The Montrose Group, LLC

TRANSFORMING YOUR WORLD

COVID 19 COMMUNITY SURVIVAL GUIDE:

FOUR CRITICAL STEPS FOR ECONOMIC SUCCESS

JUNE 2020

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About the Montrose Group

The Montrose team brings together the nation's leading multi-disciplinary practitioners in corporate site location who have negotiated over $1.2 B in economic development incentives.

Montrose Group's Corporate Site Location Practice Driven by Multi-Disciplinary Team

Utility Economic Developer → Public Sector Economic Developer → Economic Developer Author → Public Relations Leader → Tax Incentive Lawyer → Project Finance Advisor

Dave Robinson, JD, Principal and Founder

Dave Robinson serves customers based upon 25 years of experience as an economic development executive, lobbyist, lawyer and public relations executive before the federal, state and local governments. Mr. Robinson negotiated $200 M in economic development incentives through a multi-state corporate site location process including $20 M in economic development incentives just in 2018-19, and co-authored 23 comprehensive economic development strategies, site development, and Downtown Redevelopment plans. David J. Robinson is a national economic development author with *The Energy Economy* published in August of 2015 by Palgrave-MacMillan, *Economic Development from the State & Local Perspective* in 2014 by Palgrave-MacMillan.

Nate Green, MBA, Partner and Director of Economic Development

Nate Green serves customers based upon his 21 years as a public and private sector economic development leader. Mr. Green negotiated for $1.2B in economic development incentives, including $20M in economic development incentives just in 2018-19, for public and private sector organizations as part of a corporate site location process and co-authored 23 comprehensive economic development strategies, site development, and Downtown Redevelopment plans. Mr. Green was on the start-up team for JobsOhio and has served at the Cleveland-Cuyahoga County Port Authority, Ohio Department of Development and the Pickaway Progress Partnership.

Jamie Beier Grant, Manager of Economic and Workforce Development

Jamie Beier Grant provides corporate site location, economic development planning, site development and workforce development services based upon her 19 years of local, regional and state economic development experience, including for the Ohio Department of Development in the International Trade Division and Economic Development Division, Northwest Ohio's Regional Growth Partnership and for 16 years as Director of the Ottawa County Improvement Corporation.

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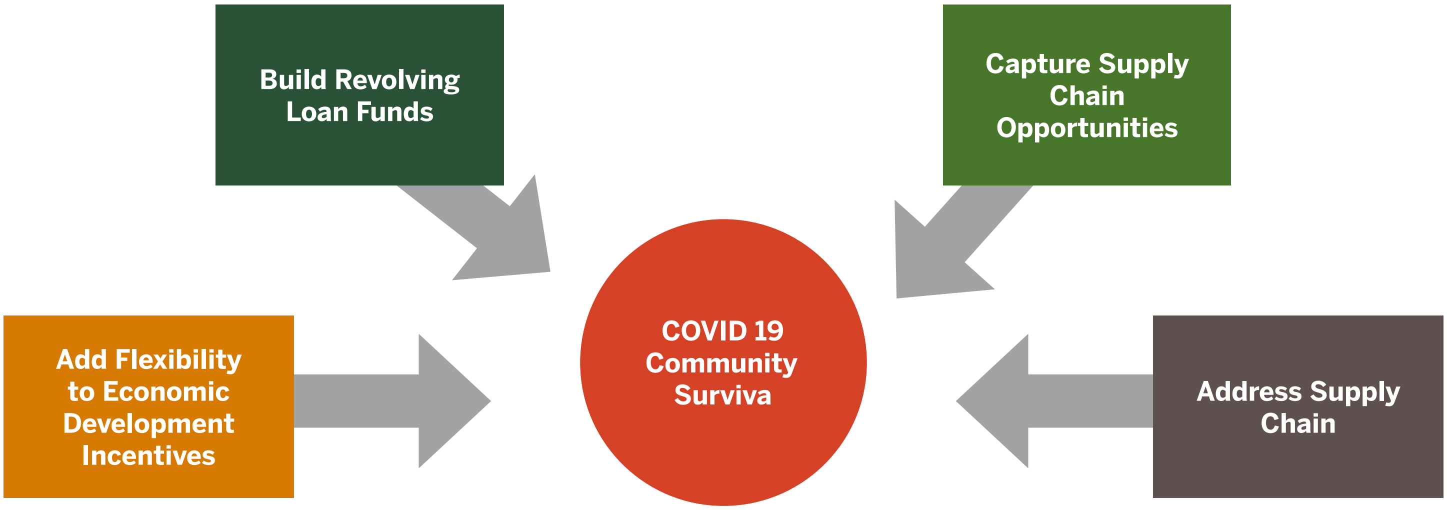
MONTROSE GROUP COVID 19 COMMUNITY SURVIVAL GUIDE EXECUTIVE SUMMARY

Amid the negative news stories, skyrocketing unemployment numbers and a myriad of webinars and videoconference calls, companies across America are working to figure out how to survive COVID 19. Montrose Group recommends community survival strategies focused on four key steps: identify short-term company financing; managing company's return to work; adding flexibility to tax incentives; building Revolving Loan Funds (RLF); developing sites and addressing current broadband gaps.



Montrose Group recommends four steps for COVID 19 community survival that includes:

- *Build RLFs.* Short-term, federal government financing for companies during COVID 19 needs to be supplemented by region's and local communities through the creation of Revolving Loan Funds (RLF) to meet near and long-term needs to promote entrepreneurship, provide alternative business liquidity mechanisms, and address inequities among under-represented populations.
- *Add Flexibility to Economic Development Incentives.* Communities need to adapt existing tax incentive programs and agreements to a COVID 19 economic reality that many great companies are going to have bad years and should not be punished through tax incentive performance.
- *Capture Supply Chain Opportunities.* COVID 19 has illustrated the challenges with long and complex global supply chains for companies, and regions should focus on helping companies return those supply chains back to domestic U.S. locations.
- *Address Broadband Gaps.* COVID 19 has also shown the inequities of broadband coverage throughout the United States as telecommuting, education, telemedicine and other information age tools struggle to operate evenly in all parts of the nation, and communities with a lack of broadband coverage need to solve this problem.

BUILD RLFS

COVID 19 has forced millions of American businesses to seek local, state, and federal government subsidized short term financing to survive an economy pushed into recession by a series of state public health decisions. The passage of the federal stimulus legislation has provided billions in funding for the U.S. Small Business Administration (SBA) for companies with fewer than 500 employees to gain financing. Regions would be mistaken to rely solely on SBA funding for their small to medium sized business financing needs—this one-time money will not build a system that promotes entrepreneurship. Instead, communities should create local RLFs to build a reliable system of small business financing serving in the gap financing or equity gap aspects of an overall lending structure. The structural benefit of RLFs is the creation of a self-replenishing pot of money for use on future mission-driven small business, entrepreneurial and economic development priorities. More importantly, billions in federal stimulus funding can support the development of RLFs through state and federal grants of Community Development Block Grant, U.S. Economic Development Administration, USDA, and other programs.

Interest rates and access to conventional bank financing find themselves at a favorable intersection in today's economy. As a small business or new business startup, however, access to capital and favorable rates can be challenging. Every business has different needs, and no financial solution is one size fits all. There are many financial choices a small business or startup needs to consider when looking at funding operations and how to structure and run an operation. From determining how much funding is needed to support for business activities to committing higher levels of personal investments or business funds as equity, structuring a complete financing package can often be difficult.

The ability for an economic development organization to offer programs that can foster and support small business successes is important, especially since many of the traditional economic development tools in the toolbox are limited in how they can assist small businesses and startups. When looking at what programs an Economic Development Organization (EDO) has in place, or may look to put in place, it is important to keep these programs flexible and to build expertise around the programs that offer an integrated support system where small businesses can not only survive, but thrive.

Prime Federal Government RLF Funding Sources

- Economic Development Administration
- HUD's Community Development Block Grant Program
- USDA Rural Development Program

The federal government is a prime source of funding for the development regional RLFs. Funding flows from the Commerce Department's Economic Development Administration, Housing and Urban Development's Community Development Block Grant program, and the U.S. Department of Agriculture's Rural Development Program. The federal stimulus program pumped billions of dollars into these programs that make them attractive funding sources for RLFs.

There are many ways to go about structuring an RLF program and how an RLF program is structured should be a reflection of a community's economic base and business needs. Ideas on local RLF programmatic uses could include any combination of:

- **Gap Financing** – to button up any final gap that exists in a financial structure
- **Micro Loans** – for new and emerging businesses that have 5 or fewer employees; micro loans are often smaller in scale (between $1,000 – $10,000)
- **Credit Building Lending** – to help entrepreneurs or credit-deficient owners build credit and the ability to access conventional financing
- **Loan Guarantees** – to back conventional lender financing and reduce lender risk

Thinking through the critical financial needs of the applicant businesses will also help you tailor your program to meet local needs. For example, working capital is essential to any small business, as building and maintaining adequate liquidity is the lifeblood to survival. Consider how your programs are designed to offer working capital to meet these liquidity needs.

Steps to set up a successful RLF program vary by community. Identifying seed funding for an RLF is one aspect to consider. Are local banks, community foundations, or public funding programs such as Community Development Block Grant options? Could your EDO dedicate a certain portion of its funding or program revenues towards a seed fund? Developing guidelines and forming a board are critical and looking to your community financial experts is key to getting the right expertise engaged and to ensure the long-term success of the program. Marketing the program to community and lending stakeholders is also critical. Any way your organization can expand your bandwidth with messaging will only help spread the word further than your limited staff has the time to do effectively.

Thousands of examples of successful RLFs exist throughout the United States. Peoria, Illinois operates an RLF established in 1988 through funds from the US Economic Development Administration, and has grown to nearly $1.2 million.[1] Peoria's RLF offers fixed-rate, low-interest, loans to assist businesses with startup/location/expansion projects and growth opportunities that retain/create jobs and stimulate investment.[2] Eligible projects or borrowers include any private for-profit entity that can meet all of the following criteria: project/borrower must illustrate market/project need, project readiness, financial feasibility and leveraging, commitment to job retention/creation, and environmental impact; the City loan must be the lesser of $250,000, 33% of project cost (up to 50% if MBE, SDBE, and DBE), or $25,000 per job created/retained (up to $35,000 for MBE, SDBE, and DBE), a job is defined as "full-time equivalent job" equal to 2,080 hours of employment within a 12 month period, and the minimum loan is $5,000 with jobs retained/created from loan must take place within 24 months after disbursement; Owner equity requirement must be 10% (to as low as 5% for MBE, SDBE, and DBE), and shall not include accrued equity in a borrower's assets, and owner's equity for a project may include unencumbered cash of owner, and private equity raised from other sources; demonstrate other funds are not sufficiently available to finance project at profitable levels.[3]

Eligible project costs are fixed assets such as land, building, machinery and equipment, including new construction and renovation/rehab of existing facilities, and working capital such as inventory, employee salaries and fringes, insurance, and other general operating expenses.[4] Ineligible project costs are refinancing or acquiring an equity position in a private business.[5] Peoria RLF terms cannot exceed 10 years or the loan term of lead lender, or life of asset being collateralized, interest rates for the program are fixed and below market rate, typically at 4% with no prepayment penalty.[6] The Peoria RLF requires sufficient collateral secured by mortgages, liens, co-signers, assignments, and corporate guarantees, and personal guarantees may also be required.[7]

In Wisconsin, communities with fewer than 50,000 residents are eligible for state CDBG ED loan funds and program requirements dictate the maximum is $1 M in loans with investments pegged at $35k per job. Wisconsin requires a loan repayment term of as long as 5 years, and the state sets Loan to Value ratios of the activities being financed. Minnesota provides RLF funding for assistance to businesses for traditional fixed asset investments, but also funds strategic priority projects such as rail spurs and downtown commercial rehabilitation; business incubators to develop or rehab property for incubator use; provide assistance to businesses locating in incubator space, and job training for skills building of unskilled, low-income persons; and retraining of existing employees.

Salt Lake City offers an RLF focused on startup and existing businesses or revenue producing non-profit ventures that can be used for energy efficiency equipment upgrades and building retrofits, signage, retail presentation and display work, and working capital and marketing. Startups are eligible for up to $100,000, existing businesses up to $350,000, and microloans are offered for $25,000 or less. Salt Lake's RLF offers loan terms ranging from 6 months to 7 years, and the RLF focuses on supporting city goals of development in geographic priority areas, LMI owners, veteran owners, disabled owners and green businesses.

Athens County, Ohio has several RLFs funded from different federal government sources. The Athens County CDBG RLF requires federal Davis Bacon prevailing wage rates on construction, renovations and machinery and equipment installation. Federal mandates dictate job creation and retention requirements with annual documentation. 1 FTE created or retained per $25,000 loaned is required with a maximum 50% funding of total project (must have other lender participation). Federal stimulus funding due to COVID 19 has added some flexibility to CDBG programs like the Athens County CDBG RLF such as:

- Existing loan rates and terms may be modified with approval of the local RLF board;
- Rates may be reduced to 0 percent, terms may be modified, and 6-12 months P&I deferrals are allowed;
- CDBG RLFs may approve new loans at 0 percent interest with 6-12 months P&I deferrals;
- Ohio's Office of Community Development approval is required for new loans;
- 30% program income cap on working capital loans has been lifted;
- RLFs may exceed 30 percent of program income to make working capital loans; and
- Working capital loans no longer need to be accompanied by fixed asset investment.

In August 2015, the Athens County Economic Development Council received a $150,000 USDA rural business development grant (RBDG) to establish a small business micro-loan fund aimed at assisting and encouraging development in the rural business sector of Athens County. The goals of the program include encouraging expansion/stability of Athens County economic base, increased employment opportunities for Athens residents, and establishment and expansion of locally owned businesses. Eligible activities include provision of financial assistance to private, for-profit entities that create, expand or retail particular to rural businesses. Financing may include fixed assets, buildings/facilities, leasehold improvements, machinery/equipment, infrastructure investments and working capital. Loans of $10,000 - $50,000 are available with at least 5% coming from a private source, but loan financing will not be offered for a term longer than the useful life of the asset(s) financed. The loans can be used as stand-alone or partnered funding with local control allowing for more flexibility and the fees are low.

Economic Development practitioners wear many hats and are charged with providing valuable resources to businesses of all shapes and sizes. Those looking for creative ways to support entrepreneurs and small businesses should consider establishing a flexible RLF program.

ADD FLEXIBILITY TO ECONOMIC DEVELOPMENT TAX INCENTIVES

COVID 19 may help or hurt a company's prospects for growth in 2020. In a COVID 19 world, communities need to focus on attracting growing companies and supporting struggling companies who have existing economic development incentives. Companies harmed by COVID 19 will need to renegotiate existing economic development incentives to adjust to new near-term realities while preserving existing tax incentive agreements that can support future growth. As the table below illustrates, there will be winners and losers among different industry groups from COVID 19.

Post-COVID 19 Industry Winners	Post-COVID 19 Industry Losers
• Data Centers • Domestic Supply Chain • Reshoring Projects • Logistics & E-Commerce • Medical Products	• Traditional brick & mortar retail • Airlines • Events • Hospitality

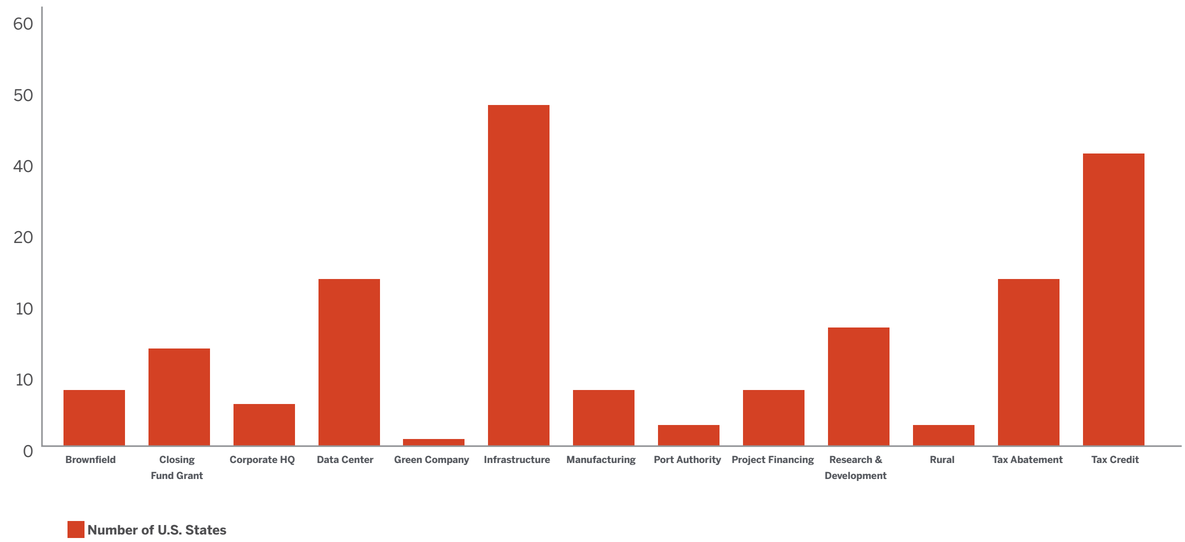
No matter whether a company wins or loses due to COVID 19, economic development incentives need to be addressed. Princeton Economics estimates that state and local governments invest about $30 B dollars in economic development incentives annually.[8] According to the Council of State Taxation, businesses paid more than $781 B in state and local taxes in FY18, an increase of 6.1% from FY17.[9] While economic development incentives at times catch media headlines, they still constitute a very small percentage of the tax revenues state and local governments capture from companies.

EDOs are charged with helping our existing businesses grow and attract new business and along the way assist in retaining and creating new jobs. Companies considering a site for an economic retention, expansion or consolidation project must answer several questions in the affirmative about regions under consideration:

- Is the regional economy growing?
- Do companies in common industries exist in the region?
- Are there available and affordable skilled workers in the region?
- Is the region's cost of doing business competitive?
- What economic development incentives can address regional cost of doing business factors?

Economic development incentives are generated through a multi-state economic development incentive negotiating process where different markets and incentives are compared against it each and a site is ultimately chosen. Local and state governments and private sector economic development organizations offer a range of economic development incentives to companies who commit to retaining or adding jobs and making a capital investment. Categories of tax incentives include: Tax credits that are competitively awarded by local and state governments to companies to reduce their tax burden and can be (1) refundable, which reduces their tax burden below zero or (2) non-refundable which only provides an incentive for the amount the company pays in taxes, and are awarded for a range of different industries and projects; Tax abatements are competitively awarded typically by local governments and they reduce or even eliminate generally the property taxes generated by new investment; Tax increment financing is a prime tool to capture future property tax growth based upon new investment for use on site specific public infrastructure; Grants are awarded by local and state governments as a reward for private company investment in what are typically thought of as Closing Funds; and Loans are provided to companies making economic investments on terms generally more favorable than are available at private financial institutions.

Local and State Economic Development Incentive Programs



Black Swan events like COVID 19 are a major disruption to job creation and capital investment plans even for successful companies. COVID 19 will disrupt the job creation and capital investment plans that companies have committed to in a binding local and/or state economic development incentive agreement. However, well-crafted economic development incentive agreements may have a way to address a COVID 19 based disruption to a company's job creation and capital investment without harming the company even further.

EDOs work with elected officials to offer and approve tax abatements, tax credits, grants and loans for worthy economic development projects all focused on making sites competitive from a cost of doing business standpoint. The retention, expansion, or attraction of companies through the use of tax incentives can help a regional economy grow, build a strong industry cluster with high-wage jobs, and develop a pool of skilled workers.

To protect the public interest, economic development incentive programs come with requirements that the business must commit to get the economic development incentives: job creation, job retention, payroll, and capital investment. In these unprecedented economic times businesses are scrambling to keep their employees working, keep products flowing, manage cash flow and revenues, and try to keep the business afloat until the uncertainty ends. Company economic development incentive reports due in 2021 will illustrate the impact of COVID 19 on their company's performance. From a public policy perspective communities and states will have several options to deal with missed commitment for new jobs, retained and capital investment:

- Reduce job and capital investment commitments without reducing the incentive level;
- Adjust the timeframe that companies have to meet job and capital investment commitments without adjusting the incentive level, and this should be based on the time the company needs to adjust to a post-COVID 19 world;
- Reduce the job and capital investment commitments and reduce the incentive level;
- Cancel the economic development incentives if the company is unable to meet job and capital investment commitments; and
- Put the reporting and commitments on hold for one to two years without reducing or adjusting incentive levels.

There are plenty of unknowns in this crisis. Some early estimates have the economic crisis and fallout lasting for 18-24 months. Economic development professionals need to take these economic considerations into perspective while weighing the public policy implications. EDOs need to offer support to the businesses that help our communities grow and understand that there will be long-term economic damage to our economy from the pandemic. In the near term, EDOs need to deal with these existing economic development incentive agreements and how they impact each business. In the long term, EDOs need to be prepared and put plans in place to adequately assist our business partners as we exit the pandemic economy, adjust our communities and states to be prepared for the next disaster, and ensure the economic health of our communities and states are supported by sound incentive programs.

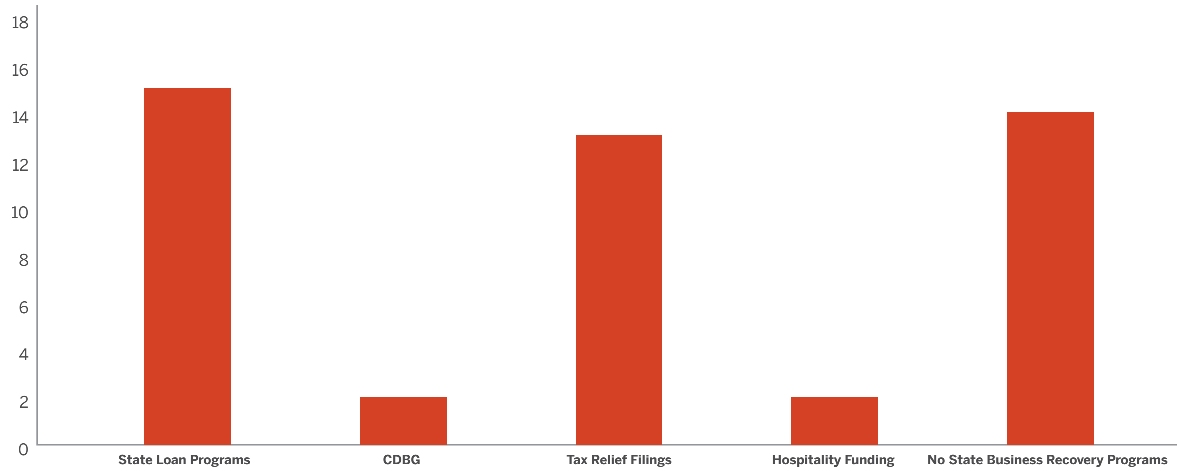
Many economic development agreements contain a "Market Conditions and Other Factors" provision that gives the government or economic development organization partner the ability to keep the incentive agreement in place if the company does not meet its economic development commitments due to factors outside of their control. "Market Condition" clauses have their roots in the common legal concept known as Force Majeure. Force Majeure gives the ability of parties to a contract to be excused from their obligations when certain circumstances arise beyond the party's control making performance inadvisable, commercially impracticable, illegal, or impossible. Force Majeure is triggered through a contract provision that list the extreme events such as epidemics or pandemics, along with war, terrorist attacks, "acts of God," famine, strikes, and fire in the list of events excusing overall performance or delay in performance.

Economic development incentive agreements may give the local and state economic development officials the ability to relieve the company impacted by dramatic events outside of their control from the job creation and capital investment commitments. This flexibility is critical as many economic development incentive agreements permit local and state governments to "claw back" tax incentives previously awarded or terminate the tax incentive agreement even though the company may well pick up economic production following the dramatic event. Local and state government officials deciding whether to avoid tax incentive penalties for a company under a Market Condition or Force Majeure clause may ask a couple key questions:

- Does the company believe it will survive the event and recover following the event?
- Is there another company to implement the economic commitments of the company; and
- What is the impact of any federal, state, or local regulatory requirements imposed on company or their project?

COVID 19 will drive many successful companies to appear unsuccessful in 2020 and those companies need to renegotiate existing economic development incentives to survive the year. State government leaders are working actively with the federal government and economic development leaders to support the survival and growth of local employers during COVID 19. The programs offered by state governments include providing direct financing to businesses, primarily small businesses, impacted by COVID 19; utilizing federal funding through the Community Development Block Grant program in unique ways to support small businesses impacted by COVID 19; adding flexibility to tax filings for small business owners; and several states provided specific relief for the hospitality industry hit so hard by COVID 19.

Current State COVID 19 Business Support Programs Survey

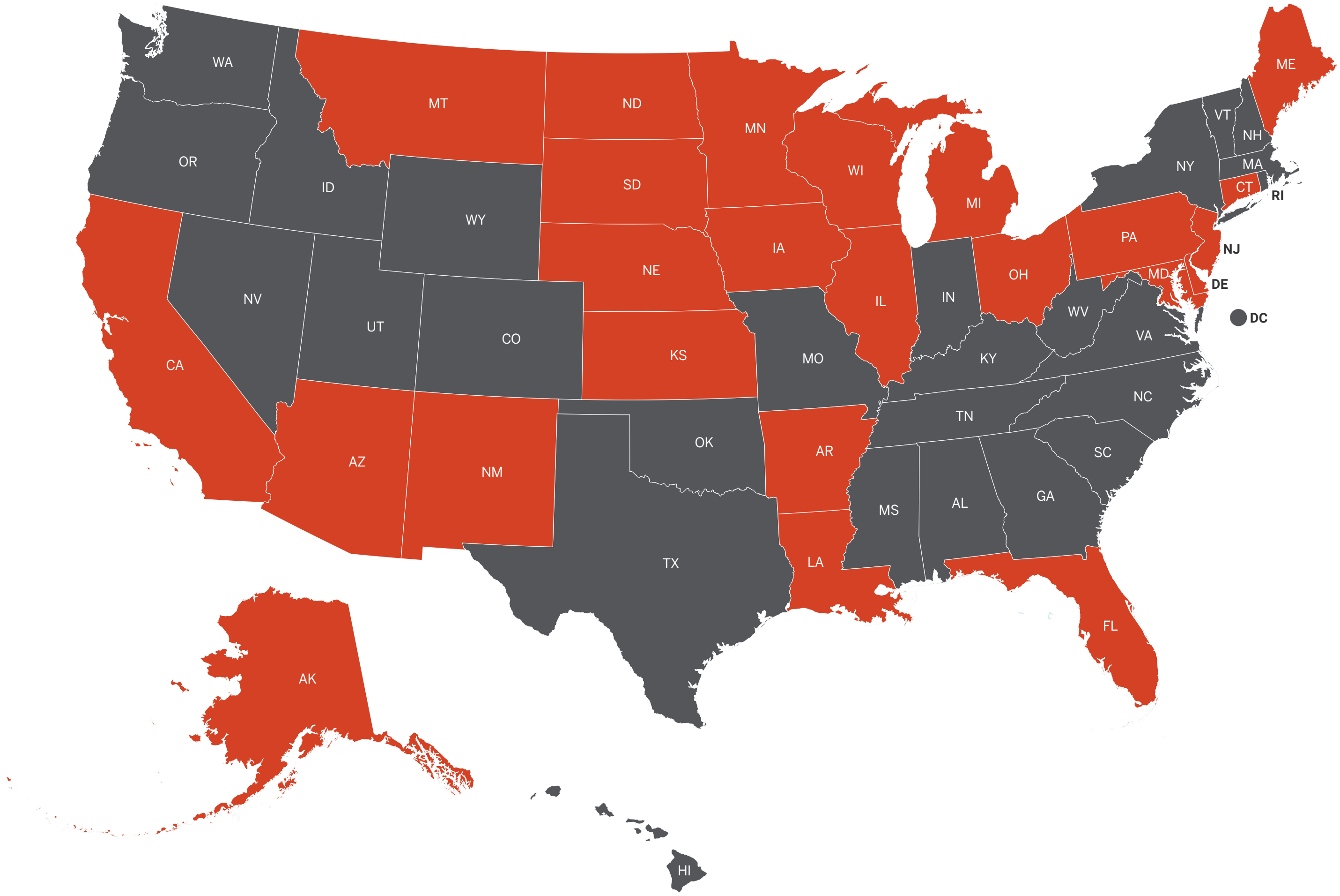


27 states are offering state government backed financing for companies impacted by COVID 19 as outlined in the map below. Ohio's aggressive effort to help companies survive COVID 19 with a variety of financing programs is worthy of note and is listed below:

- JobsOhio is offering a program for businesses with a current JobsOhio's existing loan only that offers a payment deferment (no interest and no principal payments) for the next six months to fifty companies who are eligible, with over 9,500 employees around Ohio.
- JobsOhio is offering a program for existing JobsOhio client businesses only that expands allowable expenses and near-term relaxed compliance audits allowing expenses such as work from home technology and equipment and services to implement guidance associated with COVID-19.
- JobsOhio is offering a program for existing JobsOhio client businesses only to provide forgivable, six-month interest-free loans to companies who would use the loan to retain their workforce.
- JobsOhio is offering a program for small business in Ohio's small communities in partnership with 2 Ohio community banks to support their existing loan portfolio with JobsOhio investing up to $50 M in loan guarantees.
- JobsOhio is planning to invest up to $50 M of reserve funds to backstop Ohio's Port Authorities, anticipating this investment will result in over $250 M of additional Port Authority investment activity across Ohio.
- JobsOhio launched a Personal Protective Equipment and medical supply program to purchase $250M in PPEs.

A description of the state COVID 19 business finance programs can be found at www.montrosegroupllc.com.

States with COVID 19 Business Finance Programs



SUPPLY CHAIN STRATEGIES

COVID 19 has illustrated the challenges created by a global supply chain for thousands of American companies. A supply chain is a network between a company and its suppliers to produce and distribute a specific product to the final buyer.[10] This network includes different activities, people, entities, information, and resources.[11] The supply chain also represents the steps it takes to get the product or service from its original state to the customer.[12] Companies develop supply chains so they can reduce their costs and remain competitive in the business landscape.[13]

Supply chain management is the key to many companies' economic success. As noted by the graphic below, an Accenture survey of companies found major disruption of the supply chain created by COVID 19 that is generating negative economic results from companies that, in many cases, were not forced to close due to government regulations.

COVID 19 Supply Chain Opportunities

- **Accenture survey found**
  - 94% of Fortune 1000 companies are seeing supply chain disruptions from COVID-19
  - 75% of companies have had negative or strongly negative impacts on their businesses
  - 55% of companies plan to downgrade their growth outlooks (or have already done so)

In a separate survey by Thomas of over 1000 North American manufacturers, Thomas found that 64% of manufacturers report they are likely to bring manufacturing production and sourcing back to North America — a 10% increase from the same sentiment reported in the March 2020 survey. [14]

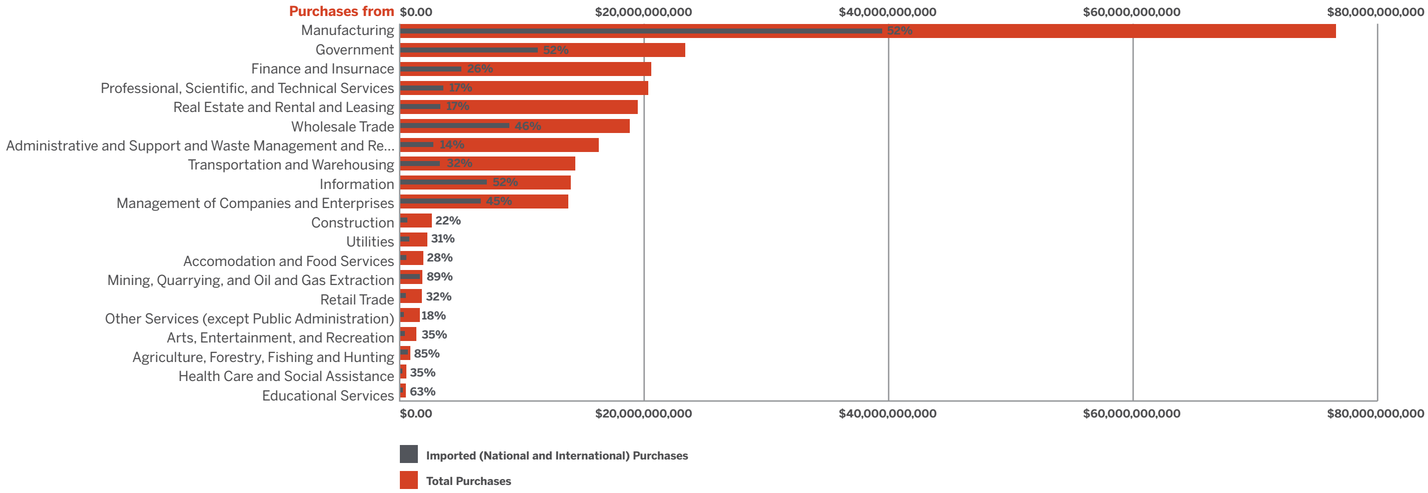
COVID 19 presents a dramatic opportunity for regions to capture new companies by supporting current employers' efforts to move their supply chains closer to domestic U.S. sites. EDOs need to analyze their supply chain growth opportunities, available properties to compete for supply chain relocation opportunities, and ways to directly support a company's efforts to draw their supply chain closer to home.

Montrose Group recommends a multi-step strategy for EDOs to adopt to prioritize supply chain opportunities.

Montrose Group Regional Supply Chain Analysis Process

The Montrose Group's approach to implementing a regional EDOs supply chain analysis starts with understanding which industry clusters in a region are growing. This approach utilizes traditional industry cluster data from federal government sources and may be supplemented from proprietary data sources like Emsi and others. Next, these data sources must be examined to determine which industry clusters are most reliant on long-distance (including international) supply chains and are thus most susceptible to disruption. Data is then reviewed to determine which industry clusters are positioned to grow as markets re-open and new industries within regional clusters that should receive consideration for supply chain targeting. Input is then gained through company, developer, and commercial broker interviews through select one-on-one interviews to learn of potential supply chain opportunities and challenges to attract the supply chain to the region. Measuring the cost of doing business for these industry clusters in a region is also critical. The Montrose Group can develop a reverse site selection analysis for the industry cluster targets with another competitor state to illustrate the competitiveness of the region in that industry that measures the cost of real estate, labor, taxes, and construction compared against the likely tax incentives to be offered to illustrate which of the industry cluster targets are most likely to consider the region. Finally, the targeted industry clusters are prioritized for supply chain opportunities. Emsi can create a Supply Chain dashboard to represent the regional supply chain data graphically and interactively—ultimately providing the EDO actionable insights moving forward. The dashboard will be supplemented by recommendations for supply chain recruitment strategies that incorporates findings from surveying local companies.

Exported and Imported (including International Purchases



**The mock dashboard is just one illustration--the full dashboard will include graphs, maps, and data for detailed industries and companies.*

Finally, economic development incentives and public policy priorities must be aligned to promote supply chain recruitment for the recommended targeted industry clusters.

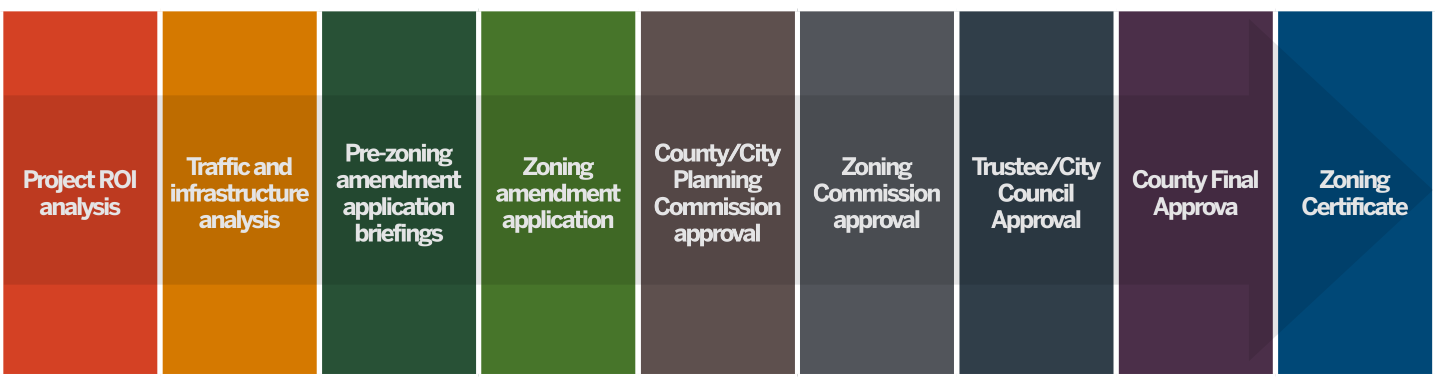
Communities also need to help their companies considering a supply chain location contraction near domestic U.S. sites, educate their supply chain on the regional site development process, and identify opportunity for economic development incentives as many of these facilities will be new investments. The decision to move the supply chain closer to domestic production facilities needs to make financial sense and utilizing an effective site development process can make that happen. The site development process for a company's supply chain partner involves measuring the region's potential for economic growth, availability of skilled workers and cost of doing business, negotiating the land purchase/lease process, developing a project pro-forma, negotiating the land use entitlements such as zoning, and negotiations of tax incentives.

The first step in the site development process is to understand the region's potential for economic growth, availability of a skilled workforce and the costs of doing business as compared to other regions and states of equal business value. Measures of economic growth will center on a comparison of GDP growth; personal income; COVID 19 infections; demographic measures such as population growth, poverty rates, median home values; and other measures that define the equity of a region for a wide range of potential workers. Cost of doing business measures should also be created to better understand the wages key workers will require, the costs of real estate, taxes, utilities, and other major cost factors for competing regions.

Supply Chain Site Development Process

Once the region survives the economic, workforce and cost of doing business comparison, a company's supply chain partner needs to move to negotiate local real estate options. If the company wishes to purchase a site, before they gain control of the site the company needs to complete due diligence on the site such as confirming the zoning, determining if environmental contamination exists, if the title of the land is marketable, and if the project has tax incentives.[15] Prior to final land purchase, the potential buyer needs to gain all the necessary governmental approvals such as zoning, tax incentives, and Brownfield remediation protection. With buying, building or renting, a company considering a site for an economic development project needs a pro forma to determine whether the project makes or loses money and what economic development incentives can address potential project costs to make the site more attractive for investment. The pro forma is based upon both expenses and revenues. The development cost budget addresses the expenses of the project and includes all costs directly related to a project. Hard costs are those expenses directly incurred in connection with the construction of the building, tenant space, and other site improvements. They include the contractor, legal, engineer, appraiser, insurer, developer and commercial realtor fees, and the cost of all labor and materials provided to the project. Financing and utility charges, impact fees, marketing and operating costs are also included. A contingency reserve is needed to cover any unexpected costs incurred during the development process.

Zoning Process



No company can locate at a site without local government permission through the land use regulation process. Local government manages design, growth and development typically through a comprehensive plan that can serve as a legally binding document that sets the overall goals, objectives and policies to guide the local legislative body's decision making in regards to the development of a region or community. Zoning is a key component of the basic system of land use regulation. Unincorporated land and rural communities operate with less zoning authority. Thus, these communities have few powers to regulate land use through the zoning process. Traditional zoning divides land within a jurisdiction into districts, or zones, with varying restrictions on uses that may be established and conducted in the different zones and standards (such as size and location of buildings, yard areas and intensity) such end-uses must meet. Zoning regulations provide for orderly growth, generally in furtherance of comprehensive plans, limit the interaction of incompatible uses, and protect the public health, safety, and welfare.

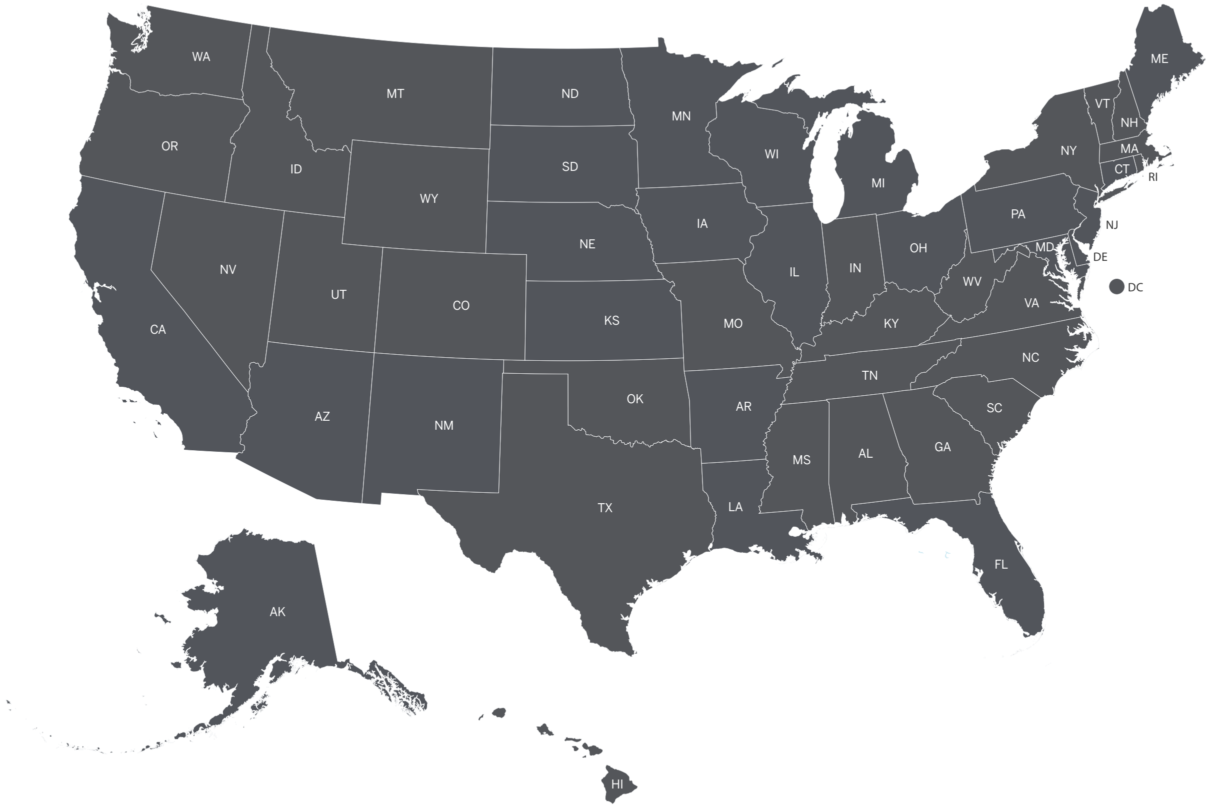
Working in conjunction with the negotiations of local and state incentives and land use regulations, supply chain partner projects may also involve the negotiations of local, state, and federal financing to prepare a site for development. Federal funding can be a source of financing for public infrastructure associated with economic development projects creating jobs and making capital investments. The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, provides the Economic Development Administration (EDA) with $1.5 B for economic development assistance programs that helps communities prevent, prepare for, and respond to the impacts of coronavirus. EDA has determined that all communities throughout the United States are eligible for CARES Act funding. The EDA created an approximate tenfold increase in the funding ceiling for EAA awards, taking the ceiling up to a maximum of $30 M for projects, but public works infrastructure funding from the EDA will still likely require company end user(s) to gain funding.

TIF Example

Step	Description	Value
Base Value	Market value of real property prior to TIF	$1,000,000
New Value	New market value after TIF and investment	$11,000,000
Growth in Market Value	Base Value minus New Value	$10,000,000
Assessed Value	35% of new market value	$3,500,000
Annual Tax Increment/PILOT	Assessed value times tax rate on an annual basis	$262,500

Local and state governments are the central provider of site development infrastructure used by companies during a corporate site location project. Forty-nine states with New Jersey being the lone holdout, offer infrastructure finance programs implemented at the local or state level tied to economic development projects. Tax Increment Financing (TIF) is the prime local public finance program that can support site-based infrastructure development. While TIF program rules vary by state, they all primarily operate to capture future property tax gains created by a capital investment in a defined district. That increment, or growth, in the property tax is captured over a period of time and the funding is spent on legislatively defined uses. In most states, that defined TIF funding use is limited to public infrastructure within a statutorily defined district. Some states permit the TIF funding to be used for more than public infrastructure, and Illinois offers an interesting example of such as program. Illinois Tax Increment Financing captures future property tax growth in a defined district for the redevelopment of substandard, obsolete, or vacant buildings; financing general public infrastructure improvements, including streets, sewer, and water in declining areas; cleaning up polluted areas, administration of a TIF redevelopment project; property acquisition, rehabilitation or renovation of existing public or private buildings; construction of public works or improvements; job training; relocation; financing costs, including interest assistance; studies, surveys and plans; marketing sites within the TIF; professional services, such as architectural, engineering, legal and financial planning; and demolition and site preparation.

Other economic development incentives such as the tax credits, tax abatements, grants or loans discussed earlier are prime opportunities for a company's supply chain considering an economic investment in the United States.

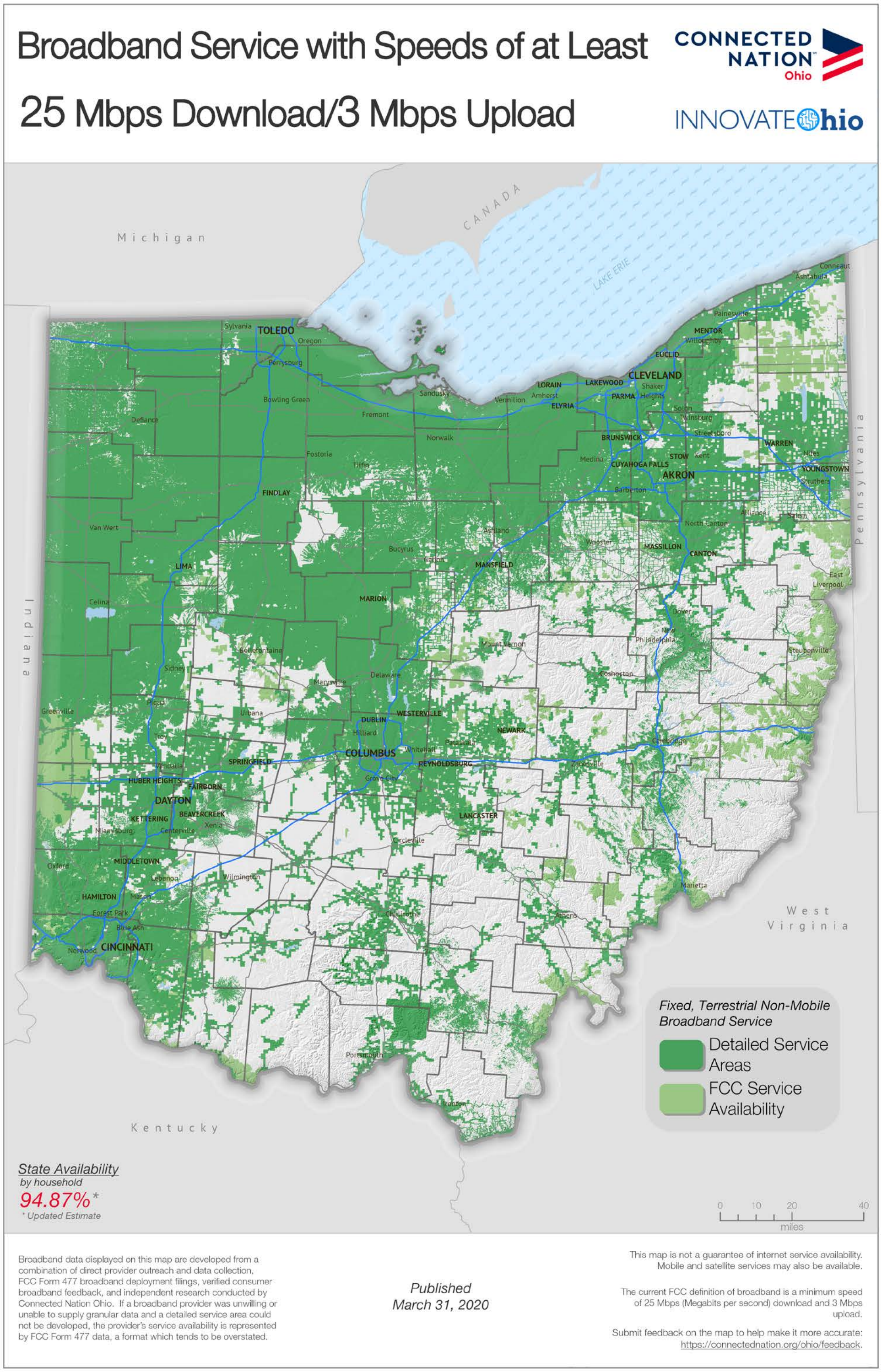


Visit the Montrose Group 50 State Economic Development Incentives Guide at www.montrosegroupllc.com

As the map above that links to the Montrose Group Economic Development Incentive Guide indicates, well over 600 local and state economic development incentive programs operate in all fifty states. Most of these programs are triggered by high-wage job creation and capital investment and are competitively awarded through a multi-state corporate site location process. These programs offer tax credits, tax abatements, grants and loans to generally non-retail companies considering the state for an economic retention, expansion or attraction project.

ADDRESS BROADBAND GAP

COVID 19 illustrated the economic challenges for communities without adequate broadband services. According to the FCC, the definition of broadband internet is a minimum of 25 Mbps download and 3 Mbps upload speeds.[16] Broadband provides high speed internet access via multiple types of technologies including fiber optics, wireless, cable, DSL and satellite.[17] The availability of broadband enables all the benefits of the digital information age to support business growth, and it eliminates the lack of density and the challenge of distance created for rural communities in particular. Regions without adequate broadband networks struggle to utilize telemedicine, telework and even basic wireless telecommunication service. According to the Federal Communications Commission and USDA, 80% of the 24 million American households that do not have reliable, affordable high-speed internet are located in rural areas. The lack of high-speed access carries real economic consequences. The World Bank estimates that a 10% increase in broadband penetration can lead to a 1.21% jump in GDP growth in developed economies and a 1.38% jump in developing economies.[18] The FCC argues that the economic payoff from investing to improve broadband access is greater than from other types of infrastructure investments.[19]



Source: https://connectednation.org/ohio/

As the map above indicates, struggling rural communities like Southeast Ohio that is in the heart of Appalachia, lack adequate broadband services. The availability of broadband service is not the only economic development strategy needed for rural communities. However, with the expected growth of telework, telemedicine and other remote work efforts, rural communities would be well served to address their broadband challenges now.

Cost estimates to support the expansion of broadband to all rural customers are estimated at $61 B to serve all rural customers.[20] The Boston Consulting Group believes that with a mix of technologies deployed across counties, providing broadband access to underserved rural Americans would require a capital expenditure of $8 B to $12 B—less than for any individual technology, and, at approximately $50 per month in potential user revenue, the investment would likely pay for itself in roughly five to six years.[21]

While no national policy solutions for rural broadband have been adopted, the $2.2 Trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act offers a number of funding sources for regions looking to address broadband gaps. However, fifty broadband grant programs exist in different agencies of the federal government that offer opportunities for regions to address broadband gaps.[22]

The U.S. Department of Commerce's Economic Development Administration (EDA) is traditionally at the point of the spear for the federal government related to economic development programs and can also be a source of funding for regional broadband programs. Congress recently provided the EDA with $1.5 B in supplemental funding for the Public Works & Economic Adjustment Assistance (EAA) program. The EDA's EAA program is designed to offer a wide range of technical, planning, and public works and infrastructure assistance in regions experiencing adverse economic changes that occur suddenly or over time. With the recent onset of the COVID 19 pandemic, almost every community in the United States is experiencing sudden and adverse economic change. Adopting a broadband strategic plan for a region is a smart first step to implementing a broadband strategy, and the EDA has funding that can support that planning effort.

Economic Adjustment Assistance funding can provide invaluable support to your economic development efforts:

- Strategy Grants – supports the development, updating or refinement of a Comprehensive Economic Development Strategy (CEDS). As a community, having a CEDS in place is a prerequisite for qualifying for EDA funds for projects. Some questions to ask about a CEDS: if you have a CEDS in place, how has the COVID 19 crisis impacted priorities in your current strategy? Does your strategy need to be updated or refined? and, if you do not have a CEDS in place, should you have one? A strategy grant will help fund developing your strategy and broadband could be a focus.
- Implementation Grants – supports the execution of activities identified in a CEDS. What strategic priorities are listed within your CEDS that will prepare your community for future economic development success and broadband? How could EDA implementation funds bring strategies to fruition?
- CEDS strategies around infrastructure improvements, including site acquisition, site preparation, construction, rehabilitation and equipping of facilities can be funded through implementation grants. Specific strategies within a CEDS can be funded, as can multiple elements of a single investment (think establishing a new industrial park where land acquisition and extension of public infrastructure are necessary).

The EAA program is EDA's most flexible program. Under the EAA program, EDA can fund market and environmental studies, planning or construction grants, and seed or replenish RLFs to provide small businesses with capital needs. In these trying times, focusing on priorities like creating an EDA-recognized CEDS or catalyzing a priority within an existing CEDS elevates a community's competitiveness in receiving EDA funding. To position your community's projects competitively for EDA EAA funding, prioritize projects that are positioned to start quickly and create jobs faster; look at how the project will enable your community/region to become more diversified and economically balanced; and relieves economic distress of your community/region. Almost any community across the country can argue that EDA Economic Adjustment Assistance funding would be key to raising businesses and employees up out of economic adversity. The EAA program can then be used to fund public works infrastructure including broadband services.

Under the CARES Act, the U.S. Department of Agriculture (USDA) will receive funding across many of its most vital programs to support the agriculture industry sector and rural America that can support the funding for rural broadband programs. The USDA's Rural Development programs will receive a total of $145.5 Million to fund programs designed to advance rural Americans access to lending and technology—including $100 M for rural broadband services. The USDA has been investing more than $700 Million a year for modern broadband e-Connectivity in rural communities and with stimulus funding will see another $100 Million in grant funding to support e-Connectivity through its programs. e-Connectivity priorities of the USDA are aimed at increased productivity that fosters economic development, job growth, rural entrepreneurship and innovative technologies where every part of rural America, including the farm, is connected to the web; improved operations where connectivity helps farmers enhance real-time activity of operations in the fields, manages finances, and responds to real-time international market conditions; enhanced healthcare options to bring remote access to all forms of healthcare services, like proper prescription medication submissions, distance learning and training for addiction services and treatment counseling, and telehealth visits; educational opportunities so rural students have the same digital learning tools and WiFi hotspots as their peers; and competitive entrepreneurship that opens the global digital marketplace up for rural e-commerce products.

The USDA Rural Development Broadband ReConnect Loan and Grant Program awards loans and grants to provide funds for the costs of construction, improvement, or acquisition of facilities and equipment needed to provide broadband service in eligible rural areas that do not have access to at least 10 Mbps downstream and 1 Mbps upstream. Elements of the program include:

- **100% Grant** – up to $25,000,000 max grant request;
- **50% Loan / 50% Grant** – up to $25,000,000 loan and $25,000,000 grant request and loan/grant requests will always be equal;
- **100% Loan** – up to $50,000,000 max loan request; and
- **Eligible Applicants** – cooperatives, non-profits, or mutual associations; for-profit corporations or LLCs; state or local governments, or any agency, subdivision, instrumentality, or political subdivision thereof; territory or possession of the United States; or an Indian tribe.

The USDA Distance Learning and Telemedicine (DLT) program helps rural communities use the unique capabilities of telecommunications to connect each other and to the world, overcoming the effects of remoteness and low population density. Most state and local government entities, as well as federally-recognized Tribes, non-profits, for-profit businesses, and consortias of eligible entities may apply for grant funds so long as the applicants provide education or health care through telecommunications.

The USDA DLT 100% grants require a minimum 15% match from the applicant with award ranges from $50,000 – $1,000,000, and eligible uses including acquisition of eligible capital assets (broadband transmission facilities; audio, video and interactive video equipment; terminal and data equipment; computer hardware, network components and software; inside wiring and similar infrastructure that further DLT services); acquisition of instructional programming for eligible equipment; and acquisition of technical assistance and instruction for using eligible equipment.

The CARES Act also appropriates $200 M for the FCC to use to respond to the coronavirus, including for use by healthcare providers offering telehealth services during the coronavirus emergency. FCC Chairman Ajit Pai has announced his intention to dedicate the funding to telehealth under its Rural Health Care Program. The FCC currently has budgeted about $600 million for the program, so if all funds are devoted to rural telehealth, the budget would increase by about one-third. The healthcare providers subsidized by this program choose their providers for the subsidized services.

CONCLUSION

COVID 19 is a temporary condition from a public health and economic standpoint. Communities that take a smart and aggressive approach to surviving COVID 19 are likely to come out of this unprecedented health crisis stronger and prepared for greater success the long-term. Communities must recognize the long-term economic trends that COVID 19 is accelerating. The growth of e-commerce as the means of consumer retail purchasing will grow even faster, causing a continued explosion of distribution and fulfillment centers driving the industrial real estate market. Industries such as Personal Protective Equipment, pharmaceuticals, food processing and other “essential” products and services are likely to be driven away from global locations and shifted to domestic production in the United States. All these outside factors impact community survival in the Age of COVID 19. These economic trends could create or threaten community opportunities, drive up or down real estate costs or create new sites for redevelopment that were once thriving shopping malls. America will survive COVID 19. The question is will your community be one of the survivors or not?

ENDNOTES

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