

COVER STORY

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One Piece at a Time

Patience and perseverance mark the business-climate strategies of this year's top-ranked states.

Every project matters, and every policy that encourages capital investment also matters, as governors in the southern U.S. can attest.

by **MARK AREND**
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The South is hotter than most of the rest of the U.S. in more ways than one. The map on this issue's cover could just as easily be a mid-summer temperature map as one depicting, in general terms, the states with the best business climates in 2010. The top five states — with North Carolina at the top of the list for the *ninth time in 10 years* — are solidly southern, and three more are, for a total of eight, in the top 10 (see the chart).

Site Selection evaluates the states annually using a four-part index of criteria linked to the magazine's proprietary New Plant database of new and expanded facilities and a survey of corporate site selectors indicating their preference for state business climates. The index and the survey each weigh 50 percent in the final point score and ranking.

Jobs and economic growth are every state's Holy Grail in 2010, with unemployment well into double digits in some states and on the threshold of that measure nationally. On average, businesses were reluctant to expand during the year as energy and healthcare costs were debated and legislated in Washington. But many did expand, and many announced new facilities, especially in those states

Site Selection's 2010 Top State Business Climate Rankings

Overall Ranking	Executive Survey Rank	2009 New Plant Rank	New Plant Rank per Million Pop.	Competitiveness Rank	2010 New Plant Rank (Jan. – Aug.)	Final Total Points	
1	North Carolina	1	7	10	6	2	379
2	Tennessee	4	5	2	4	10	371
3	Texas	2	2	21	3	9	365
4	Virginia	8	9	8	1	1	357
5	South Carolina	5	16	14	11	4	343
T6	Georgia	3	17	29	15	7	328
T6	Ohio	14	1	3	7	12	328

whose governors and economic development teams kept their eye on the ball.

“I’ve just been governor since 2009, but since the economic collapse in the fall of 2008, I decided that my number one focus would be on jobs and being as or more aggressive than other states’ leaders when it comes to creating and retaining jobs in our state,” says North Carolina Gov. Bev Perdue. “People across the state and many businesses around the country know that I’ll take any call and go anywhere to bring a business to our state or expand a business or create a small business in North Carolina. We have been very aggressive, and that has paid off.”

Among the capital investment projects announced in 2010 are these: In March, **Siemens** announced an expansion at its Power Generation unit [in Charlotte](#) that would add more than 820 jobs; in October,

Siemens Energy said it would add 139 jobs in Wake County to its team working on smart grid technology. **Novo Nordisk**, maker of insulin-delivery and other medical devices, and precision plastics maker **Nypro Inc.** will invest a combined \$161 million and create 241 jobs in Johnston and Buncombe Counties. December 2009 saw the announcement of risk management consultant **IEM**’s headquarters relocation from Baton Rouge, La., to the Research Triangle Park in Durham



From the left: North Carolina Secretary of Commerce Keith Crisco, Gov. Bev Perdue, U.S. Rep. David Price and IEM CEO Madhu Beriwal celebrate the relocation of IEM’s headquarters to Research Triangle Park, in Durham. The project will add 430 jobs with an average wage of nearly \$63,000 to the North Carolina economy.

we’re going to transform the [circumstances] we’re in right now.”

8	Indiana	11	10	5	7	14	326.5
9	Louisiana	7	15	11	2	27	326
10	Alabama	9	14	9	12	20	317
11	Kentucky	15	12	4	18	3	309
12	Pennsylvania	17	4	7	5	17	306.5
13	Kansas	13	22	12	10	22	290
14	Florida	6	18	40	31	11	284
15	Michigan	24	3	1	9	22	275
16	Illinois	21	8	20	22	5	267
17	Arizona	10	28	36	25	28	251.5
18	Missouri	15	21	28	32	14	251
19	Colorado	12	34	41	20	17	247.5
20	California	20	13	44	26	8	237
T21	New York	30	6	23	17	6	236
T21	Mississippi	21	25	17	28	16	236
T23	Utah	19	30	24	19	27	233
T23	Oklahoma	18	27	25	21	30	233
25	Maryland	26	20	26	29	22	207

Source: Conway Data New Plant Database

County, adding 430 jobs to the local economy, paying an average wage of nearly \$63,000. **Caterpillar** announced two Tar Heel State projects, including a \$426-million plant in Forsyth County that will generate 392 jobs.

The aerospace, data center, financial services and even textile sectors saw new projects in North Carolina, among others. Not all of them will generate job numbers in the hundreds, but they don’t all need to.

“I’m returning from the announcement of the **Sav-A-Lot** distribution center in Davidson County,” Commerce Secretary Keith Crisco told Site Selection on October 13th. “That’s 42 jobs, a \$25-million investment. I promise you we work just as hard on a project with 42 jobs as we do on a project with 860 jobs like Siemens. That’s how you do well. Sav-A-Lot was a big deal, and they’re all a big deal these days. It’s like the Johnny Cash song “One Piece at a Time” — he built that car one piece at a time, and that’s how

What’s on Site Seekers’ Minds?

Gov. Perdue says executives looking at North Carolina want to know about the quality of the work force around the state, work-force training and the quality of the public schools. They want to know if the schools are keeping up with global standards of excellence in science and technology. And discussions about incentives “are a given now,” she adds.

But what business certainty can states — North Carolina in this case — bring to the table in an era of business uncertainty? In today’s economy, the definition of a strong business climate could easily include giving site selectors the confidence that their businesses will thrive in the state because certain steps are being taken to help them ride out the broader economic storm.

“I tell prospects I will work as aggressively as anybody in the state to keep taxes where they are — I understand that tax issues are drivers,” says the governor. “I can promise them the state will be as regulatory-[burden]-free as possible. We need to do whatever we can do to make it easier in our state for people to do business.”

Can North Carolina maintain this momentum?

“We need to build on what we have and make sure it’s a priority for everybody. We’ve done a series of initiatives around small business and making the state as aggressive as possible for them,” says Gov. Perdue. “It’s not all just about attracting the big companies, although there is nothing that makes me happier. So I continue to focus on the low cost of doing business here and the skills and knowledge of the work force and our quality of life. North Carolina is the state in America with the vision of how to move into the 21st century. It’s a coalescence of the public and private sectors, getting rid of what doesn’t work, innovation and entrepreneurship throughout our education system and the private sector and having high expectations.

“I am focused in the next year on core manufacturing,” adds the governor. “I really want to see us plant more flags in the science and innovation areas — which are fabulous and we want those. But I also want some of the manufacturing associated with those industries. We can do that in our state. We have low energy costs, and we’re a right to work state, which are big incentives. I am really working aggressively on manufacturing.”



North Carolina Governor Bev Perdue participated in the opening of IBM’s new data center in Research Triangle Park in February 2010. The center supports such new computing models as cloud computing and is designed to “aggressively conserve energy resources,” according to IBM. “This facility promises to be one of IBM’s greenest data centers in the world, proving once again that green is gold for North Carolina,” said Gov. Perdue. “Growing North Carolina’s green economy plays a critical role in my mission to create jobs and to ensure our state’s economy is poised to be globally competitive in the long term.”

**2010 Executive Survey
Business Climate Rankings**

Top Ten States

1. **North Carolina**
2. **Texas**
3. **Georgia**
4. **Tennessee**
5. **South Carolina**
6. **Florida**
7. **Louisiana**
8. **Virginia**
9. **Alabama**
10. **Arizona**

Tennessee Earns Enterprising Nod from U.S. Chamber of Commerce

Tennessee places second in this year’s ranking — it placed fourth in the survey of corporate site selectors. Gov. Phil Bredesen and his Commissioner of Economic Development, Matt Kisber, have built a solid reputation for Tennessee as a pro-business state that has caught the attention of business and industry worldwide.

“Tennessee’s free-enterprise-friendly policies have led to \$4 billion in new investment, which will lead to thousands of new jobs,” said Margaret Spellings, executive vice president of the U.S. Chamber of Commerce’s National Chamber Foundation at a July 2010 regional roundtable event. “The 260,000 person upswing in

Tennessee’s population is further proof that people are voting with their feet and choosing Tennessee.” During the event, the U.S. Chamber released an expanded Tennessee profile, an addition to the Enterprising States study released in May

Source: Site Selection survey of corporate real estate executives, October 2010

2010, which highlights state and local policies' role in creating an environment needed to spur job creation and economic growth.

The study's expanded Tennessee profile looks at how the state has implemented initiatives to streamline red tape and help businesses sort through layers of government regulation. Among its findings are these: Straightforward, understandable taxes have minimized uncertainty and have provided incentive for private sector investors. The profile also highlights how targeted investments in infrastructure projects at the state level can create growth-friendly environments in the state. Science- and technology-based economic development and clean-tech initiatives continue to grow throughout the state. Global exports and [strategies for foreign direct investment](#) (FDI) in Tennessee have also made significant headway. Finally, cultivating people through work-force development has allowed for continued economic growth in Tennessee.



Tennessee Governor Phil Bredesen

“States continue to develop innovative strategies to build their work forces and expand their economic bases, even in tough economic times, and I’m pleased this report highlights the success Tennessee and other states have had in creating these jobs,” said Gov. Bredesen.

‘Competitive Nature’ of The 10th Amendment a Factor

Texas, home to the most Fortune 1000 companies of any state, is a [perennially strong finisher](#) in Site Selection’s Business Climate Ranking, and those of other entities, too. National Journal and The Atlantic recently named Texas the leading state for the national economic recovery. In July, CNBC named Texas America’s Top State for Business. Texas was also recently named the “Best State to Do Business” by CEO Magazine for the sixth year in a row, and four of Texas’ metro areas were listed as “America’s Recovery Capitals” by Forbes and Moody’s Economy. The Lone Star State finished seventh in Forbes’ Best States for Business and Careers list, released October 13, up one spot from eighth place in 2009. At an October 11 “Keeping Texas Competitive Summit” in San Antonio, Gov. Rick Perry explained why his state performs so well in such contests.



“Embracing the competitive nature of the 10th Amendment and the kind of success it allows would help put America back on track to its competitive position in the global economy.”

— Texas Governor Rick Perry

“The economic principles in place in Texas emphasize the balance between personal freedom and responsibility, not only helping strengthen our economy, but attracting jobs for Texans,” he said. “We will continue to embrace low taxes, predictable regulations, limits on lawsuits and accountable schools as we move into the upcoming legislative session and continue to lead the nation in job creation.” The summit brings legislators, site consultants and business and community leaders together in preparation for the upcoming legislative session.

The governor also emphasized the importance of the 10th Amendment to ensure states remain competitive, both nationally and globally. “Embracing the competitive nature of the 10th Amendment and the kind of success it allows would help put America back on track to its competitive position in the global economy,” Gov. Perry said.

New Governor Is Serious About Job Growth

Half-way through his first year in office, Virginia Governor Bob McDonnell held an event called “Virginia at Work” to explain how serious he was about improving the Commonwealth’s business climate. Among the points he made July 15th were these:

- The Commonwealth added 71,500 private- and public-sector jobs since February 2010 — full-time, temporary, and part-time, the third-highest amount in the nation and the third-highest percentage increase in the nation;
- Virginia’s unemployment rate was 7.1 percent, the third lowest east of the Mississippi and 13th lowest nationally;
- 110 economic development deals had closed in Virginia since Inauguration Day that will produce 7,154 jobs and \$1 billion in capital investment;
- The McDonnell Administration had appointed Virginia’s first Chief Jobs Creation Officer (Lt. Governor Bill Bolling) and Virginia’s first Deputy Secretary of Commerce and Trade for Rural Economic Development;
- The new biennial budget includes significant new resources and incentives to help the Commonwealth better compete for job-creating projects; Funding was secured for new Virginia trade offices in Great Britain, India, and China; and
- Virginia landed the corporate headquarters of Fortune 100 company **Northrop Grumman** on the 101st day of the McDonnell Administration.

“The number one priority of our Administration is creating good-paying jobs for our citizens in the counties and cities where they live,” said the governor. “A job provides dignity, self-worth, and opportunity. Every Virginian deserves that. In this tough economy there is no effort more important, no task timelier, than utilizing every resource available to bring new job-creating businesses to the Commonwealth, and to help existing businesses to expand. We will put in place policies that help entrepreneurs and job creators, and then we will get out of their way so they can create, grow and innovate.”

On September 30, the governor’s Economic Development and Job Creation Commission received subgroup recommendations for making Virginia more business friendly.

They include establishing an Emerging Technology Fund; transforming academic institutions into economic engines with new Centers of Excellence, an R&D refundable tax credit and energy-based research coordination; establishing a chief marketing officer position; fast-track permitting; developing better recruitment incentives; fully funded enterprise zones; better coordination among education, work-force development and economic development through cabinet-level leadership; and other measures.

A More Level Playing Field in South Carolina

Fifth-ranked South Carolina is quietly becoming a transportation-industry powerhouse, with automotive investment clustering in the Upstate and aerospace anchored by **Boeing** in N. Charleston, with many other sector projects announced in recent years. But the Palmetto State’s business climate is about more than those two industries. On June 23, Gov. Mark Sanford signed H.4478, a bill aimed at enhancing South Carolina’s ability to attract jobs and investment and compete in a global marketplace.


Among its provisions are these: reforming of the Endowed Chairs program to help shift its focus to job creation and allow private-sector investment to lead public-sector investment; removal of the scores of special jobs tax credits that have

been legislated over the years, making the state's credits based purely on economic criteria; relief to manufacturing property taxpayers, who paid the highest rate in the nation; broadening and modernizing the Economic Impact Zone provisions, enacted in 1995 in response to federal base closures; and greater transparency in the reporting process for utility tax credits.

"This bill is a significant step in the right direction," Gov. Sanford said. "For the last seven and a half years this administration has sought to move the state away from what has been a 'government knows best' model of economic development, whereby government is unwisely expected to lead the way in attracting — or indeed generating — private investment. This bill represents a noteworthy change from that approach by reforming the state's economic development tools in a way that recognizes the folly of trying to 'steer' the market or guess the direction it may take in the future. Specifically, this bill will cut tax rates for many industrial buildings — putting them on par from a property tax standpoint with other manufacturers in order to level the playing field and increase competitiveness. The legislation also dismantles a piecemeal tax credit that only benefited certain counties — a practice we've long considered unfair. As well, this bill depoliticizes the way counties are designated as 'worse off' or 'better off' economically, which effectively stifled economic development across the state."

Added Commerce Secretary Joe Taylor: "This bill is a major step for South Carolina as we will now see our business recruitment and expansion programs based exclusively on economic criteria rather than politics. Outdated programs that were only available for some areas have been modernized and will now be available statewide. This bill does not pick winners and losers but instead levels the playing field for companies who are looking at South Carolina to locate or expand their operations."

E-mail your comments or inquiries directly to mark.arend@conway.com

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What Matters Most

Site Selection's annual survey of corporate real estate executives reveals which factors are most important to them when making site location decisions.

1. Work force skills
2. State and local tax scheme
3. Transportation infrastructure
4. Flexibility of incentive programs
- T5. Availability of incentives
- T5. Utility infrastructure
7. Land/building costs and supply
8. State economic development strategy
9. Permitting and regulatory structure
10. Higher education resources