The Montrose Group, LLC

TRANSFORMING YOUR WORLD

CINCINNATI-INDIANAPOLIS-LOUISVILLE CORPORATE SITE LOCATION

WHITE PAPER

MONTROSE GROUP, LLC

APRIL 2023

100 East Broad Street, Suite 2320, Columbus, Ohio 43215

April 2023

Dear Friend-

The Cincinnati-Indianapolis-Louisville marketplace is ripe for economic opportunity. The tri-state region of Ohio, Indiana and Kentucky is a substantial economic market primed for corporate site locations from across the United States. To foster economic growth, we hope you enjoy this Cincinnati-Indianapolis-Louisville Corporate Site Location White Paper.

Companies considering a corporate site location project are not focused on the city in which the project is located. Rather, they are focused on the cost of doing business, availability of job ready sites with workers and housing. Analyzing the Cincinnati-Indianapolis-Louisville regions collectively provides a perspective not just on these three mid-sized urban markets but provides a roadmap for companies considering corporate site location projects in these regions.

Whether you are a company or community leader, understanding how companies make decisions about whether to and where to expand or locate their business is important to understand. Key questions answered by the Montrose Group's Cincinnati-Indianapolis-Louisville Corporate Site Location White Paper include:

- What triggers spur a company on to consider a corporate site location process?
- How does the corporate site location process work?
- What economic and demographic data points should companies consider during a corporate site location project?
- What economic development incentives should companies seek during a Greater Cincinnati corporate site location project?
- What larger trends impact a Greater Cincinnati corporate site location project?

The Montrose Group is a national corporate site location consulting firm that represents clients for land use entitlements such as zoning and annexation, market research including economic, housing, industry, and workforce studies; project financing for site and infrastructure development; and negotiating economic development incentives.

The Montrose Group, LLC provides economic development consulting services with a team of senior level economic development professionals. Montrose Group hopes you enjoy the 2023 Montrose Group Cincinnati-Indianapolis-Louisville Corporate Site Location White Paper should not be considered the provision of legal advice and those reading the guide should seek qualified counsel if they have specific issues or questions on an economic development or other matter.

Sincerely,

David J. Robinson
Principal
Montrose Group, LLC

Wade T. Williams

Wade Williams
Director of Economic Development
Montrose Group, LLC

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MONTROSE GROUP'S CORPORATE SITE LOCATION PRACTICE DRIVEN BY MULTI-DISCIPLINARY TEAM

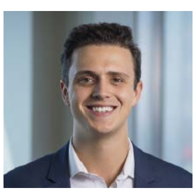
State Legislator and Advisor to Ohio Governor → Public Sector Economic Developer → Economic Developer Author → Public Relations Leader → Tax Incentive Lawyer → Project Finance Advisor

Dave Robinson, Principal and Founder, Montrose Group. Dave serves clients based upon 30 years of experience as a former Ohio State Representative, an economic development and public relations executive, lobbyist, and lawyer. Mr. Robinson published two economic development public policy textbooks, co-drafted 40 strategic economic development plans, negotiated $500M in local, state and federal financing for economic development projects.

Nate Green, Managing Director of Economic Development, Montrose Group. Nate serves clients based upon 24 years of economic development experience as a leading local and state government econmic development and public finance executive. Mr. Green co-drafted 40 economic development plans, community economic development advisory services, and negotiated $2 B in economic development incentives for public and private sector organizations.

Tim Biggam, Director of Government Relations, Montrose Group. Tim provides lobbying services based upon his 13 years in staff positions at the Ohio Senate and Ohio Governor John Kasich ultimately serving as his Director of Legislative Affairs. Mr. Biggam serves arts, developer, economic development, educational, higher-education, health care, local government, and technology clients before the state of Ohio and the Ohio Congressional Delegation.

Wade Williams, Director of Economic Development Montrose Group. Wade provides economic development consulting and corporate site location services to companies and communities based on his 20 years of experience. Wade has held leadership positions in various organizations, including serving as Vice President of Business Development at REDI Cincinnati, where he oversaw targeted attraction efforts domestically and internationally. He also spent a decade in a COO capacity with NKY Tri-ED, a three-county EDO in the Cincinnati region.



Harrison Crume, Manager of Economic Development, Montrose Group. Harrison serves clients with economic development research and planning, including housing market studies, industrial site development, Transformational Mixed Use District program, Downtown Redevelopment District plans, economic development incentive analysis, and regional comprehensive economic development plans and advising clients on economic development projects.

Corporate Site Location Triggers. The corporate site location process begins with defining the project to learn about the industry, number of jobs, payroll and capital investment planned by a company, needs for the project site and geographic markets that fit the company's business plan leading to the creation of a potential state and regional target list for the company's location. Critical business planning is essential for companies considering an expansion or relocation project. Growth projections tied to new business development opportunities, supply chain demands, labor negotiations, regional market growth decisions all impact the scale and scope of an economic development incentive project. Triggers such as the end of a real estate lease, growth needs are beyond their current facility, decay of their existing facility, consolidation of existing facilities, a growth opportunity tied to a customer, a merger of companies, or a company seeking to capitalize on an economic trend tell a company they should undertake an economic development incentive project.

After a company determines its current facility may or may not suit its needs, it needs to ask and answer a couple critical questions that define their corporate site location project, including:

1. What does the company need in a facility to succeed in the next five years?
2. How many jobs would be retained and created over the next three years?
3. What type of capital investment would be required should the company remain in their current facility or move to a new facility?
4. Will these new employees work remotely in the same state or with no restrictions or in a specific location for most of their time?
5. What skill sets do the company's employees need to have today and in the near future?
6. What other regions does the company have clients or a supply chain necessary for their business to succeed?

Economic Development Incentive Process. The economic development incentive process impacts where a company locates, and, while Princeton Economics estimates companies gain $30B in economic development incentives, this process is about a lot more than tax incentives.

Montrose Group Corporate Site Location Process

Project Definition. Companies whose lease is expiring, have expected job growth and capital needs their current facility cannot accommodate, are consolidating facilities or following a customer or market trends to a new region or merging should undertake an economic development incentive process. Companies need to determine the number of employees, wages and benefit costs of these employees, workforce skills needed for these employees, capital expenses for a facility, utility, parking, and other site needs.

Market Research. Market research is the first step for an economic development incentive project that targets regions that are growing economically, have a common industry cluster with the company, provide a skilled workforce and competitive cost of doing business. The goal of the market research is to target a small number of communities in which the company can locate a facility.

Project Introduction. Following the definition of the project and market research, the next step in the economic development incentive process is to develop a project letter or Request for Proposal (RFP) for a targeted group of regions seeking market information, recommended sites, and economic development incentive offers from regional economic development organizations, local and/or state government economic development leaders in a confidential process.

Land Use Entitlements. Any new site a company chooses to locate must be properly zoned for the intended use of the company and other land use entitlements such as annexation may also be required to gain essential public services such as water, sewer, and roads. Zoning is a democratic process with substantial public input and a vote of approval by local government officials. Annexation is different in each state but is generally an administrative process if the property owners seek the annexation.

Economic Development Incentives. Local, state, and federal government tax credits, tax abatements, grants and loans may all be provided in each of the fifty states as an incentive for companies creating jobs and providing capital investment. Issues such as remote work need to be addressed to determine if many economic development incentives will be applicable. Economic development incentives can support job creation and capital investment, redevelopment of historic structures, investments in distressed areas or Brownfield sites, provide funding for needed infrastructure, workforce development training, or just a pile of cash.

Cincinnati-Indianapolis-Louisville Economic and Demographic Market Review. Market research begins to define growing economics, industry cluster, labor shed, transportation networks and supply chains of targeted regions and to develop potential real estate site options for each of these markets. Regional economic performance, common industry clusters to the company, the availability of a skilled workforce and the cost of doing business for the company are all researched and reviewed for the development of a market research report.

Location. Location. Location. Greater Cincinnati's strategic location cannot be undersold. Cincinnati-Indianapolis-Louisville is located within 500 miles of half the population of the United States. This access to East Coast, Midwest and Southern markets plays a critical role in Cincinnati-Indianapolis-Louisville's location for major manufacturing, logistics and distribution centers—all major economic drivers with high-wage jobs.

Cincinnati-Indianapolis-Louisville 's Strategic Location

- **Companies in Louisville can move product to 80% of the US population in 24 hours**
- **75% of the US is within a day and half truck trip from Central Indiana**
- **Large urban and rural population base**
- **Substantial transportation infrastructure**
- **Inter-state corporate site location projects**

Regional Economic Performance. Overall macroeconomic performance of a region is a critical measure for companies considering a corporate site location project. Generally, companies seek out growing markets that attract industry and talent. Key measures of regional economic performance will include the measures noted in the table below.

Key Regional Economic Performance Measures

Measure	Definition
Gross Domestic Product by County, Metro or Other Areas	A comprehensive measure of the economies of counties, metropolitan statistical areas, and some other local areas. Gross domestic product estimates the value of the goods and services produced in an area. It can be used to compare the size and growth of county economies across the nation.
Real Consumer Spending by State	Regionally price-adjusted statistics on the goods and services purchased by, or on behalf of, people living in each state and the District of Columbia. These statistics, officially known as real personal consumption expenditures by state, are adjusted using BEA's regional price parities and the national PCE price index.
Personal Income by County, Metro or Other Area	Income that people get from wages, proprietors' income, dividends, interest, rents, and government benefits. A person's income is counted in the county, metropolitan statistical area, or other area where they live, even if they work
Regional Price Parities	Allows comparisons of buying power across the 50 states and the District of Columbia, or from one metro area to another, for a given year. Price levels are expressed as a percentage of the overall national level.
Employment by County, Metro and Other Areas	A count of full-time and part-time jobs in U.S. counties and metropolitan areas, with industry detail. Nonmetropolitan areas and rural counties are also included. These statistics cover wage and salary jobs and self-employment
Population Growth	Regional population growth from 2010-20 illustrates whether the region is growing or not.
Home Ownership	Regional owner-occupied housing rates from 2015-19 illustrate neighborhood stability.
Home Value	Regional median home value illustrates the affordability of a market for workers.
Educational Attainment	Regional percentage of the population above the age of 25 that has a four-year college or bachelor's degree illustrates the pool of available educated workers for advanced services, technology and other "white collar" occupations
Civilian Labor Participation	Population 16 and above in age that is working in civilian occupations illustrates the regional workforce pool
Poverty Rate	Income of $25,520 or below for one person in a household and $8,960 per person in the household is defined as persons in poverty.

Source: U.S. Bureau of Labor Statistics and Census Bureau

Gross domestic product (GDP), the featured measure of U.S. output, is the market value of the goods and services produced by labor and property located in the United States. GDP size and growth is a critical measure of economic success that makes regions more or less attractive to companies considering an economic development incentive decision. GDP serves as a gauge of our economy's overall size and health. GDP measures the total market value (*gross*) of all U.S. (*domestic*) goods and services produced (*product*) each year.[i] When compared with prior periods, GDP tells us whether the economy is expanding by producing more goods and services or contracting due to less output—which ultimately defines whether the economy is in a recession. The US GDP is $23.1 T which is massive. China is the next largest global economy with nearly $17 T in GDP, but the U.S. economy remains larger than Japan, the United Kingdom, Germany, France, and Italy combined.[ii] GDP as measured at the state level provides an important measure of the size of markets as well as the growth potential all impacting company economic development incentive decisions. As the table below illustrates, Cincinnati, Indianapolis and Louisville's GDP have all grown substantially since 2010 with the Cincinnati region leading the way among these three mid-sized urban markets.

Cincinnati-Indianapolis-Louisville GDP, Median Household Income, Comparison Data

Regional GDP Comparison			
Area of Study	**Cincinnati**	**Indianapolis**	**Louisville**
2021	$171,737.526	$162,062.985	$82,866.115
2020	$156,336.634	$148,804.007	$76,043.984
2019	$157,841.221	$148,436.881	$75,927.866
2018	$147,218.307	$141,558.556	$72,029.819
2017	$142,586.707	$132,990.824	$69,524.962
2016	$137,024.550	$129,945.144	$68,139.857
2015	$129,891.317	$125,191.150	$66,091.111
2014	$123,839.243	$125,125.997	$62,952.642
2013	$118,113.716	$120,149.323	$60,987.375
2012	$114,925.551	$114,569.867	$59,621.843
2011	$111,299.716	$112,116.685	$55,927.923
2010	$105,840.509	$109,318.090	$54,377.527
Percent Change	62.26%	48.25%	52.39%

Cincinnati is the 28th largest Metropolitan Statistical Area (MSA) from a GDP standpoint in the United States, Indianapolis follows as the 29th largest MSA from a GDP standpoint while Louisville trails in 49th place. However, these regions are all top 50 MSA's from a macroeconomic standpoint and succeed as major mid-sized urban markets that offer growing economies at an affordable cost of doing business.

Demographics Drive Economic Success in Cincinnati-Indianapolis-Louisville Corridor. How a site compares to other sites from a demographic standpoint can be a critical factor in a corporate site location decision. Demographics measure the impact of the population on any given issue. For over two hundred years, the impact of population growth on economic development has been a hot topic. In 1798, Thomas Malthus, a British essayist, presented a gloomy picture of the role of population growth and economic development. Malthus' flawed view that population growth would lead to widespread famine was simply wrong. Today, states and regions are searching for ways to grow populations to meet growing workforce demands.

Reviewing demographic data is a strong starting point for measuring economics. Regions with an increasing population base and a group of younger workers illustrate growing communities. Homeownership rates and home value illustrate stability in a community but also whether it is affordable to buy a home in a community. The percentage of citizens over 25 with a college degree illustrates the likelihood the region can attract high-wage financial services, insurance, health care, high-tech, professional service, and other advanced services white-collar jobs. Finally, measures of income and poverty rates illustrate the overall economic strength of the community. Utilizing a demographic benchmark comparison, the Midwestern state illustrates weak population growth and has a slightly higher than average senior population illustrating the challenge the state has in retaining a younger generation of workers compared to the national average and regional competitors.

The Pool of Skilled Workers Critical to Growth for Cincinnati-Indianapolis-Louisville Corridor. The availability of a skilled workforce is a crucial determinant for companies considering Cincinnati-Indianapolis-Louisville or any marketplace. Companies seeking insight into whether a region has available and affordable skilled workers should develop a workforce study modeled after the Montrose Group's approach. First, a company needs to define its industry sector strengths in comparative markets based upon a list of Bureau of Labor Statistics industries categories, and identify the core occupations they are seeking based on North American Industry Classification System (NAICS) codes that comprise the largest share of workforce costs, develop a geographic location as defined by a region as measured by their Metropolitan or Micropolitan Statistical Areas that might be of interest for the location of these workers, identify job retention and expansion growth plans for this workforce by occupation within 3-5 years and a timeframe for deciding on the workforce location. Next, a detailed and customized workforce development report will next be developed that provides a market comparison of targeted Micropolitan or Micropolitan Statistical Areas for the following workforce data points:

- Defines an industry cluster analysis through a Location Quotient analysis that defines the industry strength of a region as measured by its workforce occupational concentration in a chosen industry compared to a national average for that specific industry workforce occupation in three regions.
- Defines the Unemployment Rate, Civilian Labor Participation Rate, Commuting Patterns, Population Age and Growth Rates by region, and total size of the labor force to define the pool of available labor in three regions.
- Defines the labor union rates and union activity in three regions as measured by Labor Representations & Petition Filings from the National Labor Relations Board, with a search capability based on region or state to determine union activity in the areas of study.
- Defines the demographic measures for three regions as measured by Educational Attainment Levels, Poverty Rate, and Occupational Data that measures the ability of a region to provide skilled workers the company demands and potentially upskill other workers to define the workforce skills capability of a region.
- Defines the occupational concentration and wage rates through an Employment Location Quotient analysis to determine the ratio of the area concentration of occupational employment to the national average concentration by SOC and Annual Mean Wages of targeted occupations.
- Defines the potential for automation of the occupations outlined by the company to predict the numbers of workers that could be automated.
- Defines the number of occupations capable of remote work and the number of remote workers a region is capable of using occupational data and adequate workforce housing and broadband services.
- Define the economic development incentives that are available for each site under consideration.

Based upon these data points, a comparison of a targeted number of regions compared to each other and the national average provides a critical data point impacting the availability of a skilled workforce with the goal of gaining an analysis that recommends a small number of regions to seek a site to develop and incentives to negotiate. The total size of a state and region's workforce is a critical measure for companies considering an economic development investment.

Demographics Drive the Success of the Cincinnati-Indianapolis and Louisville Corridor

How a site compares to other sites from a demographic standpoint can be a critical factor in a corporate site location decision. Demographics measure the impact of the population on any given issue. For over two hundred years, the impact of population growth on economic development has been a hot topic. In 1798, Thomas Malthus, a British essayist, presented a gloomy picture of the role of population growth and economic development. Malthus' flawed view that population growth would lead to widespread famine was simply wrong. Today, states and regions are searching for ways to grow populations to meet growing workforce demands.

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Understanding how the Cincinnati-Indianapolis-Louisville Corridor is impacted by population growth illustrates the strengths and weaknesses of this region. As illustrated by the table below, Cincinnati and Indianapolis are growing regions while the Louisville region is struggling from a growth standpoint. Cincinnati is trending in the right direction when analyzing the current status of its economic standing. The Cincinnati area, along with the Central Ohio region, are the only two regions within Ohio that have seen significant population growth and are projected to continue to grow. From 2010 to 2021 the Cincinnati, OH-KY-IN Metro Area population grew by 6.02%. This is significantly higher than regions like the Louisville/Jefferson County, KY-IN Metro Area which saw population loss over the same time period. Although, it is below the extreme growth that other Midwest regions like Indianapolis have experienced. Cincinnati has high education levels among its residents due to local universities like Cincinnati University and Xavier University. Overall, the Cincinnati, OH-KY-IN Metro Area provides higher education levels, median household income, and population growth compared to the state of Ohio averages, and a majority of the surrounding areas.

Regional Comparison

Area of Study	Cincinnati, OH-KY-IN Metro Area	Indianapolis-Carmel-Anderson, IN Metro Area	Louisville/Jefferson County, KY-IN Metro Area
Population (2021)	2,261,665	2,129,479	1,284,826
Population Change (2010-2021)	6.02%	21.05%	-0.19%
Civilian Labor Force Participation Rate	61.3%	62.3%	59.2%
High school Graduate or Higher	91.9%	91.8%	91.3%
Bachelor's Degree or Higher	36.5%	37.8%	32.8%
Median Household Income	$70,818	$70,224	$64,029
Percent Below Poverty Level	12.1%	10.6%	12.1%

Source: U.S. Census Bureau

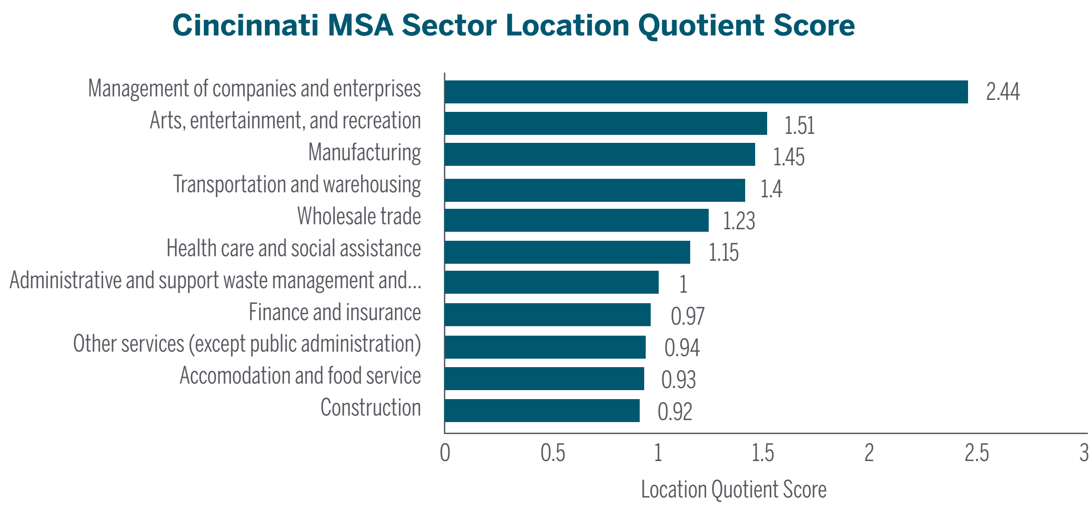
As the demographic data above illustrates, the Cincinnati-Indianapolis-Louisville Corridor operates with similar civilian labor participation rates, high school graduation rates, college graduation rates, median household income, and poverty rates all within the national averages. The demographic measures of these regions illustrate economic strength.

Cincinnati-Indianapolis-Louisville MSA Skilled Workforce Creates a Competitive Advantage

The retirement of the Baby Boom generation and the reduction of the Civilian Labor Participation Rate triggered by Covid 19 created a skilled workforce crisis throughout the United States. In many regions, there are more open jobs than there are unemployed people.

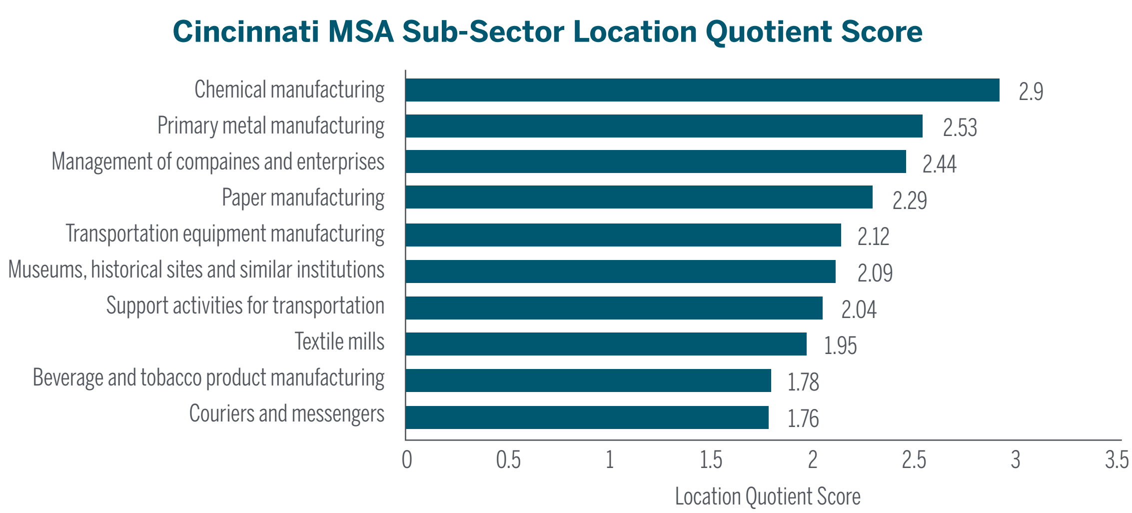
Understanding workforce industry strengths is another critical method for measuring a region's workforce development strengths. This measurement is best done through the use of an industry cluster analysis. Industry clusters are regional concentrations of related industries.[iii] Clusters consist of companies, suppliers, and service providers, as well as government agencies and other institutions that provide education, information, research, and technical support to a regional economy.[iv] Clusters are a network of economic relationships that create a competitive advantage for the related firms in a particular region, and this advantage then becomes an enticement for similar industries and suppliers to those industries to develop or relocate to a region.[v] Clusters exist in all types of economies and are more prevalent in locations that achieve better performance relative to their overall stage of development.[vi] It is useful to view economies through the lens of clusters rather than specific types of companies, industries, or sectors because clusters capture the important linkages and potential spillovers of technology, skills, and information that cut across firms and industries.[vii] Viewing a group of companies and institutions as a cluster highlights opportunities for coordination and mutual improvement. A Location quotient is an indicator of the economic concentration of a certain industry in a state, region, county, or city compared to a base economy, such as a state or nation that measures industry clusters in a region. A location quotient greater than 1 indicates the concentration of that industry in the area. A location quotient greater than 1 typically indicates an industry that is export-oriented. An industry with a location quotient of 1 with a high number of jobs present is likely a big exporter and is bringing economic value to the community feeding the retail trade and food services sectors.

A region's workforce is a critical measure of its economic success. An examination of a community's workforce has three distinct components: the size, unemployment rate, and education level of the workforce; the occupation and earnings of the workforce; and the commuting patterns of the workforce. The data collected for this analysis is the 2021 annual location quotient averages, which represent the most recent full year of available data from the Bureau of Labor Statistics. The Cincinnati, OH-KY-IN Metro Area has a location quotient score greater than one in six NAICS sectors. These six industry sectors are management of companies and enterprises, arts, entertainment, and recreation, manufacturing, transportation and warehousing, wholesale trade, and healthcare and social assistance. These top six sectors represent annual average employment of 432,767, and total annual wages of $31,973,070,445. The civilian labor force in the Cincinnati, OH-KY-IN Metro Area was 1,124,864 for the congruent data year. These top six industries represent approximately 38.5% of the total civilian labor force within the Cincinnati, OH-KY-IN Metro Area. Overall, the top ten NAICS sectors within the Cincinnati, OH-KY-IN Metro Area represent approximately 717,959 in annual average employment, or 63.8% of the total civilian labor force, and $46,711,364,745 in total annual wages.

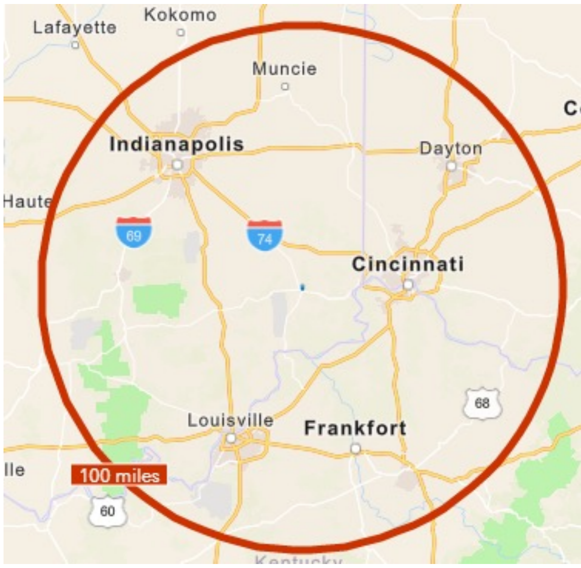


Source: Bureau of Labor Statistics

When analyzing the Cincinnati, OH-KY-IN Metro Area sub-sectors there are 32 total sub-sectors with a location quotient score greater than one. The sector which received the highest location quotient score is chemical manufacturing, which received a location quotient score of 2.9. This means that the chemical manufacturing industry within the Cincinnati, OH-KY-IN Metro Area has a 2.9 times higher concentration of this industry compared to the nation. Of the top ten industries, six falls under the NAICS 31-33 manufacturing sector. These six manufacturing sectors represent approximately 48,531 in annual average employment and $4,779,836,024 in total annual wages.



Source: Bureau of Labor Statistics



The Cincinnati, OH-KY-IN Metro Area is located less than 100 miles from the Indianapolis-Carmel-Anderson, IN Metro Area and the Louisville/Jefferson County, KY-IN Metro Area. While these three major metropolitan statistical areas are all located within a 100-mile radius of one another, the leading industry sectors within these areas provide a variety of similarities and differences. The Cincinnati Metropolitan Statistical Area manufacturing sector had an annual average employment of 114,388 in the year 2021. This manufacturing employment in the Cincinnati area is greater than the annual average employment in the manufacturing sectors of Indianapolis and Louisville. There are only three similar NAICS sub-sector industries within each of the three metropolitan statistical areas: transportation equipment manufacturing, beverage and tobacco product manufacturing, and couriers and messengers as illustrated by the table below. While six of the top ten industry sub-sectors within the Cincinnati, OH-KY-IN Metro Area are manufacturing-related, Indianapolis and Louisville's top ten industries only contain four. Cincinnati has built a strong locality of manufacturing industries compared to many of the surrounding major cities. With manufacturing-related industries beginning to shift back to the United States from overseas, regions like Cincinnati with a proven track record of success, and strong employment numbers in this the industry are poised to capitalize and grow.

Regional Location Quotient Comparison					
Cincinnati MSA		**Indianapolis MSA**		**Louisville MSA**	
NAICS Sub-Sector	Location Quotient Score	NAICS Sub-Sector	Location Quotient Score	NAICS Sub-Sector	Location Quotient Score
Chemical manufacturing	2.9	Chemical manufacturing	5.03	Couriers and messengers	9.15
Primary metal manufacturing	2.53	Warehousing and storage	3.29	Beverage and tobacco product manufacturing	5.26
Management of companies and enterprises	2.44	Postal service	2.81	Warehousing and storage	2.9
Paper manufacturing	2.29	Couriers and messengers	2.23	Printing and related support activities	2.62
Transportation equipment manufacturing	2.12	Printing and related support activities	1.93	Insurance carriers and related activities	2.56
Museums, historical sites, and similar institutions	2.09	Performing arts, spectator sports, and related industries	1.78	Transportation equipment manufacturing	2.5
Support activities for transportation	2.04	Fabricated metal product manufacturing	1.43	Wood product manufacturing	1.59
Textile mills	1.95	Beverage and tobacco product manufacturing	1.36	Truck transportation	1.58
Beverage and tobacco product manufacturing	1.78	Transportation equipment manufacturing	1.36	Primary metal manufacturing	1.56
Couriers and messengers	1.76	Ambulatory health care services	1.36	Miscellaneous store retailers	1.55

Source: Bureau of Labor Statistics

A wage rate comparison for these industries with a high concentration of jobs in the Cincinnati, Indianapolis, and Louisville markets illustrates a relatively competitive wage rate compared to each other.

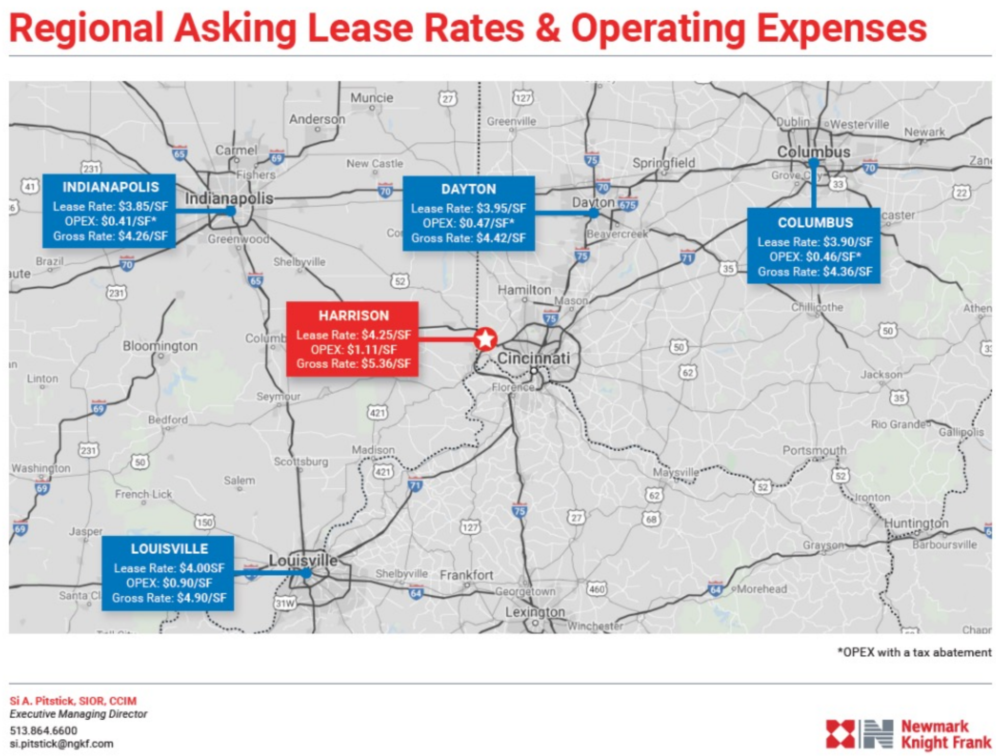
Cincinnati-Indianapolis-Louisville Wage Rates for Production Workers and Other High-Ranking Clusters

Manufacturing Labor Wage Rates				
Area of Study	Cincinnati	Charlotte	Indianapolis	Louisville
Industry Sector	Annual Wages Per Employee	Annual Wages Per Employee	Annual Wages Per Employee	Annual Wages Per Employee
Manufacturing	$80,362	$66,720	$86,591	$71,084
NAICS 311 Food manufacturing	$66,900	$50,921	$60,940	$60,402
NAICS 312 Beverage and tobacco product manufacturing	$60,193	$45,873	$104,276	$50,978
NAICS 325 Chemical manufacturing	$143,574	$50,921	$91,988	$167,961
NAICS 331 Primary metal manufacturing	$86,488	$76,824	$82,033	$81,443
NAICS 336 Transportation equipment manufacturing	$90,737	$63,993	$62,878	$77,240

Source: Bureau of Labor Statistics

However, the wage rates for this occupation in Cincinnati, Indianapolis, and Louisville do not compare well to the wage rates for similar jobs in the same industries in southern cities such as Charlotte as illustrated by the table above. Many southern regions remain highly competitive from a manufacturing wage rate standpoint driven by the long term adoption of Right to Work laws which have limited labor union participation.

Cincinnati-Indianapolis-Louisville Cost of Doing Business. A company's costs of real estate, construction, energy, and taxes are typically the major cost drivers at a site other than its workforce. Real estate costs vary depending on decisions about whether the company wants to buy or rent real estate and is dictated by regional market issues such as available land, market regulation, vacancies, rental, and absorption rates. The map below illustrates the range of real estate market costs in regions that compete for industrial projects in the Ohio-Indiana-Kentucky marketplace.



Construction costs are driven again by global and regional factors such as the availability and cost of building supplies and construction labor. Thirty different federal government measures can assist in comparing the costs of construction in given regions by reviewing measures of inflation, occupational wages, materials costs, and other aspects of building construction. Of course, gaining quotes from regional construction companies is the truest method of determining construction costs related to an economic development incentive project.

Energy costs can be dictated by either state regulators (roughly half the states operate with electric and natural gas utilities regulated) or by energy marketing firms that sell retail electric services on the open market. Many states offer energy economic development incentives that permit public utilities to seek reduced power rates based upon an energy-intensive user who is proposing a project with high-wage jobs associated with it.

Taxes by the state and local governments are a critical component of measuring the cost of doing business in a region. Different local and state governments tax businesses differently. What and how much local and state governments tax business is a policy decision not just to collect the revenues needed to pay for schools, roads water, public safety, and other essential services but is also a public policy decision impacting a company's economic development incentive.

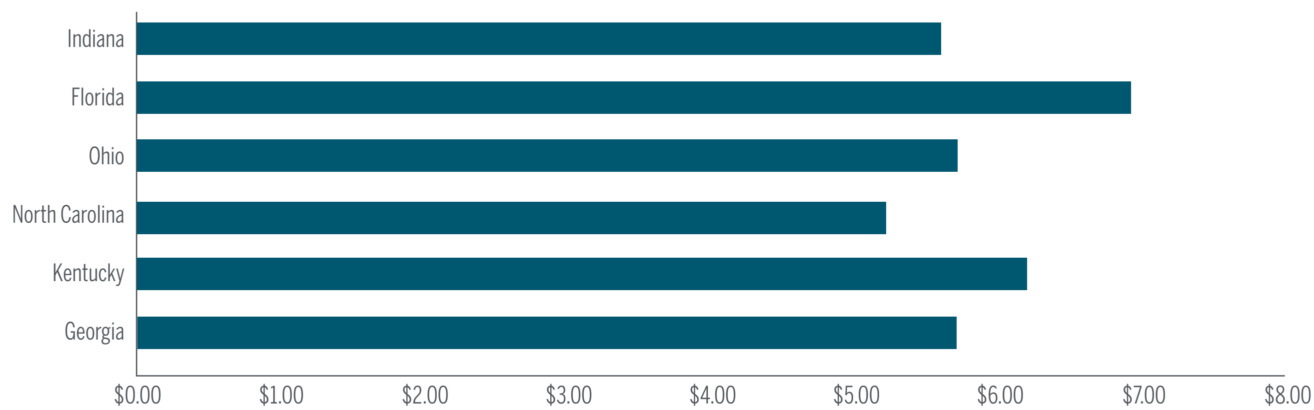
Local and State Business Taxes on Business

- Property taxes on real and personal property
- General sales taxes paid on purchases of goods and services used in production
- Excise taxes on share of motor fuel taxes and other selective sales taxes
- Corporate income taxes
- Gross receipts taxes
- Taxes on insurance premiums and utility gross receipts
- Individual income taxes on pass-through business income
- Unemployment insurance taxes paid by employers
- Business licenses, including general business licenses, specific industry and occupational licenses, and commercial motor vehicle licenses
- Severance taxes on mining, natural gas, oil and other natural resources
- Gross receipts tax

Source: Council of State Taxation

Ultimately, how much taxes a company pays at a location impacts its decision as to whether to locate in the region and defines the critical role of economic development incentives. The specific taxes a company will pay at a site is a critical cost of doing business factor the local and state government can directly impact through tax incentives. As the table below illustrates, companies in Kentucky, Indiana, and Ohio compete well with the southern states of Florida, Georgia, and North Carolina from a business tax burden standpoint.

Business Taxes Per Employee $thousands



Source: Council of State Taxation, 2021 State and Local Government Business Tax Burden Study

Successfully gaining economic development incentives in any state requires an understanding of the process local and state governments as well as regional and state private sector economic development organizations follow.

Project Introduction. Economic development incentive project introductions need to be focused on a handful of communities based upon a data-driven analysis, kept confidential as long as possible and communicate everything the company needs in a site without relaying who the company is, and utilize regional, local, county or city conomic development organizations while recognizing that most often local and state governments control land use entitlement and economic development incentive approval.

Target Communities. Market research should dictate communities that should be considered for economic development incentive negotiations. This market research should be focused on regional macroeconomics, demographic, workforce, industry cluster, cost of doing business, and customer and supply chain analysis. Market research may consider a larger number of communities, but ultimately successful economic development incentive projects narrow down to a handful of communities to keep the economic development incentive project on track from a timing standpoint. No location should be considered that the company would not be comfortable locating in. No location should be considered based solely on economic development incentives. Incentives are the "icing not the cake." Cake tastes better with icing but a complicated site in an expensive market not connected to a company's industry or supply chain is not made better with economic development incentives. In fact, locations that may be the best fit may not even have economic development incentives attached to it.

Confidential Process. The introduction of an economic development incentive to a local community needs to be a confidential process. An open public economic development incentive process as used by Amazon for their HQ2 project is not recommended. This open process creates too many unhappy regions as hundreds may apply for an economic development incentive project and only a handful are even considered. More importantly, if a company is considering consolidating or moving facilities, a detailed communications plan for employees needs to be in place rather than employees reading about a potential move in the news media. A better approach is to use a data driven, confidential process that does not become public until approvals for land use entitlements and incentives are underway. Companies launching economic development incentive projects should be sensitive to state public records law which can jeopardize their confidential process. State public records laws may define a "public record" to be records kept by any public office.[viii] The term "public office" likely includes any state agency, public institution, political subdivision, or other organized body, office, agency, institution, or entity established by the laws of this State for the exercise of any function of government.[ix] Cities, counties, port authorities and Community Improvement Corporations are all public offices, but many of the other Special Purpose Entities are not "public offices."[x] As a result, each entity must undergo an analysis to determine if compliance with the Public Records Act might be required. Notably, however, the Public Records Act specifically provides that JobsOhio, the nonprofit corporation that promotes job creation and economic development in Ohio, is not a public office under the Public Records Act.[xi] Kentucky also provides an exemption under KRS 61.878(1) for records pertaining to prospective location of a business or industry and Indiana under IC 5-14-3-4 provides for protections of applications, negotiations of economic development projects until final.

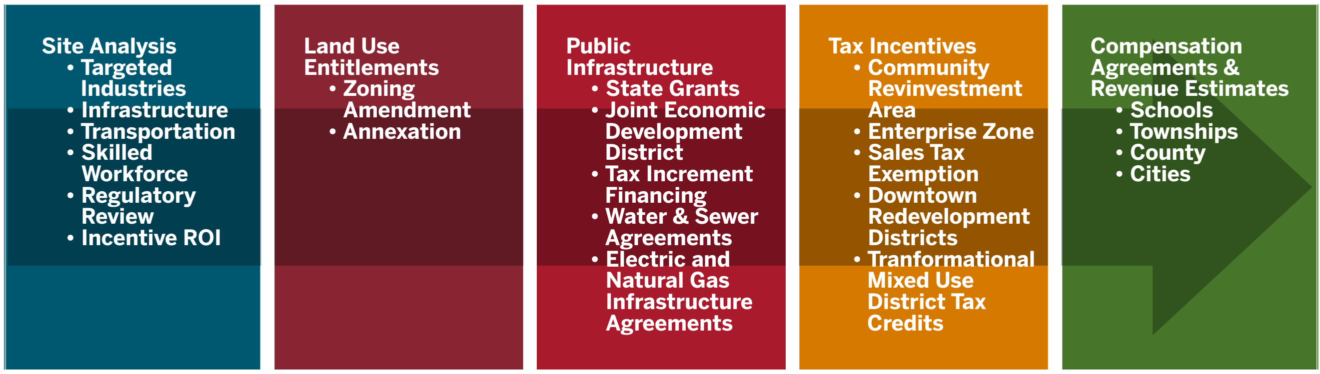
Regional EDO Communication. A confidential Request for Proposal or project letter is then sent from an economic development incentive consultant or legal counsel that outlines the nature of the economic development incentive project and the specific needs of the company related to the site in question with specific infrastructure, workforce, incentive, and site needs. Generally, regional economic development organizations within or through a public-private partnership with businesses are the prime point of contact for launching an economic development incentive project.

Larger metro regions are served by private sector organizations supported by public and private sector resources and whose prime focus is the market of their region for business retention and expansion projects. These organizations are not able to approve land use decisions or award economic development incentives, but they can prove an effective resource to guide economic development incentive projects. A prime benefit of these private organizations is that they are generally not regulated by public records laws and can operate on a confidential basis built upon a non-disclosure agreement. These regional economic development organizations can locate sites, access local macroeconomic, demographic, workforce, and industry cluster data that can confirm a company's research of the region, coordinate conversations with local and state government entities for land use entitlement and economic development incentives, coordinate site visits and act as the point of contact for company economic development incentive searches. Some states, like Ohio, Michigan, Florida, and others operate with a private sector economic development corporation coordinating the state's economic development programs.

Local and State Governments. A wide range of local and state government entities may be involved in project introductions as well as these entities have the authority and resources to award land use entitlements and economic development incentives where private regional economic development organizations do not. State, municipal, township, and county governments all may be relevant for the economic development incentive process as they by state law implement land use entitlements, award property tax abatements, and may have their own performance-based economic development incentives to award. Local governments may also operate special purpose entities that implement a range of economic development programs relevant to economic development incentive projects. Special purpose entities may include port authorities that provide project financing and construction materials sales tax exemptions, joint economic development districts that develop sites in partnerships with townships and cities, transportation improvement districts that act as a conduit for large-scale transportation projects, community improvement corporations, or community urban redevelopment corporations which are quasi-public agencies that operate economic development initiatives often targeted to a specific geographic area, or new community authorities which are quasi-public agencies that can assess property owners to fund public infrastructure and other projects.

Cincinnati-Indianapolis-Kentucky Site Development. Preparing a site for development is a critical step to retaining or growing jobs and making a capital investment in Ohio, Indiana and Kentucky. Montrose Group's focus is to create a Public-Private-Partnership (PPP) that makes a site attractive for job creation and capital investment while providing a pipeline of tax revenues and other funding for local and state government and schools. Analyzing a site is a critical step for determining whether a specific location is the best spot in the market for a particular company. Different industries need different sites. Energy-intensive heavy manufacturing like chemical factories is going to find sites with access to massive amounts of energy and less residential development more attractive. Companies need to consider a site's transportation infrastructure and whether that location will be able to serve the trucking or rail transportation the business needs. The water and sewer capabilities of the site also matter as no site can develop without these services. How the capital investment will impact water drainage at a site is also relevant as neighbors to new investment can become opponents if the new capital investment has a negative impact on their land. Reviewing the regulatory requirements of the local and state political jurisdiction is very important as some communities may have environmental, workforce, wage rate requirements, labor union construction regulations, and other government regulations impacting the development of a site. Finally, projects need to understand how local, and state economic development incentives can benefit the planned capital investment and job creation at a site and the local and state governments and school districts. Most successful economic development incentive projects don't just award money to companies in exchange for job creation and capital investment but development revenue flows for local and state governments and school districts.

Montrose PPP Site Development Model



Land Use Entitlements. Local governments manage 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 regarding the development of a region or community. Municipal or county planning commissions help guide growth and development and set the framework for zoning regulation. These local government organizations could be elected or appointed officials and their focus is the development of studies, maps, and plans that recommend planned uses for land based upon the physical, environmental, social, economic, and governmental characteristics, functions, services, and other aspects" of their geographic area.[xii] Planning commissions are also responsible for the initial review of new zoning ordinances or amendments to existing zoning ordinances.[xiii]

Home Rule state constitutional provisions allow municipalities to adopt a home-rule charter. This charter is the functional equivalent of a constitution and establishes in broad strokes how the municipality will be organized and how it will exercise its powers of self-governance, including planning and zoning regulation.[xiv] Municipalities that have such charters are not required to follow the state laws with respect to enacting, amending, or administering zoning ordinances. Instead, they follow the procedures set out in their charter.[xv] When there is no charter or ordinance or a city's charter is silent on zoning regulation, however, the city must follow the specifics of state law.[xvi] Zoning is a key component of the basic system of land use regulation. 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. The constitutionality of zoning regulation, as an exercise of police power, is established by the Supreme Court in *Euclid v. Ambler Realty Corp*.[xvii] As a direct result of *Euclid*, most zoning in America creates housing subdivisions characterized by auto-dependent design and segregated land uses, resulting in massive suburban development. This conventional zoning creates neighbourhoods with five key components:

- Housing subdivisions.
- Shopping centers, composed of single-use retail buildings, usually a single story with exclusive parking areas.
- Office/business parks, also single-use and served by exclusive parking areas.
- Civic institutions, such as churches, schools, and libraries, are generally large and separated from other uses and served by exclusive parking areas; and
- Roadways connecting these separated land uses and designed exclusively for the use of automobiles.[xviii]

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 uses must meet. The local legislative body may divide the municipality into districts of such number, shape, and area as may be best and within such districts, it may regulate and restrict the erection, construction, alteration, repair, or use of buildings, structures, or land.[xix]

Economic development projects that need to change the zoning at their site can achieve that zoning change using a zoning amendment, use variance, area variance or non-conforming use. A zoning amendment is the rezoning of a parcel (s) from one zoning category to another that better permits the intended use of the land. As an example, a site that is currently zoned to permit agriculture will need to be rezoned to a manufacturing or logistics category to permit that site to be transformed into an industrial park. Many regions have created special zoning categories for industrial parks that contain a full package of zoning mandates consistent with land use, building heights, roadway access, and other issues relevant to special industries such as logistics.

Changes to the use of property can also be achieved through the variance process. A use variance is a request to deviate from current zoning requirements, and it permits the owner to use the land in a manner not otherwise permitted by the zoning ordinance.[xx] Area variances are also permitted the depart from the zoning code for size and setback requirements. This type of variance is held to a lesser standard, and property owners seeking an area variance must only prove the zoning ordinance creates "practical difficulties" for the burdened parcel.[xxi] A variance is a specific waiver from the zoning ordinance and standards for awarding a variance focus on whether the property owner can demonstrate that existing zoning regulations present a practical difficulty in making use of the property.[xxii] The process for awarding a variance is similar to that of gaining a zoning amendment. A zoning variance application must be filed, and notice is provided to adjacent property owners.[xxiii] Public hearings by a city planning or development commission or a township zoning commission prior to the final decision by the city council or township trustees are held with recommendations provided by the planning or zoning commission and the final decision rests with the city council or township trustee.[xxiv]

A nonconforming use is permitted use of property that would otherwise be in violation of the current zoning ordinance.[xxv] The use is permitted or "grandfathered in" because the landowner was using the land or building for that use before the zoning ordinance became effective. the property almost always needs to have been continuously put to conforming use to gain the permit.[xxvii] Finally, conditional use permits allow an otherwise non-permitted use of the property that the zoning code does not include. Conditional use permits are usually granted at a public hearing before a political body, usually with the conclusion that the new use of the property will be in the public interest.[xxviii]

Many successful zoning change applications start with an aggressive pre-application approach that begins with meeting the local government zoning staff and impacted community. Early completion of traffic and engineering studies pays big dividends later. Next, those seeking zoning changes obtain written service commitments for public sewer and water services, engineering approval of the legal description, and an outline of the economic model and time constraint for the project. The project may then be prepared to file a zoning application. The zoning application includes a statement of compliance with the comprehensive plan applicable to the area, detailed legal descriptions of all subareas, site plans, elevations, and a construction materials palette. Project drawings illustrate how the proposed development "fits in." Also, the zoning applicants provide certification of financial capability to execute the project if approved and a vicinity map showing the names of neighbours.

Zoning Process

Notice is then provided to all persons mandated by the zoning ordinance/resolution, mailed to the tax mailing or street addresses, through publication in a newspaper of general circulation, or posting a sign(s) on the property. Once the zoning application is received by the zoning official, the staff reviews it for accuracy and completeness, and a hearing is held before a regional planning commission. A written recommendation to the jurisdiction's planning commission is then created, and ultimately a vote is taken on the zoning by the city council or township trustees. However, in many jurisdictions, the citizens still retain the right to place a referendum on the ballot to overturn the zoning action by the city council.

Annexation. Annexation is the process of bringing land from an unincorporated area (township) into a municipality. Annexation is a local government tool to manage growth, spur economic development, coordinate land use, and consolidate cities to prevent numerous new, small local governments from being created.[xxix] Annexation has roots going back to the early 1800s as the most common approach to adjusting municipal boundaries.[xxx] Nearly all states generally require annexed land to be contiguous or connected physically to a city but 14 states do make exceptions for the non-contiguous property.[xxxi] 20 states require the annexing city to present a public service plan for the territory to be annexed and 7 states go a step further and require impact reports to be prepared that include an examination of fiscal impacts.[xxxii] Typically, annexation is initiated through a local government ordinance but 2 states, Alaska and Maine, do not permit cities to annex through local ordinance, and over half of the state laws require some form of election in the area to be annexed at some point in the process.[xxxxiii] Minnesota's independent commission determines annexations while states such as Virginia put the annexation issue into the hands of the judiciary.[xxxiv] There is a clear trend against solely giving annexation authority to municipalities and states are promoting more public involvement in the process. States such as Tennessee require a highly detailed service plan outlining the police and fire protection, sanitary sewer, solid waste disposal and water and electrical services, road and street construction and maintenance, recreational facilities, and zoning services of the land to be annexed.[xxxv]

Consulting restraints against annexation exist as well. These consulting restraints include:

- Judicial review and oversight;
- Requirement for a vote of the people through a referendum;
- Requirement for a detailed public service plan;
- Approval required of county government officials;
- Creation of annexation impact reports on local governments; and
- Review by a boundary agency body.

Different states enact annexation in different ways. The majority of the states require some form of population determination either through a vote of the people through a referendum or a signed petition of impacted residents. Eight states empower municipalities to simply act unilaterally to expand their boundaries, and five states permit the judiciary to make annexation decisions. Ten states require an independent and nonjudicial commission to decide whether an annexation should occur, and five states even have their state legislature deliberate each annexation proposal.

Cincinnati-Indianapolis-Louisville Corridor Can Capitalize on State Site Development Programs

Preparing a site for development is a critical step to retaining or growing jobs and making a capital investment. Montrose Group's focus is to create a Public-Private-Partnership (PPP) that makes a site attractive for job creation and capital investment while providing a pipeline of tax revenues and other funding for local and state government and schools. Analyzing a site is a critical step for determining whether a specific location is the best spot in the market for a particular company. Different industries need different sites. Energy-intensive heavy manufacturing like chemical factories is going to find sites with access to massive amounts of energy and less residential development more attractive. Companies need to consider a site's transportation infrastructure and whether that location will be able to serve the trucking or rail transportation business needs. The water and sewer capabilities of the site also matter as no site can develop without these services. How the capital investment will impact water drainage at a site is also relevant as neighbors to new investment can become opponents if the new capital investment has a negative impact on their land. Reviewing the regulatory requirements of the local and state political jurisdiction is very important as some communities may have environmental, workforce, wage rate requirements, labor union construction regulations, and other government regulations impacting the development of a site. Finally, projects need to understand how local, and state economic development incentives can benefit the planned capital investment and job creation at a site and the local and state governments and school districts. Most successful economic development incentive projects don't just award money to companies in exchange for job creation and capital investment but development revenue flows for local and state governments and school districts.

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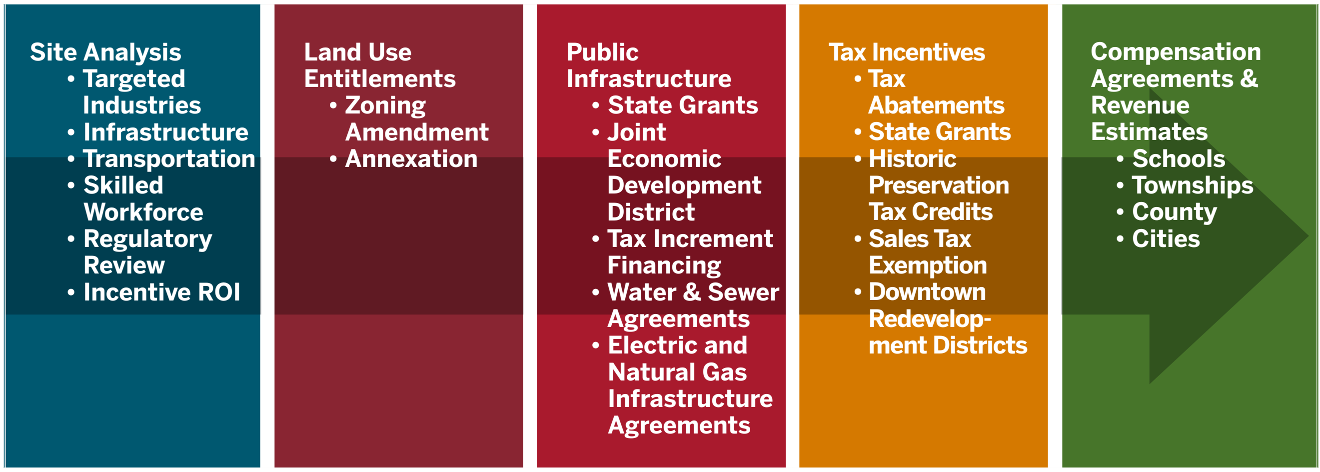


Kentucky and Ohio offer state programs to encourage the development of new industrial sites. The newly established Kentucky Product Development Initiative (KPDI) is a statewide effort to support upgrades at industrial sites throughout the commonwealth and position Kentucky for continued economic growth. KPDI, a collaboration between the Kentucky Cabinet for Economic Development and Kentucky Association for Economic Development (KAED), includes $100 million in state funding toward upgrades of sites and buildings across the state. KPDI applicants, such as local governments and economic development organizations, may seek funding assistance for the transformative site and infrastructure improvement projects that will generate increased economic development opportunities and job creation for Kentucky residents. Through KPDI, funding is available through a competitive application process, with each of the 120 Kentucky counties eligible for a maximum funding amount calculated based on population. There is a maximum of $2 million per county per project. Applicants are encouraged to submit regional projects, which allow available funding for multiple counties to be combined, increasing the maximum allowed for a given project.

JobsOhio's Inclusive Project Planning Program recognizes that small and medium-sized distressed communities may not have adequate resources to develop catalytic economic development projects necessary to transform the community and attract private investment. This program offers targeted technical assistance to address gaps in capacity and expertise to generate more actionable projects across the state. JobsOhio identified 98 cities with populations between 5,000 and 75,000 with poverty rates at or above the state's average poverty rate that are eligible for support from this program. This program provides grants to eligible communities of up to $20,000 and not more than 50% of total planning costs, should the community engage their own vendor(s), and communities may receive support through partnerships with JobsOhio and the JobsOhio regional network partners.

JobsOhio's Ohio Site Inventory Program (OSIP) offers grants and low-interest loans to support speculative site and building development projects with no identified end user. The primary goal of OSIP is to fill gaps in Ohio's real estate inventory with real estate targeting near-term sector wins to ensure our state is more competitive for reactive site selection projects. Program goals include: filling gaps in Ohio's real estate inventory; mitigating developer risks preventing development; and accelerating the process of bringing in-demand projects and sites online. JobsOhio seeks a diverse portfolio of inventory types and locations such as both sites and buildings, small, medium, and large projects, office or R&D, as well as manufacturing, warehousing and distribution, urban, suburban, and rural locations, and developed real estate that aligns with one of JobsOhio's targeted industry sectors. Other Key OSIP Components require a lead development entity (i.e., community, port authority, private developer, etc.) with loans typically for new construction, and grants will typically support costs associated with demolition, environmental remediation, building renovations, site preparation, and infrastructure improvements.

The state of Ohio, through adoption of the biennial budget, approved new language to expand the eligibility criteria, along with renewed funding, for one of Ohio Development Services Agency's highly subscribed industrial development programs. The Rural Industrial Park Loan Program (RIPL) promotes economic development across rural areas in the state. The program provides low-interest loans to assist with financing the development and improvement of industrial parks and related off-site public infrastructure improvements and has been an extremely attractive tool in encouraging industrial development in rural communities. The current state operating budget enacted recently expands eligibility for loans from the RIPL to include projects that are located in any rural area, meaning any Ohio county that is not designated as part of a Metropolitan Statistical Area by the U.S. Office of Budget and Management, in addition to those located in a distressed, labor surplus, or situational distress areas under continuing law. Under the expanded definition of "rural," 48 Ohio counties are now eligible for the RIPL program. The bill provides $15,000,000 each fiscal year for this purpose. The RIPL may finance up to 75% of allowable project costs with loans ranging in size from $500,000 to $2,500,000. Development requires a minimum of 10% equity contribution from the borrower in the eligible project, however, a greater equity contribution may be required based on due diligence. The remaining eligible project costs shall be funded by the borrower either directly or indirectly through third-party investors and/or private lenders. At least 50% of the outstanding loan balance will be forgiven by Development upon successful completion of the project as described in the application and loan agreement. If the RIPL funds represent less than 50% of the total project costs, the percentage of loan forgiveness will be increased to an amount equal to 100% less the percentage of the project being funded by the RIPL.

Indiana is working on several site development programs that can support major economic development projects. The IEDC established its first research and innovation district – LEAP (Limitless Exploration / Advanced Pace) – in Lebanon. The 7,000-acre site in Boone County, which was identified as a strategic location for future industry growth, will better position

Indiana to compete globally for high-tech jobs and help the state deliver strategic, investment-ready sites to industry leaders. In May, Eli Lilly announced plans to anchor the LEAP district, investing $2.1 billion two establish two new manufacturing sites to bolster its global pharmaceutical production.

Indiana launched the Regional Economic Acceleration and Development Initiative (READI), a bold, transformational initiative that will dedicate $500 million in state appropriations to promote strategic investments that will make Indiana a magnet for talent and economic growth. Through this initiative, the state will encourage neighboring counties, cities, and towns to partner to create a shared vision for their future, mapping out the programs, initiatives, and projects that are critical for them to retain talent today and attract the workforce of tomorrow. READI is expected to attract at least $2 billion of local public, private, and philanthropic match funding that will propel investment in Indiana's quality of place, quality of life, and quality of opportunity. A sampling of IEDC READI projects includes NexusPark, Columbus, $6 million – transforming the former Fair Oaks Mall into a community health and recreation space, complete with shopping, restaurants, and an indoor sports fieldhouse which just got a concrete floor; Toyota YMCA, Princeton, $5 million – a YMCA center in the design phase, set to open in 2024; Boys and Girls Club, Gary, $10 million – the $30 million community center will provide adult education, with the potential for outdoor facilities in the future; and McCord Square, McCordsville, $3.5 million – a multi-use development that will include apartments and infrastructure upgrades to attract new talent and improve quality of life. The Indiana legislature is considering the Governor's request for continued READI funding and a continuation of the program.

Indiana also permits the creation of Innovation Development Districts (IDD) to spur infrastructure investment tied to transformational projects. An IDD is a unique tool created to support the attraction and expansion of transformational, advanced industry businesses within the state. Designation as an IDD allows for the capture of certain state and local incremental tax revenues which can be invested in support of the IDD and the growth of the state's high-technology economy. For projects that contemplate a proposed capital investment of less than $2 billion, the executive of the local unit must consent to the designation and execute an agreement with the IEDC outlining the boundaries of the IDD, the proposed use of the incremental revenue captured by the IDD, the amount of property tax increment that will be transferred to the city, town, county, or school, corporations with territory within the IDD, construction management, and demolition costs, costs directly associated with the redevelopment or rehabilitation of a property, FF&E, if non-movable, and permitting costs directly related to redevelopment or rehabilitation outlining the boundaries of the IDD. An IDD may capture all incremental sales, state income, and property tax revenue growth during the term of the designation.

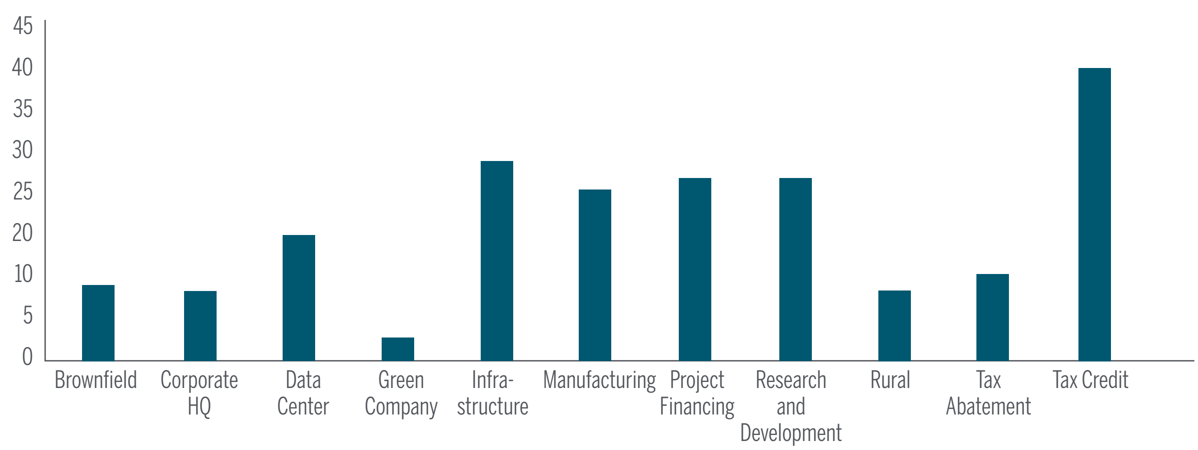
The Indiana Industrial Grant Fund provides assistance to municipalities and other eligible entities as defined under I.C. 5-28-25-1 with off-site infrastructure improvements needed to serve the proposed project site. Upon review and approval of the Local Recipient's application, project-specific Milestones are established for completing the improvements. IDGF will reimburse a portion of the actual total cost of the infrastructure improvements. The assistance will be paid as each Milestone is achieved, with the final payment upon completion of the last Milestone of the infrastructure project. Eligible infrastructure expenses include: lease, purchase, construction, or repair of real and personal public property; preparation of surveys, plans, and specifications for construction of publicly owned and operated facilities, utilities, and services; construction of airport facilities; construction of tourist attractions; construction, extension or completion of:

- Sewer lines and other drainage facilities
- Waterlines
- Roads and streets
- Sidewalks
- Rail spurs and sidings
- Fiber-optic and other IT infrastructure.

Finally, the IEDC is seeking funding for the development of a separate IEDC fund, the proposed $150 million Strategic Sites and Infrastructure Fund, to pay for upgrades to sites, such as rezoning or building utility connections.

Ohio-Indiana-Kentucky Economic Development Incentives. To address the regional cost of doing business factors, all fifty states including Greater Cincinnati's states of Kentucky, Indiana, and Ohio, offer some form of economic development incentives. As the chart below outlines, infrastructure incentives are provided by all the states in the union. State economic development tax credits follow closely behind the infrastructure program as the second most popular tax incentive program in the nation with efforts to attract data centers and using general tax abatements tying for third. Princeton Economics estimates that state and local governments invest about $30 B dollars in economic development incentives annually.[xxxvi] According to the Council of State Taxation, businesses paid more than $839.3 B in 2020 up from $781 B in state and local taxes in FY18.[xxxvii] Thus, while economic development incentives at times catch media headlines, they still constitute a very small percentage of the tax revenues state and local governments captures for companies.

Local and State Economic Development Incentive Programs



Tax credits are tools private developers, investors, and individual companies use to reduce tax burdens in exchange for economic growth. Tax credits may be either refundable or nonrefundable. A refundable tax credit, a moderate form of negative income tax, can reduce the tax owed below zero and result in a net payment to the taxpayer beyond its own payment into the tax system. A nonrefundable tax credit cannot reduce the tax owed below 0; thus, taxpayers do not receive a refund exceeding their payments into the tax system. Most state economic development tax credits are triggered by high-wage, non-retail job creation, and some level of capital investment. These tax credits in most cases are competitively awarded as there is a limited amount of state government funding available to support them. Thus, higher job growth, higher wages, and larger capital investments from companies attractive for investment are given priority for these tax credits.

To attract new businesses and encourage the expansion of existing businesses, state and local governments also may offer tax abatements as an economic development incentive. Tax abatements temporarily decrease the amount of taxes a business owes. While this tax incentive has a general effect on property taxes, the means employed by state and local governments to achieve this effect varies from program to program. Enterprise Zones are the most common tax abatement program.[xxxviii] These programs offer real and personal tax incentives to businesses that expand or locate within designated "Enterprise Zones." First, the locality must designate an area as an Enterprise Zone. Enterprise Zone designation is based upon an area's poverty and unemployment rate. However, state law may not limit which municipality may use the Enterprise Zone program; thus, Enterprise Zones are as prevalent in wealthy suburban communities as they are in the poor, inner-city neighborhoods. This goes against the original intent of the Enterprise Zone program. Once designated, businesses that wish to build or expand in Enterprise Zones can apply for the program's abatement. Generally, the tax incentive permits the local government to offer a full or partial exemption of the real or personal property values attributable to the new development.

States offer outright grants for companies in exchange for the retention and creation of an agreed-upon number of jobs and capital investment. A recent trend is the use of "closing funds" as the dominant form of economic development incentives. States moved to streamline their economic development incentives and focus on the creation of a large fund that makes cash awards to companies through major economic development incentive projects. Low or no-interest government-sponsored loans or other project financing programs are an attractive alternative to banks or other private sector financing for a planned economic development expansion. Companies with growth potential face new challenges to gain the financing needed to move to the next level and eight states offer some form of a project financing program to attract economic development as outlined below. Port authorities are governmental agencies with few restrictions placed on governments. Ports do not need a body of water or an airport to operate. Port authorities operate across the United States and provide services akin to a public bank providing a range of public finance tools critical to economic development projects. Three states have tax incentives designed to support the operation of local port authorities that including Alabama, Georgia, and Virginia. Arkansas, Ohio, and Wyoming also authorize port authorities to provide what is a sales tax exemption for the construction material in economic development projects that can produce substantial economic development savings.

Along with corporate headquarters, manufacturing jobs with their high wages and long supply chain that can provide a multiplier effect for the jobs have long been sought by economic development leaders across the nation. While nearly every general state tax credit can be used for manufacturing firms, eight states also have tax credits designed specifically for manufacturing firms. Research and development and technology-related jobs are another major focus for economic development leaders. Technology-based Economic Development initiatives are attractive because they create high-wage "multiplier" jobs with companies in the growth mode for the Information Age economy. Research and development, particularly focused on the recruitment of corporate research and development centers, is an economic development prize and seventeen states, as listed at www.montrosegroupllc.com, offer economic development incentives focused on gaining research and development centers. Many of these state programs are focused on the retention and attraction of major corporate research and development centers.

Infrastructure and Public Finance. The provision of infrastructure is the most traditional public subsidy provided by local and state governments to incentivize economic development. Infrastructure is the roads, water, sewer, rail, power, and telecommunications services needed to operate any use of a property. The government provides infrastructure for economic development projects either through their direct resources or through public finance tools that pay for infrastructure over a period.

TIF is the most popular tool for local governments to finance public improvements within their districts or areas. TIFs started in California in the 1950s, and today, the District of Columbia and all of the states, other than Arizona, have adopted some form of TIF program.[xxxix] Local government pays for public improvements and infrastructure by capturing the future tax increments from the project's area under a TIF.[xl] The local government issues bonds to finance the project, and the bonds are paid for later through the increase in taxable property value the improved area receives.[xli] This increase in taxable property value is the "tax increment," and it goes directly toward repaying the debt incurred by the local government on the issued bonds.[xlii] TIF does not require an increase in taxes or a new tax levy. TIFs must provide an assured level of tax gains to provide the funding needed for the infrastructure planned. The crux of a TIF is the actual financing mechanism itself. Once a TIF project or district is approved, the local government can start collecting certain taxes from the project area. Generally, property taxes are the type collected, but a few states allow for other taxes, like sales taxes, to be included in the collection.[xliii] The taxes are then placed in a special fund, which reimburses the principal and the interest of the issued bonds.[xliv] Once the value of the property increases, the gain in the taxable value goes to the local government to repay the debt incurred by the issued bonds. Thus, if the process works as planned, the project is self-sustaining and provides a benefit to the community without any new or increased taxes.

Most states require the local government to show that the proposed development area is "blighted" or somehow economically depressed.[xlv] The definition of blight varies between states, but typically a blighted area involves structures, land, and businesses that are in such a damaged or poor state that they damage or threaten the entire municipality or county.[xlvi] Some states allow areas that are commercially or residentially deficient to benefit from TIF projects as well.[xlvii] A few states allow almost any TIF projects that the local government deems beneficial to the public or to economic development.[xlviii] Besides having to work toward certain purposes, a project plan must be financially and economically sound. For a project to be worth a government's efforts and costs, the local government must ensure a tax increment will result from the plan. Also, a project plan must show that the planned infrastructure and improvements are economically feasible and cost-effective. Many states require the local government to prove that the proposed development area will not naturally regenerate itself or that private development cannot improve the area alone without the government's aid.[xlix] All of these additional requirements restrict a local government's freedom in funding projects, but they are necessary defenses against abuse of TIF.

States require public input or review from other interested parties before TIF legislation may be enacted.[l] A local government notifies the public and holds a public hearing about proposed TIF projects.[li] At these hearings, any individual can state reasons for or against the project. While this ensures public involvement, very rarely is public approval needed for TIF. Instead, the hearings merely serve as a way for a community to express itself. Sometimes, the relevant school board or tax authority is also given a role in the TIF approval process. School districts can make recommendations to the municipality, and a small number of states do not allow a TIF ordinance to go forward without school board or tax authority permission.[lii] Because a significant amount of taxes could be taken from these entities, some states give the entities a legitimate mechanism to approve or object to the plan.[liii] As previously mentioned, TIFs are being used with greater frequency and for more purposes than it was originally established.
TIF bonds are permitted to fund project costs and "public infrastructure." What constitutes a public infrastructure varies greatly from state to state. Public infrastructures are defined as improvements to land, streets, water lines, sewer facilities, buildings, bridges, highways, pedestrian walkways, storm drainage, traffic-related instruments, landscaping, schools, and parking structures.[liv] More expansive jurisdictions allow for the funding of commercial, industrial, and residential structures.[lv] Further, the use of eminent domain to acquire land is permitted in most TIF projects. As to project costs, they typically encompass all necessary and incidental costs of a development project such as the costs of issuing obligations, relocating displaced persons, organizational costs, and professional services fees.[lvi]

The Cincinnati-Indiana-Kentucky region offers the benefits of being in three states that permit companies to create interstate competition for corporate site location projects while generally being able to keep their current base of workers. Indiana, Kentucky and Ohio Kentucky offer a range of economic development incentives as outlined below.

Indiana Economic Development Incentives (bold indicates signature program)

- **The Indiana Economic Development for a Growing Economy (EDGE)** Tax Credit provides an incentive to businesses to support jobs creation, capital investment and to improve the standard of living for Indiana residents. The refundable corporate income tax credit is calculated as a percentage (not to exceed 100%) of the expected increased tax withholdings generated from new jobs creation. The credit certification is phased in annually for up to 10 years based upon the employment ramp-up outlined by the business.
- **The Indiana Hoosier Business Investment Tax Credit** provides incentive to businesses to support job creation, capital investment and to improve the standard of living for Indiana residents. The non-refundable corporate income tax credits are calculated as a percentage of the eligible capital investment to support the project. The credit may be certified annually, based on the phase-in of eligible capital investment, over a period of two full calendar years from the commencement of the project.

- **The Indiana Venture Capital Investment Tax Credit** program improves access to capital for fast growing Indiana companies by providing individual and corporate investors an additional incentive to invest in early-stage firms. Investors who provide qualified debt or equity capital to Indiana companies receive a credit against their Indiana tax liability.
- The Indiana Redevelopment Tax Credit provides an incentive for investment in the redevelopment of vacant land and buildings as well as brownfields. This credit provides companies and developers with an assignable income tax credit for investing in the redevelopment of communities, improving quality of place, and building capacity at the local level.
- **Indiana Skills Enhancement Fund -** provides assistance to companies to support the training of employees required to support business growth in Indiana.
- The Indiana Community Revitalization Enhancement District (CRED) Tax Credit provides an incentive for investment in community revitalization enhancement districts. The credit is available to taxpayers that make qualified investments for the redevelopment or rehabilitation of property located within a revitalization district. Only those projects that the IEDC expects to have a positive return on investment will be considered.
- The Indiana Headquarters Relocation Tax Credit (HRTC) provides a tax credit to corporations that relocate their headquarters to Indiana. The credit is assessed against the corporation's state tax liability.
- The Indiana Small Headquarters Relocation Tax Credit (S-HQRTC) provides a refundable tax credit to a small, high-growth business that relocates its headquarters or the number of employees that equals 80% of the company's total payroll to Indiana. The credit is assessed against the corporation's state tax liability.
- The Indiana Research & Development Sales Tax Exemption: There is a 100 percent sales tax exemption for qualified research and development equipment and property purchased. Taxpayers may file a claim for a refund for sales tax paid on such a retail transaction should they not purchase it exempt from sales tax at the time of the actual transaction. Research and development equipment and property is defined as tangible personal property that has not previously been used in Indiana for any purpose and is acquired by the purchaser for the purpose of research and development activities devoted to experimental or laboratory research and development for new products, new uses of existing products, or improving or testing existing products.
- The Indiana Patent Income Tax Exemption provides that a taxpayer may not claim an exemption for income derived from a particular patent for more than 10 taxable years. The exemption percentage begins at 50 percent of income derived from a qualified patent for each of the first five taxable years and decreases over the next five taxable years to 10 percent in the 10th taxable year. It also specifies that a taxpayer is eligible to claim the exemption only if the taxpayer is domiciled in Indiana and is either an individual or corporation with not more than 500 employees including employees in the individual's or corporation's affiliates or is a nonprofit organization or corporation.
- The Indiana Data Center Gross Retail and Use Tax Exemption provides a sale and use tax exemption on purchases of qualifying data center equipment and energy to operators of a qualified data center for a period not to exceed 25 years for data center investments of less than $750 million. If the investment exceeds $750 million, the IEDC may award an exemption for up to 50 years.
- The Indiana Industrial Grant Fund provides assistance to municipalities and other eligible entities as defined under I.C. 5-28-25-1 with off-site infrastructure improvements needed to serve the proposed project site. Upon review and approval of the Local Recipient's application, project specific Milestones are established for completing the improvements. IDGF will reimburse a portion of the actual total cost of the infrastructure improvements.

Kentucky Economic Development Incentives (bold indicates signature program)

- **Kentucky Business Investment (KBI)** Program provides income tax credits and wage assessments to new and existing agribusinesses, headquarters operations, manufacturing companies, coal severing and processing companies, hospital operations, alternative fuel, gasification, energy-efficient alternative fuels, renewable energy production companies, carbon dioxide transmission pipelines and non-retail service or technology related companies that locate or expand operations in Kentucky. Projects locating in certain counties may qualify for enhanced incentives. Click here to view a map of the enhanced incentive counties.
- **The Kentucky Enterprise Initiative Act (KEIA)** is for new or expanded companies engaged in manufacturing, non-retail service or technology activities, agribusiness, headquarters operations, coal severing and processing, hospital operations, alternative fuel, gasification, energy-efficient alternative fuels, renewable energy production companies, carbon dioxide transmission pipelines, or tourism

attraction projects in Kentucky. KEIA provides a refund of Kentucky sales and use tax paid by approved companies for building and construction materials permanently incorporated as an improvement to real property. It is also available for Kentucky sales and tax refunds for eligible equipment used for research and development, data processing equipment or flight simulation equipment.

- **Workforce Development Programs –** Bluegrass State Skills Corporation Skills Training Investment credit Provides credit against Kentucky income tax to existing businesses that sponsor occupational or skills upgrades through workforce development training programs for the benefit of their employees. Bluegrass State Skills Corporation Grant Reimbursement program Provides matching grant funds for customized business and industry-specific training programs.
- Kentucky Direct Loan Program (KEDFA) encourages economic development, business expansion and job creation by providing business loans to supplement other financing. The Direct Loan Program provides loans at below-market interest rates (subject to the availability of state revolving loan funds) for fixed asset financing for agribusiness, tourism, industrial ventures, or the service industry. Retail projects are not eligible.
- Kentucky SBIR-STTR Matching Funds Program -The Cabinet will match, on a competitive basis, Phase 1, and Phase 2 federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards received by Kentucky high-tech small businesses and those willing to become Kentucky-based businesses. This includes matching Phase 1 federal awards up to $150,000 to support the exploration of the technical merit or feasibility of an idea or technology, and up to $500,000 of federal Phase 2 awards, which support full-scale research and development.
- Kentucky Small Business Credit Initiative (KSBCI) is designed to generate jobs and increase the availability of credit by reducing the risks participating lenders assume when making loans to small businesses. Using three distinct credit enhancement programs, KSBCI will help lenders finance creditworthy small businesses that would typically fall just outside of their normal lending guidelines. Please click here for a listing of approved projects.
- Kentucky Small Business Loan Program is designed to help small businesses acquire funding needed to start or grow their small business. A small business must be engaged in manufacturing, agribusiness, or service and technology. Loan funds may be used to acquire land and buildings, purchase and install equipment, or for working capital. The minimum loan amount is $15,000 and the maximum is $100,000. The approved company must create one new full-time job within one year of the loan closing. KEDFA can fund up to 100 percent of the project costs and the loan can be used in conjunction with other lenders. The term of the loan can range from 3-10 years.
- Kentucky Reinvestment Act (KRA) provides tax credits to existing Kentucky companies engaged in manufacturing, agribusiness, non-retail service or technology activities, headquarters operations, hospital operations, coal severing and processing, alternative fuel, gasification, energy-efficient alternative fuels, renewable energy, or carbon dioxide transmission pipelines on a permanent basis for a reasonable period of time that will be investing in eligible equipment and related costs of at least $2,500,000 for owned facilities and $1,000,000 for leased.
- Kentucky Investment Fund Act (KIFA) provides tax credits to individuals and companies that invest in eligible small businesses through venture capital funds that have been approved by the Kentucky Economic Development Finance Authority (KEDFA). Investors in KIFA approved funds may be eligible for a tax credit against Kentucky individual or corporate income tax or Kentucky corporate license tax.
- Kentucky Angel Investment Tax Credit offers a credit of up to 40 percent of an investment in Kentucky small businesses. Prior to investment, both the investor and small business must submit applications for certification. Each investment must be certified in advance, as well.
- The Kentucky Small Business Tax Credit (KSBTC) is designed to encourage small business growth and job creation by providing a nonrefundable tax credit to eligible businesses hiring one or more eligible individuals and investing at least $5,000 in qualifying equipment or technology. With certain exceptions, most for-profit businesses with 50 or fewer full-time employees are considered eligible for this program. The KSBTC program has a limited allocation of available tax credits.
- The Commonwealth Seed Capital, LLC, (CSC) is an independent fund that makes debt or equity investments in early-stage Kentucky business entities to facilitate the commercialization of innovative ideas and technologies.
- The Kentucky Tax Increment Financing (TIF) is an economic development tool to use future gains in taxes to finance the current public infrastructure improvements for development that will create those gains.

Ohio Economic Development Incentives (bold indicates signature program)

- **Jobs Ohio Economic Development Grant –** promotes development, business expansion, and job creation by providing funding for eligible projects in the State of Ohio
- **Job Creation Tax Credit -** a refundable tax credit for companies creating new jobs in Ohio. Must meet minimum investment, payroll, and jobs thresholds to be eligible and final approval from the Ohio Tax Credit Authority is required
- **The Ohio Roadwork Development (629)** funds are available for public roadway improvements, including engineering and design costs. Funds are available for projects primarily involving manufacturing, research and development, high technology, corporate headquarters, and distribution activity. Projects must typically create or retain jobs.
- stage, and that have generated revenues through a proven business plan. The program may finance allowable project costs with JobsOhio Growth Fund Loans typically ranging in size from $500,000 to $5,000,000. For established and expansion stage companies, projects should typically receive more than half of their total financing from other private capital sources. For growth stage companies, JobsOhio may consider financing a higher portion of the project's total investment.
- **The JobsOhio Workforce Grant** was created to promote economic development, business expansion, and job creation by providing funding for the improvement of worker skills and abilities in the State of Ohio. The program requires job creation and training of employees within a specified period of time and may consider the amount of proceeds per job created and employee trained. JobsOhio may consider providing assistance for eligible projects that improve operational efficiencies or production expansion, along with the retention of jobs.
- The JobsOhio Growth Fund Loan provides capital for expansion projects to companies that have limited access to capital and funding from conventional, private sources of financing. JobsOhio will consider loans to companies that are in the growth, established or expansion
- The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county government that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas are areas of land in which property owners can receive tax incentives for investing in real property improvements.
- Ohio Rural Business Growth Program is designed to increase capital investment in businesses located in rural areas. The program provides an incentive to investors that capitalize companies with principal business in a county with less than 200,000 people. It awards tax credit allocation authority to Rural Business Investment Companies or Small Business Investment Companies, or their affiliates, that serve as intermediaries between investors and projects. The investor provides cash to these authorized investment companies in exchange for the tax credit. The investment companies then deposit those investments into a rural business growth fund, using the fund to finance projects in rural areas.
- The Ohio Enterprise Zone Program is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. The Enterprise Zone Program can provide tax exemptions for a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation.
- The Ohio Transformational Mixed-Use Development Program provides a tax credit against Development costs incurred during the construction of a project that will be a catalyst for future development in its area.
- The Ohio Rural Industrial Park Loan Program ("RIPL") promotes economic development by providing low-interest direct loans to assist eligible applicants in financing the development and improvement of industrial parks and related off-site public infrastructure improvements.
- The Ohio Loan Loss Reserve Program offers credit enhancement of up to 50% of a qualified energy efficiency project on an existing structure. Ohio Port Authorities originate loans for projects that make businesses and nonprofits' facilities more energy efficient.
- The Ohio Alternative Stormwater Infrastructure Loan Program offers below-market rate loans for the design and construction of green infrastructure as part of economic development projects. Up to $5 million in loan funds per project are available to governmental entities through the program. Developers are encouraged to work with the governmental entity for their projects. The funds can pay for design, demolition, construction, materials, and administrative costs associated with the green infrastructure project.

- The Ohio Energy Efficiency Program helps businesses, manufacturers, nonprofits, schools, and local governments reduce energy use and improve energy efficiency – resulting in lower energy costs by identifying energy use and costs and developing an efficient energy plan.
- The Data Center Tax Abatement provides a sales-tax exemption rate and term that allow for partial or full sales tax exemption on the purchase of eligible data center equipment. Projects must meet minimum investment and payroll thresholds to be eligible.
- The JobsOhio Revitalization Program Loan and Grant Fund is designed to support the acceleration of redeveloping sites in Ohio. Business, non-profits, or local governments where the entity committing the jobs has signed an agreement such as a letter of intent, option, lease or holds title for the project site and has a specific business plan, financing plan and schedule for redevelopment and job creation to occur are eligible to apply. An eligible site is an abandoned or under-utilized contiguous property where redevelopment for the immediate and primary purpose of job creation and retention is challenged by significant redevelopment constraints. Revitalization projects typically retain and/or create at least 20 jobs at a wage rate commensurate with the local market. Priority will be given to job creation and retention projects within JobsOhio targeted industry sectors, those making additional capital investment beyond remediation and redevelopment and/or projects with wages higher than the average local wage rate. Typical loan funding is between $500,000-$5 million and between 20% and 75% of eligible costs. Typical grant funding is up to $1 million.
- The Ohio Historic Preservation Tax Credit Program provides a state tax credit up to 25% of qualified rehabilitation expenditures incurred during a rehabilitation project, up to $5 million. The tax credit can be applied to applicable financial institutions, foreign and domestic insurance premiums, or individual income taxes.
- The Ohio New Markets Tax Credit Program provides an incentive for investors to fund businesses in low-income communities.
- The Ohio Qualified Energy Project Tax Exemption provides owners (or lessees) of renewable energy projects with an exemption from the public utility tangible personal property tax.
- The Ohio Opportunity Zones Tax Credit Program provides an incentive for Taxpayers to invest in projects in economically distressed areas known as "Ohio Opportunity Zones."
- The Ohio Meat Processing Grant provides grants of up to $250,000 to Ohio livestock and poultry producers so they can implement processing efficiencies, expand, or construct facilities at existing sites, assist in training and certification, and improve harvest services.
- The Ohio Tax Increment Financing (TIF) is an economic development mechanism available to local governments in Ohio to finance public infrastructure improvements and, in certain circumstances, residential rehabilitation.
- The Ohio Energy Loan Fund helps small businesses, manufacturers, nonprofits, and local governments implement energy efficiency improvements to lower energy use and costs. Through the Energy Loan Fund eligible applicants receive low-interest financing to install efficiency measures that reduce energy by at least 15%.
- The Ohio Brownfield Fund is a collection of funding sources that can be used to help plan, assess, and remediate brownfields throughout the state. A brownfield is a piece of property whose redevelopment is complicated by the potential presence of environmental contaminants such as hazardous substances, asbestos, lead-based paint, and petroleum. Brownfield redevelopment allows a community to reclaim and improve its lands, making property viable for new development.
- SiteOhio puts properties within industrial zoning through a more stringent and comprehensive review and analysis than any other state site certification process in the U.S. Site authentication guarantees that all utilities are on the property and have adequate capacity, that due diligence studies have been completed, and that all state and federal entities have provided concurrence with the studies.
- The Ohio Water and Wastewater Infrastructure Grant will provide nearly $250,000,000 to help Ohio communities make necessary investments in water and wastewater infrastructure.

Montrose 2023 Top 10 Corporate Site Location Trends. Corporate site location is the process by which companies decide how to expand, consolidate, or close locations. Understanding corporate site location trends is an important tool for companies, communities, and policymakers to recognize in the hopes of encouraging the creation of high-wage jobs and capital investment. Unfortunately, 2023 starts with an economic slowdown driven by the rebirth of inflation created by massive government spending matched by a supply chain challenge that created a lack of consumer products—lots of money and fewer products drive up the cost of goods and services. You don't need to be Adam Smith to figure out that 2023 is going to be a challenging economic year with increasing interest rates driven by the Federal Reserve Bank slowing down investment but hopefully reducing inflation. For the past several years, the Montrose Group has developed an annual top 10 list of corporate site location trends. The 2023 version of this list is different from years past driven by the global economic slowdown.

Montrose Group 2023 Corporate Site Location Trends

- **Focus on Economic Development Incentive Compliance**
- **Searching for a Skilled Workforce**
- **Housing is the New Workforce**
- **Logistics Development Slowdown**
- **Tax Codes Get Back to Basics**
- **Renewable Energy Growth**
- **Megaproject II**
- **Rise of the Great Lakes States**
- **Office Reboot**
- **Opportunity Europe**

1. *Focus on Economic Development Incentive Compliance.* Economic slowdowns translate into complications with existing economic development incentive agreements. 2023 will be a year when companies and communities need to focus on compliance issues with existing agreements. As an example, any company with an economic development agreement focused on an office or white-collar job project is likely struggling to determine how Work from Home (WFH) impacts its economic development agreements.
2. *Searching for a Skilled Workforce.* Ever since company HR folks started doing the retirement math with their Baby Boomer-heavy employee base, workforce development has been a major corporate site location focus as regions with a pool of skilled workers in a company's industry have a big advantage. Mix in a little COVID 19 and the United States has a massive workforce development crisis as anyone that can retire has and the nation's pool of available workers is simply not bouncing back to pre-COVID-19 levels. 2023 will remain a year when developing a pool of skilled workers matters more than ever.
3. *Housing is the New Workforce.* Joining the workforce challenge is a growing crisis with a lack of housing in many regions of the country. Financing for traditional housing construction has been tougher to come by since the financial services crisis of 2008-09 and local governments responding to Not in My Back Yard neighbors have been slow to develop new housing products. 2023 will be a year when companies study the availability of housing that fits the price point of their workforce.
4. *Logistics Development Slowdown.* What comes up must go down… the growth in the speculative industrial logistics and fulfillment center market over the past several years has been meteoric but that growth will dramatically slow in 2023. Increases in interest rates and a market that has completed its logistics network to deal with the growth in E-Commerce will see this industrial market slowdown in 2023.
5. *Tax Codes Get Back to Basics.* Local and state governments facing potential economic challenges that could slow revenue collections for the first time in over a decade are likely to search for the best tax policy that can retain and attract the industry that is their focus. 2023 will be a year when state policymakers not just focus on economic development incentives but search for a tax policy that is designed to retain and recruit companies in targeted industries.

6. *Renewable Energy Growth.* The planned explosion of Electric Vehicles planned by the global auto industry and the focus of global manufacturing firms on using renewable energy to operate their facilities will drive investment in renewable energy projects across the United States. 2023 will likely be a year when communities, companies and developers search for creative ways to foster renewable energy projects even as rural communities actively oppose this critical economic development investment.
7. *Megaproject II.* 2022 was a year driven by corporate site location megaprojects whose investment was in the Bs for large-scale industrial projects often driven by the drive to build computer software chips production back to the United States and to develop a new generation of Electric Vehicles domestically as well. 2023 will be a year when these megaprojects begin to be implemented and will provide substantial supply chain opportunities for surrounding communities focused on recruiting these new companies tied to the announced megaprojects.
8. *Rise of the Great Lakes States.* While the South and Southwest regions of the United States will continue their long-term population growth, growing pains in these regions create an opportunity for the Great Lakes States to rise once again. Rising labor rates, housing, real estate, and construction costs matched with infrastructure struggling to keep up with large population growth in the South and Southwest create an opening for the Great Lakes States to capture additional manufacturing, life sciences, and other growing industries in 2023.
9. *Office Reboot.* 2022 was a bad year for the office market and 2023 does not promise better opportunities. WFH is the new normal for larger advanced services and tech companies, and, until that trend moves workers back into offices, it is unlikely many companies will be in search of large office space tied to corporate site location projects. 2023 creates an opportunity for communities, developers, and companies to reboot office space into new uses such as housing to fill market needs.
10. *Opportunity Europe.* The war in Ukraine and the battle with Russia over access to its energy supply for Europe creates an opportunity for European companies to search elsewhere for new investments. U.S. markets for European manufacturing companies have always been attractive as it is generally less expensive to produce a product in most of the U.S. as compared to Europe. Stable U.S. markets with reliable and affordable energy prices may be well positioned with many European companies searching for a new corporate site location in 2023.

2023 will be a challenging year for corporate site location projects but opportunities exist for success in the New Year!!!

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