Community and Economic Development in North Carolina and Beyond Blog: Mega Sites: Part II – Luring the Big Fish

By CED Program Interns & Students

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In Part I of the mega sites blog, we presented the “body-building” rationale for this industrial recruitment tool. In Part II, we’ll look at some risks of a mega site regimen and begin by introducing a new analogy:

Attracting a major manufacturer with a mega site is a bit like fishing in a crowded pond. After crafting a shiny lure and casting it strategically, you can only hope that 10-pound bass doesn’t take someone else’s bait.

If you make the catch, then the returns are significant. For instance, an economic impact analysis of the Jefferson County, TN, mega site projects that over 30 years it would yield $11 in local tax revenue for every $1 the public invested to develop the site[1]. But, if you don’t land that fish, such speculation can come at significant cost to taxpayers.

Mega Down Payment

First, there is the cost of assembling a large greenfield site in terms of time and money to persuade numerous landowners to sell their farms and forests. Second, the utilities have to be run out to the edge of the site so that potential clients will be able to plug in right away. In the case of Randolph County, the local development partnership has estimated that these two costs—buying the land and laying the pipes—will amount to $52 million before there is even a plant lined up to take ownership of the site[2]. For the mega site in Baldwin County, AL, those costs are expected to be $39 million[3]. In Jefferson County, TN, they are expected to be $60 million.

Third, the site must be certified as shovel ready. Certification costs of mega sites—which involve expensive geo-technical surveys and lots of hours preparing reports—can run from $50,000 to $250,000, according to some estimates. However, Jefferson County, TN, has already allocated $442,000 to begin certification of their mega site, and an additional $2 million has been requested.

And, finally, after all that groundwork, the state may still have to offer tax incentives to beat out other competing sites in the region. To ultimately hook their fish, Randolph County foresees having to offer $400 million in state and local tax incentives. The economic impact study of the Jefferson County, TN, mega site reports that if a maximum tax abatement of $340.6 million is required to attract a user of the site, the benefit-cost ratio to the community will drop from 11-to-1 to 0.8-to-1.

As Good as Advertised?

A final note of caution: Of three mega sites in Tennessee only Volkswagen is on track to meet employment targets. The state faced recent setbacks when two producers of silicon for solar panels—Wacker and Hemlock Semiconductor—delayed production at their TVA-certified mega sites. Wacker pushed back the start date at its $2-billion plant in Charleston, TN. And Hemlock Semiconductor permanently laid off 300 workers before even beginning production at its $1.2-billion plant in Clarksville, TN.

As North Carolina embarks on its mega site expedition, it is important to remember that after hooking a fish you still have to land it.

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[1] "Economic Impact Analysis for the Planned Development of an Industrial Park on the economy of Jefferson County." January 2013. Younger Associates.

[2] Barron, Richard M. "Triad executives seek 'game changer' to bring auto plant." *Winston-Salem Journal*. March 21, 2013.

[3] "Baldwin County Mega-Site: Project Identification Template and Instructions." Coastal Recovery Commission of Alabama Infrastructure Sub-Committee.