultants, where existing documentation of a location's credentials allows prospects to make a faster "go" or "no go" assessment based on how the site performs against a set of development criteria. And since no site is perfect, a site readiness designation can also help decision-makers quickly recognize its strengths and weaknesses, even if it doesn't immediately check all the boxes for a given project.

As these site readiness programs have proliferated across the U.S., expectations from consultants and large companies have risen about the level of data availability, transparency, and due diligence that has been performed in advance. Well-run initiatives greatly reduce the resources it takes for companies to review sites and

determine whether or not they will work, and enable site selection Requests for Information (RFI) to be answered within a few days or faster—not a week or weeks. Companies and consultants tend to be risk averse during a project, so they work hard to quickly eliminate locations with unacceptable flaws, and to find others where all risks are known and can be addressed in a timely fashion.

But with this proliferation have come several challenges. Rapid adoption without a defined standard has led to significant inconsistencies from program to program that can mitigate the positive impacts, or at least muddy the waters. Variances in nomenclature, state-wide regulations, minimum thresholds, and the timeliness of the documentation can be confusing, misleading and, at times, counterproductive.

In this report, the Site Selectors Guild calls for a standardized system for site readiness programs, with the U.S. Green Building Council's (USGBC) Leadership in Energy and



Environmental Design (LEED) classification framework as a potential model. The USGBC's LEED tiered scoring system is industry- and use-agnostic. Additionally, it enables both broad adoption of standards for sustainable buildings and a common understanding of the different levels of qualification amongst owners, designers, builders, and occupants. Even with a model similar to this, many questions about site readiness programs still exist, such as what governing body oversees the development of the system and which stakeholders are involved in setting and administering the standards.

Regardless of the solution, the Guild believes a national standard would have considerable benefits to the entire site selection industry—for economic developers, for site selection consultants, and for expanding companies. Recent informal polling by the Guild reveals that 78% of EDOs with site readiness programs have witnessed a moderate or significant impact in generating leads and investment. But the rest, accounting for 22%, continue to see little or no value. Will a national standard help them better realize the benefits from such an undertaking? We examine that and more in this report.



It was 2008 and Huntsville had just watched as its neighbor to the northeast, Chattanooga, won the prized Volkswagen sweepstakes—a \$1 billion automotive manufacturing mega-project forecasted to create 2,000 direct jobs¹. Huntsville was also a finalist, but the Alabama city and its chosen industrial site west of town were deemed not good enough.

While there are no prizes for second place, local economic development leaders used the loss as motivation to seek “certification” for the location and improve their odds that, the next time around, Huntsville would hit the jackpot. Following the development of a master plan for the area, the regional utility Tennessee Valley Authority (TVA) made it a TVA Certified Mega Site in 2016, thanks to the due diligence of former consulting firm McCallum Sweeney Consulting. Less than two years later, Huntsville was confirmed as the location for Toyota and Mazda’s joint automotive plant, a \$1.6 billion investment worth a projected 4,000 jobs².

Site readiness programs are not inexpensive and there is limited data proving their actual value and return on investment, but anecdotally they have, at least in part, contributed to significant successes in many locations, as the above example suggests. Site readiness programs in some manner may date back as far as 40 years, but the formal concept is often credited to the creation of Build Now-NY, a site readiness initiative launched in 1998³. It has been linked with not only formalizing these types of initiatives, but also in making the New York State more competitive with its neighbors, particularly Pennsylvania.

¹ “Chattanooga Chosen For \$1 Billion Volkswagen Plant,” *The Chattanooga*, July 15, 2008, <https://www.chattanooga.com/2008/7/15/131480/Chattanooga-Chosen-For-1-Billion.aspx>

² David Shepardson, “Toyota, Mazda announce \$1.6 billion plant for Huntsville, Alabama,” Reuters, January 10, 2018, <https://www.reuters.com/article/us-usa-alabama-plant/toyota-mazda-announce-1-6-billion-plant-for-huntsville-alabama-idUSKBN1EZ2NE>

³ Empire State Development. (2019). Retrieved November 11, 2019, from <https://esd.ny.gov/businessprograms/data/buildnow/>

There are multiple terms used to indicate a site’s level of readiness, but no agreement on what those terms actually mean. One EDO’s “shovel ready” site may well be more thoroughly documented than another’s “certified” site. Here’s our best attempt to define them.

Site Readiness

The umbrella term that economic development organizations use to explain the various programs they have created to prepare and document their sites for an investment project of some type.

Site Certification

A readiness achievement typically completed by an independent consultant that clearly lists the due diligence activities that a site has completed, with the appropriate documentation. This is often used as part of a larger state or utility program suggesting a minimum set of standards has been achieved.

Document Ready

A term indicating that the site possesses the proper documentation and permitting that suggests that due diligence activities have been performed on the site, thus reducing risk and the time to develop for projects.

Shovel Ready

A term that indicates due diligence necessary in that area to begin site development has been completed. This term is sometimes an equivalent to Site Certification. However, it can be misleading depending on project and industry parameters and does not clarify if all documentation exists.

Investment Ready

A term suggesting a site is ready for development, although additional measures such as sewer or water lines, electrical or other consideration may be required before development can begin. Such additional measures should be quick to execute. This term is sometimes an equivalent to Site Certification.

Pad Ready

A term meaning the site has been cleared and graded for a building, with the ground prepared and ready for foundations. One can assume that due diligence on the site itself has been done or they wouldn’t have been given the permit for the site prep, but it doesn’t mean that utilities are in place nor that the site has met any minimum thresholds for capacities on utilities.

As speed to market has become increasingly vital along with the ability to remove significant engineering hurdles related to mega projects like a Volkswagen or Toyota-Mazda deal, site readiness programs have mushroomed. It started primarily as a tool for state and local economic development organizations (EDOs), then expanded to regional utilities and now railroad companies. In some instances, the programs are specialized around certain functions or industries.

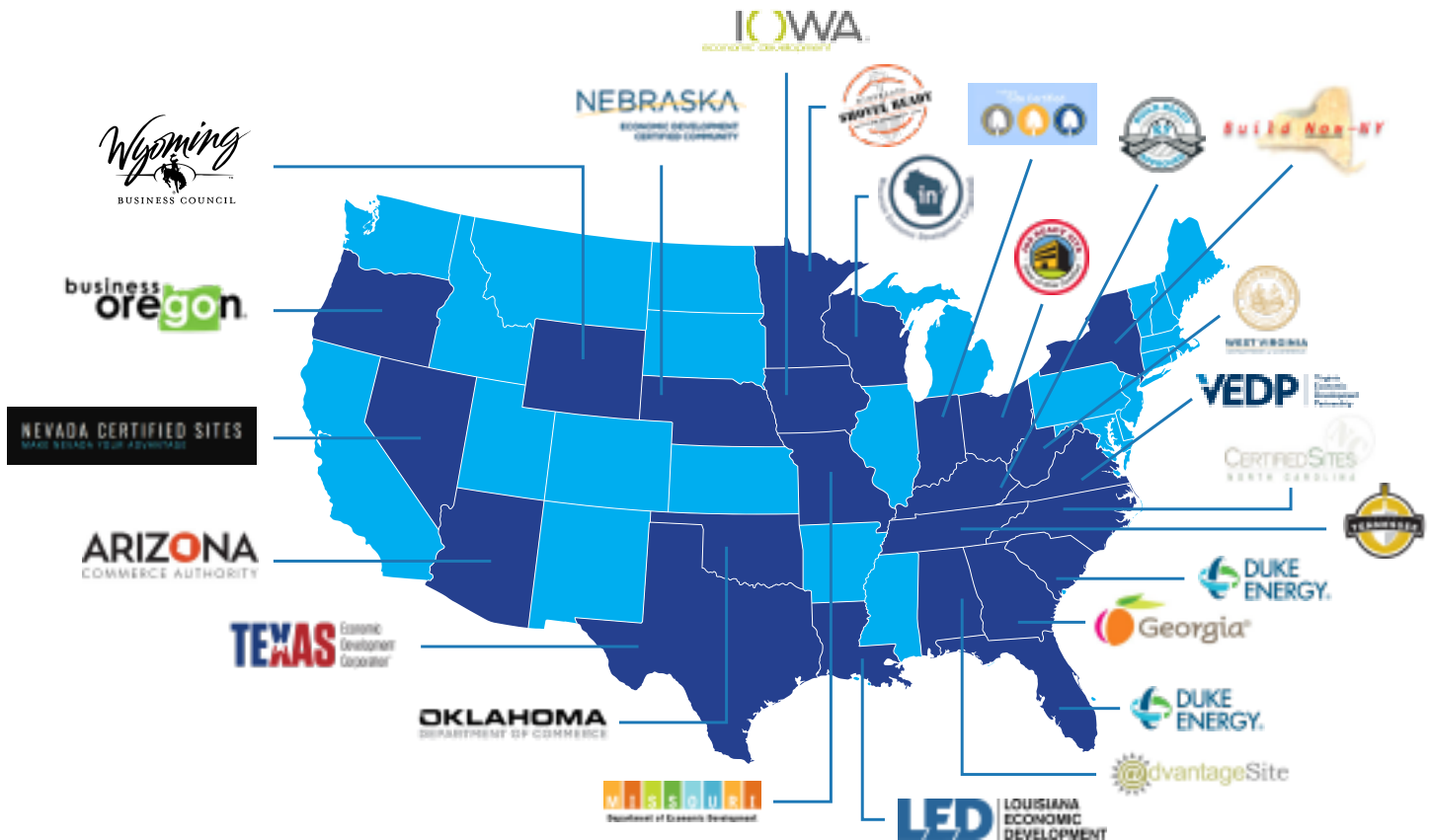


Figure 1: A representative sample of existing site readiness programs across the country.

Born out of the need for a competitive advantage to land projects as in the Build Now-NY instance, site readiness designations have become a valuable tool in economic development as organizations increasingly look to create and manage a portfolio of sites for various industry uses. Consultants and large companies are beginning to expect a higher level of data availability, transparency and previous due diligence by the communities they are considering and, as these initiatives become more commonplace, decision-makers are gaining comfort with the assurance they often provide. As of this writing, at least 36 states have some program at the state, regional or utility level.

Does the fact that so many locations have site readiness programs mean they will be successful and the effort is worth the investment? In many cases, the argument is quite strong that the ROI is there, even without hard data on the subject. For example, polling at the 2019 Site Selectors Guild Fall Forum in Dallas suggests that the economic development industry at large is witnessing positive returns (see graphic on next page). Some 78% of respondents indicated a moderate or significant impact in attracting project leads and/or investment as a result of such programs.

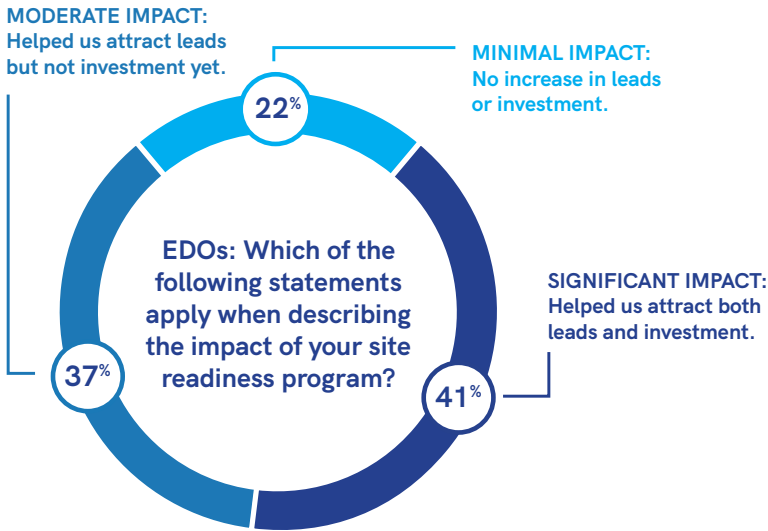


Figure 2: Audience poll of economic developers at 2019 Site Selectors Guild Fall Forum.

But as indicated by the 22% of respondents that have seen little impact, not all “certified” or “shovel-ready” sites are equal, and that is where the question of investing in such programs becomes more complicated. No matter how well characterized the land is, a location with limited transportation access, inadequate utility capacity, or without significant sources of skilled labor will have great difficulty attracting substantial investment. Likewise, a location with structurally high operating costs such as high labor costs or utility rates may be at a competitive disadvantage even if it has great sites that are fully vetted through a site readiness program. Caution and prudence are essential when considering what a site should be used for, its potential competitiveness, and if site readiness documentation would improve its ability to attract investment.

There is also a misperception by some economic developers, site owners and companies that the key value of site readiness programs is to identify perfect sites for future investment. Distinguishing perfect sites is never the goal, nor is it even possible. But this lasting perspective may create unfairly high expectations on the one hand and, on the other, lead some communities to disregard certification completely—or worse, ignore any type of documentation.

Site readiness initiatives are no exception to the basic rules of economics. Yes, they can signify that product is more ready to go, but if that product is too expensive, not of good quality, or not a strong fit for the market it is being sold to, it is simply a bad product.



From the perspective of a company or consultant, sites that have been “certified” or designated “ready” in some way typically come with two primary advantages. One, the due diligence that is required by these programs reduces the risk involved in such complex site development projects. A certified site often comes with documented assurances and details around common issues such as wetland delineation and remediation, floodplains, soil conditions, environmental concerns, easements and rights-of-way, utility capacities, and transportation capabilities, which can allow a decision-maker to quickly assess if a location is suitable or not.

Certified sites certainly don’t guarantee there will be no issues with development of the site, which is an issue we’ll tackle in the next section. However, such readiness programs acknowledge a certain level of due diligence that, more times than not, provides detail on current conditions, remaining hurdles, and how efficiently they can be addressed. With that said, a technical stamp of certification is not required for a company to choose a location. If a state without a readiness program or a small community is unable to obtain certification due to cost or other reasons, it could still compete against other locations if the site has robust documentation showing the proper steps have been taken.

A second benefit to these designations is closely related—the increased speed to decision and speed to market, even if a project development lifecycle is still in the two- to four-year range. Because the initial site and infrastructure due diligence work has presumably been addressed, a company is able to determine if a site is a “go” or “no go” more quickly based on what it has or does not have, as well as its strengths and weaknesses. Then, depending on the needs of the company and the dynamics of the site, once a location is determined, they will also be further ahead in the process than they would be with a typical site without certification.

As communities recognize the need to compete with highly-characterized, ready sites, these certification and readiness programs have gained momentum. However, this can be a double-edged sword, where quality control is fast becoming an issue. Like many trends in economic development, “site certification” has developed into the buzzword du jour, where select EDOs are claiming to have certified, shovel-ready or qualified sites that have little practical value or are still too far from being development-ready, or ready only for a specific and limited type of project. This inconsistency is the underlying reason that the Site Selectors Guild is proposing that an industry standard should be developed, a topic we tackle in more depth on page 13.





Site readiness programs are generally regarded as an effective site selection tool, with a majority of EDOs that have initiated them seeing a positive impact and most site selection consultants agreeing that they've been a constructive development for the industry. However, in the absence of a national standard, there are significant inconsistencies from program to program and state to state that can complicate a prospect's ability to quickly assess and understand the benefits.

First and foremost, the nomenclature of the various initiatives can be confusing. As we listed earlier in the report, there are a number of terms used in the process that can be misleading, especially as different industries have different project criteria. A site that is certified for general manufacturing may not work for a data center, but using the "certified" designation without further clarification may indicate that it works for both regardless of whether or not it actually does.

Likewise, states have varying requirements for development, so what is considered certified or shovel-ready in one state may not meet the threshold in another. One example is that of an archaeological or historical clearance letter required in some states, whereas others do not require it. A company that has completed projects in a state that doesn't have these regulations might not know that it is required to conduct that study on its next project in a different state, thus potentially setting back the site due diligence several months.

Most programs have minimum thresholds for site size or utility capacities, while others are less structured and simply a

collection of a state's most competitive sites, without regard to a specific acreage or capacity threshold. Neither approach is perfect. On the one hand, a site that has gone through the due diligence might not qualify for certification because it doesn't meet certain thresholds, but those thresholds are arbitrary based on a "typical" project. Thus, a site that might be ideal for a company with lower-than-normal water requirements might not achieve certification (and, therefore, struggle to gain visibility through state-wide marketing) simply because it didn't meet the required water capacity that was determined by average projects of a larger size. On the other hand, companies and consultants may struggle to understand for which projects certified sites will be able to meet the minimum requirements.

It's this last example that has generated an in-or-out mentality with regard to these programs. A concern is that some may make the assumption, "If we can't gain



certification, we shouldn't spend any money on due diligence." The Guild argues that some due diligence is better than none. A site that has been properly vetted for any of the critical project requirements—wetland delineation and remediation, floodplains, environmental concerns, easements and rights-of-way, utility capacities, etc.—can still be marketable under the right circumstances.

This is especially true if the work has been done recently, which brings us to our last weakness—the timeliness of documentation. Assessments that were completed a decade ago are still being used to claim “readiness” today, but may no longer be valid and will require an update. Updating those assessment to achieve re-certification can be a costly exercise, one that many communities may be unwilling to fund,

especially if their certified or shovel-ready site has not seen real interest from potential investors. Along these same lines, the assessments may be current, but if they were not performed by a reputable third-party, they could be invalid or seen as less credible.

At the end of the day, nomenclature and data inconsistencies such as those outlined handicap everyone. Companies and consultants can't adequately assess the value of any particular site readiness program, and EDOs spend resources to achieve a level of certification or readiness that isn't well understood, or perhaps even valued, by the marketplace.

By most measures, the U.S. Green Building Council’s Leadership in Energy and Environmental Design (LEED) program has been a success. More than 2.2 million new square feet is LEED certified every day, with more than 90,000 projects using LEED in 165 countries and territories⁴. It has broad market appeal and helps hotels, office buildings, condominiums and even Fortune 500 companies become more appealing through their commitment to sustainable development.

The LEED designations, in ascending order, are Certified, Silver, Gold and Platinum based on a

Site Readiness Roundtable Attendees: Do you think that a national standard for site readiness/certification would be useful?

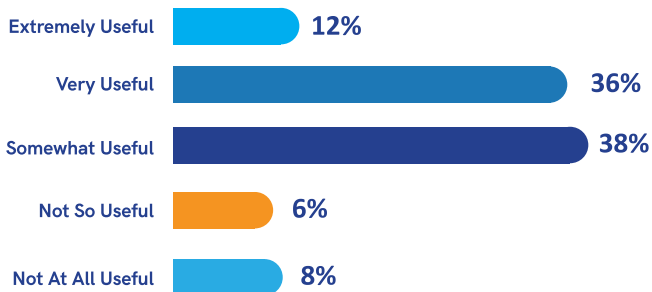


Figure 3: Audience poll of economic developers at 2019 Site Readiness Roundtable.

Site Selectors Guild Members: Do you think that a national standard for site readiness/certification would be useful?

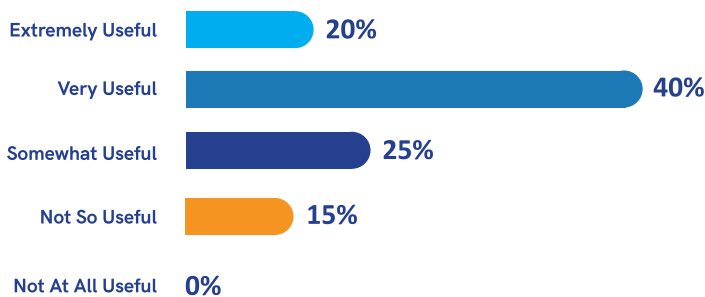


Figure 4: Audience poll of Guild members at 2019 Site Selectors Guild Fall Forum.

standardized point system. There is no one perfect way to achieve any of these, although there are prerequisites every project must meet. Beyond the basics, the ratings are assigned based on a multitude of factors that support public health and the environment.

Could LEED serve as a guide for the site selection industry to onboard a set of standards that help bring clarity and transparency to the process? Most EDOs and site selection consultants agree that a national standard of some kind would be at least somewhat useful, with 85% of both audiences indicating so in recent surveys taken at the 2019 Site Selectors Guild Fall Forum in Dallas and a June 2019 Site Readiness Roundtable hosted by the Guild.

A LEED-like points-based program could offer an interesting solution for economic developers and consultants, allowing decision-makers to better compare sites across jurisdictions. Rather than an either-or scenario (does the site achieve all the requirements for a specific certification process or not), points could be accrued based on the data collected and the due diligence studies completed and verified to date.

For example, a location that has no environmental site assessment (ESA) may receive 0 points for that category, while one that has been performed within the last 3 years could receive maximum points. One that is over five years old, but without any noted site change, could potentially still score some points, indicating it has met previous standards, but requires an update. The pending scoresheet would reveal a site’s strengths and weaknesses across a number of factors, which would correlate much more closely to the needs of a specific type of project, the degree of risk a company would be accepting, as well as provide an indication of cost and time required for full due diligence necessary for a project.

⁴ U.S. Green Building Council. (2019). *Leadership in Energy & Environmental Design*. Retrieved November 24, 2019, from <https://new.usgbc.org/leed>



A scoring system could also precisely indicate where a site is in the overall readiness journey. Perhaps a community doesn't have the funds to seek the highest-level of readiness (Platinum in the LEED example), but it may have enough to meet a lower standard. Or a site that is working towards Silver may still be listed as Certified in the meantime (as long as it meets the standard) and be able to market that achievement to prospective companies while it pursues a higher level.

Lastly, one of the greatest assets for the LEED program is that it is industry- and use-agnostic—everything from a manufacturing plant to an out-house can be certified. Whether or not that same system applies for the site selection industry is a key question, as thresholds for categories like site size and utility capacities may discourage efforts by local economic development organizations that are not well situated for mid-size or mega-projects. The Guild would argue that such thresholds are market-driven based on the needs of the type of industry and companies that a community wants to attract, and thus thresholds should not be mandated by a wider jurisdiction like a state or multi-state utility.

Theoretically, the standards could apply to more than just industrial sites, as the program could apply to office, retail and residential where size and capacity thresholds are very different.

Regardless of what this looks like, a standardized system's biggest benefit would be getting consultants, companies and economic developers all speaking the same language and aligned on the most important factors of a project. We recognize something of this nature isn't easily established, especially in a niche industry like this. While the U.S Green Building Council has 200,000 staff, volunteers and professionals involved, an organization like the Site Selectors Guild has only 51 members and one staff person. Even if the Guild were larger, such a governing body would also have to represent a cross-section of stakeholders in the process beyond site selectors

alone. With no formal ruling entity in this specialized space, the question of who administers, reviews and approves site readiness applications is a foundational hurdle at this time. Also at question is how this impacts the work of individual consultants who offer certification services, although the opportunity for industry and functional specialization would still be open based on the model suggested above.

Perhaps the biggest fear in setting a standard is the issue of cost, which could be a barrier to entry for some locations. The Site Selectors Guild proposes that any program would have to be cost sensitive, which a points-based system with several tiers may help accomplish (i.e. Bronze being more financially attainable than Gold). In order to hold costs down and to not compete with existing programs, a national certification could lay on top of any other certification where the same due diligence and documentation that was performed for the existing program can be used to qualify for certification in the national program, thereby taking advantage of the funds already invested without competing with the existing certification program.





Feedback from site selection consultants and economic developers alike suggests that the issue of site readiness is worthy of further discussion and continued evolution. While no hard data exists about the ROI of this niche subject, the anecdotal evidence from both sides of the profession strongly indicates that—when done properly, with the right motivations and the right product—site readiness programs can be an effective tool in the arsenal of economic developers, and useful for companies and site selectors.

That said, significant inconsistencies in terminology and data requirements across jurisdictions and programs continue to hamper the value of the site certification programs, suggesting the need for a consistent standard. The U.S. Green Building Council offers a model for a potential solution with its points-based system, but several issues remain unresolved:

- Who administers the program?
- Which factors make up “the standard” and is a scoring system the best method?
- How does a standard system integrate the needs of different industries and use types for various sites?
- How does a standard system integrate with, rather than compete with, existing programs?

The Site Selectors Guild is committed to leading this discussion and the progression of the issue in the months and years to come. It also understands that the Guild cannot codify a set of standards alone, but rather must work with other stakeholders—such as EDOs and engineering and construction firms—to do so. If you are interested in contributing to the solution, please contact the Guild by visiting our website at **www.siteselectorsguild.com**.

