Appendix B

Global Site Selection Trends for Innovation Industries

1. GLOBAL SITE SELECTION TRENDS FOR INNOVATION INDUSTRIES[1]

1.1 Working Together to Meet and Beat Expectations of Decision Makers

In the discipline of economic development, catalyst projects come in the form and combinations of events, investments, and decisions. The events range from shifts in public policy that change the business climate of a market, to shifts in demand that allow resident businesses and entrepreneurs to reform their business models. The investments include implementation of urban renewal projects in Community Redevelopment Areas (CRAs), to the site and infrastructure decisions for something new. The Massachusetts Green High Performance Computing Center (MGHPCC) in Holyoke fits this category. Infrastructure decisions matter most because they embody the highest order of proof of a product's value, which is an investment decision. In Holyoke, a period of site due diligence for the MGHPCC produced such a purchase and investment decision.

Purchase decisions are marketable resources for American cities, regions and states. They confront the site location professional and corporate real estate executives with the unchallengeable fact that an enterprise bought into a portfolio of community and site attributes and saw some near-, mid- or long-term value for their enterprise.

Site selection in 1980 was a compartmentalized, cost-driven enterprise. Today, it is a sophisticated, media-driven, battle of proven performance, credibility, and asset management. Despite headlines to the contrary across America's regions, location of an enterprise in a market is not necessarily a bidding war of incentives, costs and tax breaks. All elements of markets' portfolios being equal, these three items may close deals from time to time. However, the business of growth, diversification, jobs and careers requires a regional system that is managed and advanced by economic development practitioners, policy analysts, volunteer leaders, media professionals, marketers, policy makers, local governments, and state-level partners. The ongoing strengths, weaknesses, opportunities and threats (SWOT) analysis led by the Holyoke Innovation District Task Force will jump-start the process of building a portfolio. Meanwhile, this document is designed to help the Task Force team look forward to the real business of the catalyst and the real users of the data to come.

We will be using the term "site consultant" to illustrate a large stable of decision makers and influencers. They include: private economic and real estate analysis firms; private and boutique site location consultants; in-house real estate managers for corporations; strategic planning task forces and departments in companies; departments of management and real estate services in local, state and federal governments; higher education, including private sector enterprises for training, certification, and degrees; and, from time to time, realtors and real estate firms. Because senior officers of private sector enterprises of all sizes still are capable of exerting their personal preferences for location and expansion around the globe, we count them a part of this stable. As the Holyoke Innovation District Task Force and leaders around the Pioneer Valley address or readdress their priorities for target industry clusters and growth, an additional dimension of "site consultant" will be emphasized: firms and professionals who should be dedicated, in whole or part, to the Holyoke and Pioneer Valley agenda. These firms and professionals should be dealt with post-SWOT, post-strategic planning.

It is important to see the stable of site consultants as both communication targets and necessary, often personal, relationships. They tend to read the same general, trade and news media sources; share

[1] Research and writing of this appendix was led by Fairfield Index, Inc.

expectations on how site and market analysis should take place; share the same values of confidentiality and discretion; and instill a sense and standard for accountability throughout their enterprises and on behalf of their clients.

Site consultants are attracted by the stories of site decisions because they must meet or beat the pay off in their own right in the next deal. More and more, they are held accountable for the mid- and long-term impact of a site recommendation and deal. Site consultants, therefore, consider the potential of a near-term celebration and incentive for a job well done, while obsessing over the fact that the deal will be re-assessed over time, through the ebb and flows of economic change, to the potential detriment of their personal or firm's reputation. Because of this pressure to see the future (and pay the price for bad calls), the deep recession and slow, spotty recovery in the United States is shaping a new breed of site consultants. This new breed is extremely conservative and fearful of straying off the "beaten path" of proven corridors and clusters, transportation systems, government partners, and transportation and supply chain systems. Incentives in less diversified and rural markets become less interesting and less relevant. The recession was so deep and economic recovery so difficult and unpredictable, that a bounce-back to risk taking seems impossible.

1.2 Fairfield Index's 15 Questions

The following 15 guiding questions are vital to building relationships with site consultants. Some context for Holyoke and the Pioneer Valley follows each question.

1. **Does the region or local community exhibit understanding of my/my client's/my company's competitive requirements?**

   This will require the economic and workforce delivery system of the Pioneer Valley to perform at even higher levels, and understanding of the unique needs and supply chains of target industries.

2. **Is this a single deal or is the region or local community attempting to build a cluster or supply chain capabilities over time?**

   Develop and update detailed inventories of enterprises in the cluster. Comment with confidence on performance of the cluster.

3. **Have they kept their promises with other companies?**

   Document customer service to and satisfaction among companies who have already decided to locate and grow.

4. **What were the attributes of past location decisions and were the business customers happy with their purchase decision?**

   Document why and how location, capital and employment decisions are made as the region's casebook.

5. **Are their standards for "site ready" or "shovel ready" the same as mine? Are these standards clear and easy to understand?**

   Readiness is not the same in all industries and for all customers.

6. **Is the portfolio of sites representative of what the region has to offer?**

   A single, ready site does not necessarily indicate a region is focused on development of a cluster.

7. **Are the city, region, and state really working together or do I have to negotiate these relationships and hand-offs myself?**

   Ensure the entire state-to-local system is seamless and customer focused. Build a reputation over time, project-by-project, of being "easy to do business with."

8. **Are the assets and systems that matter most to me available in the form I want, and would I find contrary views through my own team's research? Is the information up-to-date?**

   Ensure delivery of credible, up-to-date and consistent research and data. Do not leave critical items like labor market information, education, and customer service up to interpretation by external forces.

9. **Do the people and organizations that provide me with customer service during the life of the project exhibit sensitivity and discretion relative to my firm/company/client?**

   Respect competitive information. Treat the project with the highest level of business standards.

10. **Will I get candid briefings on timelines, policy, and changing conditions, even if it is bad news?**

    Address problems and find alternative pathways. Do not think just as a sales team; think like a consultant team.

11. **Is the work product I get as a customer responsive, easy to use, timely, and professional?**

    Exhibit high business and communications standards.

12. **What are peer leaders and companies saying about the market?**

    Take charge of the portfolio of peer leaders. Document their successes and positive perspectives. Educate them on expected improvements and leaps in customer service. Ensure the Pioneer Valley is a destination for businesses, policy leaders and experts to learn about the industries that matter most to the region.

13. **Do I know who is responsible for my project and problem-solving, and are they responsive and knowledgeable?**

    What does "one stop" mean to the particular customer?

14. **Does the region have a meaningful approach to managing talent supply? Have they shown the ability to adjust supply to demand in the past?**

    Push talent to the center of the economic development agenda.

15. **Are the messages I receive at the state, regional and local levels consistent?**

    Exhibit the traits of one team. Align timelines. Keep promises. Avoid conflicting data.

1.3 Where Leaders May Step-up on Behalf of the Holyoke Innovation District and Pioneer Valley

The region's portfolio of economic and competitive data, and track record of service to industry, may be generated by third parties or managed by Pioneer Valley and Holyoke leaders who set high expectations for clarity and standards.

- Site consultants are receptive to exactly what markets want to position on portals and web pages as long as credibility, updates and high standards are maintained.
- Site consultants are usually virtually present in their due diligence to narrow or short-list markets, and then gone without market leaders ever knowing their own market was assessed for a location on expansion.
- If a market does not position the data in a credible and useful way, and on the terms expected by site consultants, the consultants will create their own portfolio.
- Assume that municipal or county-level positioning is never good enough to build a regional reputation for great sites, no matter how great the site, incentive or workforce.
- If a lack of teamwork and parochial challenges are in plain view of the communities of a region, then it is in plain view of the site consultant.
- Talent matters most. Regions that shy away from providing accurate data on education (school and student performance), talent supply and demand for target industries, workforce readiness, and workforce response/training capabilities, will have their story told for them by others in a more critical context. Tell the talent story on a regional basis.
- Regions will win and lose based on customer service. Once target industries are clarified, make proof of outstanding customer service an obsession.
- A line of sight relative to the state economic development must be maintained. Is the state, region and local delivery system for economic development and workforce seen as one team? The division of labor from city, to region, to state in providing customer service must be clear to all teams.
- Stereotypes and biases regarding public sector and not-for-profits and their growth in a market should be ignored – Position all satisfied customers and success stories. Not for profits and agencies are businesses too, and their scorecards are similar if not the same as private sector firms. In some cases, data intensive agencies and back office decisions are more rigorous than private companies.
- Document entrepreneurial activity, especially when it is in the supply chains of target industry clusters. Industry targets work within larger clusters populated by smaller businesses.
- Link the MGHPCC and the recent ISO-New England site decisions to related decisions of the past decade in Holyoke and the Pioneer Valley – Conduct due diligence on the processes used.
- Draw on the site expertise resident in the Pioneer Valley, with special focus on technology/innovation companies, Information Technology (IT), energy, and security/Homeland Defense compliance.

1.4 Site Location Consultant Framework

Fairfield Index, Inc. uses the following site location consultant framework on a national and regional benchmark level. Weighting varies project-to-project, but the elements of the framework and selection factors considered ensure a region is positioning the most important top-line information on a consistent basis. It is important to note that site locators are indicating Holyoke and the Pioneer Valley may own differentiating position for firms focused on redundant data networks, cybersecurity competencies, and contingency planning. Given the data-intensive requirements of targeted industries, such as digital technology, research and development, and clean energy, we want to highlight factor #12 in the table and potentially reword it as Broadband Infrastructure and Contingency Networks.

Key Site Selection Factors	
Ranking	**Factor**
1.	Highway Accessibility
2.	Labor Costs
3.	Occupancy or Construction Costs
4.	Availability of Skilled Labor
5.	State and Local Incentives
6.	Availability of Land
7.	Energy Availability and Costs
8.	Tax Exemptions
9.	Proximity to Major Markets
10.	Corporate Tax Rate
11.	Expedited or “Fast Track” Permitting
12.	Availability of Advanced Information and Communications Technology ICT Services
13.	Right-to-work State
14.	Low Union Profile

15.	Accessibility to Major Airport
16.	Environmental Regulations
17.	Available Buildings
18.	Availability of Long-term Financing
19.	Proximity to Suppliers
20.	Inbound/Outbound Shipping Costs
21.	Training Programs
22.	Availability of Unskilled Labor
23.	Proximity to Technical University
24.	Raw Materials Availability
25.	Railroad Service
26.	Waterway or Oceanport Accessibility

Key Quality of Life Factors

Ranking	Factor
1.	Ratings of Public Schools
1.T.	Housing Costs
3.	Colleges and Universities in Area
4.	Low Crime Rate

5.	Housing Availability
6.	Healthcare Facilities
7.	Recreational Opportunities
8.	Climate
9.	Cultural Opportunities

[redacted]

The scope of a comparative/competitive analysis includes multilayered review of many of the key site selection and quality of life factors noted above. One example would be regional response to the occupational/skill requirements of a cluster. This analysis would deal with collaboration among pre-K – 12, higher education, and regional workforce boards (designated as REBs in Massachusetts).

Use of the two global sets of factors, above, is intended to engender a "first look" at a community for site consideration. What follows is a "real life" scorecard that shows how rankings for benchmark communities (shown as State/Region) would be analyzed on certain general site selection factor categories, as well as on specific factors.

Expectations for a "clean" or "green" scorecard for site and expansion decisions are becoming more common. Government and philanthropic grants are beginning to set these types of expectations for grantee projects and enterprises. A number of companies in the Pioneer Valley's Digital Tech/IT target industry are moving their sustainability scorecards from community and social responsibility reports into annual reports and accountabilities to shareholders and constituencies. Energy costs still matter most, but the region needs to be ready to lead the nation as more and more enterprises are compelled by regulation, shareholders, and stakeholders to make a strong showing of a "green" and "clean" portfolio. The Pioneer Valley, with great support from higher education and the educational role of the Holyoke-based power grid management enterprise (ISO-NE), is already becoming a destination for experts through symposia, workshops and briefings. "Green" companies will be attracted to Holyoke because their economic development partners and HG&E will become more consultative, beginning with helping companies justify their site, capital and employment decisions with hard, shareholder-worthy, renewable numbers.

For site locators seeking proof on an innovation economy, traditional IP and tech transfer metrics still matter. The region should be prepared to position "economic gardening" scorecards as they become standardized. These scorecards will measure growth and death rates of small businesses, the ability and desire of stage one and two companies to remain and grow in the market, and a healthy regulatory regime.

Figure 1: Summary Scorecard

SITE SELECTION CATEGORY AND VALUE Ranking Value: 1 (least desirable) to 5 (most desirable)	Region/ State 1	Region/ State 2	Region/ State 3	Region/ State 4	Region/ State 5
LOCATION VALUE					
Geographic Location within US Region; Market Access.					
Benchmark Ranking					
Surface Transportation/Interstate Access. [One interstate = 4; More than One = 5]					
Benchmark Ranking					
Railroad Service. [>One Class I Service = 5; One Class I Service = 4; Class II Service = 3; Class III Service = 2]					
Benchmark Ranking					
Air Transportation. [Intl. Airport = 5; < 1 hr to Intl. Airport = 4; > 1 hr to Intl. Airport = 3]					
Benchmark Ranking					
Waterway/Port Access. [Deepwater Port = 5; <100 miles = 4; <300 miles = 2; >300 miles = 1]					
Benchmark Ranking					
Climate. [Based on Lowest Winter Temperature]					
Benchmark Ranking					
POPULATION					
Population Change 2000 to 2010					
Benchmark Ranking					
Population Age 65 and Over					
Benchmark Ranking					
Median Age					
Benchmark Ranking					
EDUCATION					
High School Diploma or More % of Adults Age 25+					
Benchmark Ranking					
Bachelor's Degree or Higher; % of Adults Age 25+					
Benchmark Ranking					

Site Selection Category and Value Ranking Value: 1 (least desirable) to 5 (most desirable)	Region/ State 1	Region/ State 2	Region/ State 3	Region/ State 4	Region/ State 5
Post-Secondary Institutions. [Major University = 5; 4 year College = 4; 2-year College = 3; Technical School = 2]					
Benchmark Ranking					
Public School Spending per Student.					
Benchmark Ranking					
Publich School Student-Teacher Ratio.					
Benchmark Ranking					
INCOME AND COST OF LIVING					
Per Capita Personal Income.					
Benchmark Ranking					
Median Household Income.					
Benchmark Ranking					
Cost of Living Index Overall.					
Benchmark Ranking					
Housing Index.					
Benchmark Ranking					
HEALTH AND ENVIRONMENTAL					
Physicians and Nursing Practioners Per Capita.					
Benchmark Ranking					
Air Quality.					
Benchmark Ranking					
Water Quality.					
Benchmark Ranking					
Superfund Sites.					
Benchmark Ranking					
QUALITY OF LIFE/PLACE					
Crime: Violent.					
Benchmark Ranking					
Crime: Property.					
Benchmark Ranking					
ECONOMY AND EMPLOYMENT					
Labor Force as % of Population.					
Benchmark Ranking					
Unemployment Rate. [Recent Annual Average]					

SITE SELECTION CATEGORY AND VALUE Ranking Value: 1 (least desirable) to 5 (most desirable)	Region/ State 1	Region/ State 2	Region/ State 3	Region/ State 4	Region/ State 5
Benchmark Ranking					
Unemployment. [Recent Month Change]					
Benchmark Ranking					
Manufacturers' Shipments.					
Benchmark Ranking					
REAL ESTATE COSTS					
Office Rent Rates. [Site Selector View]					
Benchmark Ranking					
Office Vacancy Rates. [Site Selector View]					
Benchmark Ranking					
Industrial Rent Rates. [Site Selector View]					
Benchmark Ranking					
Industrial Vacancy Rates. [Site Selector View]					
Benchmark Ranking					
Total Score					
Total Average Benchmark Ranking					

2. SOURCES

Baseline Economic Conditions & Market Characteristics The Center City Urban Renewal District, Holyoke, MA, Prepared for Vanasse Hangen Brustlin (VHB), Inc., Prepared by RKG Associates, October 2010.