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## Confessions of a Site Selector

POSTED BY FORWARD FLORIDA ON MARCH 5, 2014 IN ECONOMIC DEVELOPMENT | 42 VIEWS | LEAVE A RESPONSE

In the ultra-competitive world of corporate relocation and economic development, the Super Region is positioned quite well. Here's why, according to John H. Boyd, founder of Princeton, N.J.-based The Boyd Co. Inc.



John H. Boyd

What is an example of one state or area's misfortune becoming another's potential gain?

"Our firm sees new challenges to New York City's business climate over the next four years due to the election of the new ultra-progressive mayor there, Bill de Blasio. We further predict that this new economic development dynamic will not go unnoticed in Central Florida cities like Orlando.

"De Blasio's platform of higher taxes, mandated paid sick leave and income redistribution is giving growing New York companies pause. On the qualitative lifestyle side of the ledger, the new mayor's opposition to stop-and-frisk police tactics and the emboldening of anti-business fringe groups in the city is also being watched closely by many of our New York-based clients.

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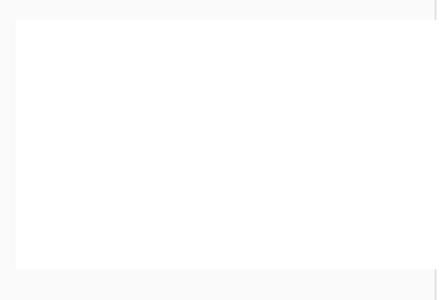
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Orlando's sophisticated telecommunications infrastructure, convenient airline connections to New York and new downtown vibe are appealing to Northeast companies.

"Over the next few years, some companies will be leaving New York City for close-in New Jersey. Others will be seeking even more cost and recruiting advantages by making a remote move out of the Northeast altogether to places like Orlando. The Bank of New York's campus on Orlando's Corporate Drive is a prototype of this new wave of corporate administrative offices—both in and out of the financial service sector—we see leaving New York. The Bank of New York has grown its operations significantly since first coming to Orlando following the terrorist attacks of 9/11.

"Orlando's sophisticated telecommunications infrastructure, convenient airline connections to New York and its new downtown vibe make these remote moves relatively easy, seamless and appealing for both our clients and their employees."

**Amazon, in 4th quarter 2013, announced plans for fulfillment centers in Hillsborough and Polk counties. Will this attract other large companies to these areas?**

"Our society is hungry for instant



Amazon is a "trendsetter here," catering to instant gratification, and expect other e-commerce companies to follow its lead.

gratification. Always ahead-of-the-curve Jeff Bezos is positioning Amazon to satisfy that hunger. Currently, Amazon is on a quest for the 'holy grail' of distribution, same-day delivery. The online retailing giant's efforts can be seen in its recent decisions to locate warehouses in large and highly concentrated markets like California, New York and New Jersey, as well as Central Florida. Note Amazon's decision to invest in California, New

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York and New Jersey was in spite of less-than-stellar business climates and high operating-cost structures there. Facing increased taxes from cash-poor states and the coming of a national Internet sales tax the web merchant has shifted its site selection strategy from locating its fulfillment centers in low-cost, small-market cities in the hinterland to one focusing on proximity to major U.S. population centers. By doing so, the company has set the stage for offering same-day or next-day delivery to a major segment of the U.S. market, including Florida.

“Yes, Amazon is a trendsetter here, and you can fully expect other companies in the booming e-commerce sector—all wanting to advance their case against brick-and-mortar retailers—will be following Amazon's lead. So sure, look for more distribution centers sprouting up in Florida, which is poised to soon pass New York as the third most populous state.”

**How do you rate Florida's infrastructure and how about the 23-county Super Region—what is good and what needs improvement?**

“To Florida's credit, you are fishing where the fish are right now. That is to say, the state is investing in infrastructure projects that are working with corporate site selection trends, not against them. Projects like the dredging of Port Everglades, the billion-dollar PortMiami Tunnel and investments at the ports of Tampa and Manatee are in tune with new business opportunities coming out of the Panama Canal expansion and the trend towards intermodal rail.

“The state is taking the lead in these investments through its innovative Intermodal Logistics Center Infrastructure Support Program, designed to spur Florida's trade through its seaports, airports, railroads and highway connectors. Not unlike what we have seen develop in California's Inland Empire—millions of square feet of warehousing space designed to serve the container ports of L.A. and Long Beach—Florida will be seeing a new wave of distribution warehousing projects in its east, west and Gulf Coast interiors in sync with growing port traffic, whether related to the Panama Canal expansion or not.

“Don't forget there are other drivers here, including new trade agreements on the horizon with Latin America and the huge one with the European Union. Canada has already sealed its EU (European Union) trade deal and if it wasn't for the NSA (National Security Agency) snooping fallout in Europe, we may have already made that huge trans-Atlantic deal—one whose scale dwarfs NAFTA (North American Free Trade Agreement).



Port logistics are especially important these days. For example, PortMiami's billion-dollar tunnel project will greatly enhance traffic capacity to and from the port.

“As for infrastructure, the presence of two major international airports, Tampa and Orlando, in your 23-county region is a major plus for our distribution clients seeking air freight services. Facilities at Orlando International Airport were instrumental in the recent relocation of National Air Cargo Holdings and its subsidiary, National Airlines, from Michigan to Orlando.”

**Where do you see the greatest growth potential in the state of Florida in distribution/logistics—specific hot spots in state?**

“First, distribution and logistics-related projects are a major growth sector nationally, within our firm and throughout the Southeast. We see great potential in Florida, especially within your centrally located Super Region, to attract new distribution industry investment and jobs.

“As for specific locations, I would identify a number of hot spots. First, many of our clients are trending to locations that provide ready access to intermodal rail terminals. Many of these are located at or near Florida’s major ports, including Tampa, Port Everglades, Jacksonville, Miami and Manatee. The Tampa port (newly renamed Port Tampa Bay) is especially in play now given new infrastructure projects there like the new (Interstate 4) I-4/ Selmon Expressway Connector and new intermodal rail investments by CSX, Kinder Morgan and Tampa Port Authority. The expanding Port Manatee Commerce Center is another distribution hot spot in your region.

“With escalating fuel and trucking costs, and with shipping



Tampa International Airport has begun a \$1 billion expansion. The initial goal is to extend the life of the airport's roads and parking garages and create new space for commercial development.

representing the single-largest cost factor in the supply chain—far greater than real estate-related costs—our firm is counseling its warehousing clients to locate their regional distribution centers as close to intermodal rail ramps as possible, thus providing opportunities to reduce dependence on over-the-road transport and to achieve a greater utilization of lower cost and more environmentally friendly rail. “Although the price of oil remains volatile, the long-term direction of oil prices is upward. Given this trend, siting distribution center facilities close to rail ramps is a good hedge against rising fuel prices. Also, over-the-road common carrier margins are under intense pressure, from driver wages to fuel and equipment upgrades. Health insurance premiums are back to double-digit increases for many carriers, leading this inflationary spiral along with new federal limitations on drivers’ hours of operation. Major rail operators, like Jacksonville-based CSX, are doing a great job in promoting their intermodal services, keying on lower costs, improved reliability and the green-friendly PR (public relations) value of intermodal. “Other logistics hot spots in the state include the Winter Haven Integrated Logistics Center in Polk County, the Keystone Terminal Park in Jacksonville, the South Florida Logistics Center in Miami and the bulk-oriented Port Panama City Intermodal Distribution Center in Northwest Florida’s Bay County.”

#### **Why is warehousing the strongest commercial real estate sector?**

“Logistics and distribution projects have been the fastest-growing sector of our site selection workload since the economy began rebounding from the financial crisis of 2008. Drivers here include the e-commerce explosion, global trade, the race to prepare and reposition for the Panama Canal expansion, and the impressive growth of intermodal rail-linked distribution centers.

“Another more subjective driver has to do with the fact that many communities, including those in Florida, were historically resistant to new warehousing projects and viewed them with skepticism due to traffic concerns and poor job prospects. Now, however, communities are actively courting our logistics projects because the economic

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benefits are clear and compelling.

“Indeed, for cash-strapped municipalities, warehouses are a significant source of new tax revenues. Large warehouses on extensive acreages translate into huge property tax windfalls for communities. As a result, state and local economic development organizations have been providing warehouse operators with access to millions of dollars in financial incentives, and communities have been warmly welcoming them. Also, job seekers are beginning to view warehouse facilities with a friendlier eye. “In the past, the typical warehouse work force was dominated by lower-skilled material handling workers and a small clerical pool. Today’s highly automated and computer driven warehouses—like those of Amazon coming to Central Florida—now depend on a wide range of both blue-collar employees as well as highly compensated white-collar employees who manage such sophisticated technologies as radio-frequency identification technology, automated storage and retrieval systems, mobile robotics, inventory tracking, and software-driven pick-and-pack systems.”

**What country is “hot” in terms of eyeing the U.S. for corporate relocations—countries looking specifically at Florida?**

“Canada is hot for us and hot for Florida. It has never been cheaper for our Canadian clients to locate new plants, offices and distribution centers in the States. Near-dollar parity and historic real estate bargains in the U.S. are giving a second wind to the impact of NAFTA, setting the stage for a new wave of Canadian corporate investment to Florida—a state well known to corporate Canada from travel and tourism.

“The aerospace industry, which maintains a world-class presence in Montreal, is an industry sector primed for expansion into Florida. Montreal-based Bombardier already has operations in Florida, both aerospace as well as passenger rail-related. Reshoring is another trend working in Florida’s industry-attraction favor. Our firm is forecasting that a significant number of production, final-assembly and quality-control jobs within the manufacturing sector will be washing back on U.S. shores over the next decade from Asia due to new, lower cost structures in the States; new plentiful and lower cost energy supplies here; skyrocketing labor costs in China; security issues; heightened patent, counterfeiting and piracy concerns; and expanded compliance arenas coming under review by government agencies like the FDA (Food and Drug Administration) and FAA (Federal Aviation Administration) for new interactive, wireless technologies, including the high growth med tech I.T. sector—a sector already well represented in the Tampa Bay area and South Florida. Where these manufacturing jobs wash back on U.S. shores will be driven by factors that show well for Florida, such as comparative operating costs, low taxes, and favorable regulatory and business climate factors, especially a positive labor-management relations climate. Regarding the latter, Right-to-Work states like Florida will have a leg up in many of these reshoring projects.”

**What impact will the Panama Canal expansion have on the state of Florida?**

“It already has. Just look at the billions of dollars of new infrastructure investments at the ports, near the ports and along Florida’s highways made in preparation for the Canal’s expansion. Just how much new port business will be generated is still the \$64,000-dollar question. Competition will be keen from East Coast ports like Savannah, Charleston, Baltimore, Wilmington and New York/New Jersey.

“Here in New Jersey, our state is spending billions to raise the iconic Bayonne Bridge to accommodate the new super tankers that will be coming out of the expanded Panama Canal. Ports of L.A. and Long Beach are not standing pat and will be offering new incentives for shippers to continue their West Coast port of entry/land bridge strategy to serve Eastern markets.”

**What role do you see Central and South America playing in growth opportunities for Florida?**



Embraer, a multinational corporation headquartered in Brazil, has its Executive Jets operation based on Florida's Space Coast in Melbourne.

"I would first mention Brazil here, South America's largest economy. At the same time as our retail developer clients in Miami rave about the invasion of deep-pocketed, shop-happy Brazilian tourists, other more lasting brick-and-mortar investments are being made by Brazilian companies in the state. Embraer, the world's largest manufacturer of regional jets, is expanding its production facilities in the Florida Space Coast city of Melbourne. Embraer and aerospace companies like Northrop Grumman and Boyd client Pratt & Whitney are all benefiting from the deep aerospace gene pool in Central and South Florida—the legacy of decades of NASA operations in the area. editor's note: the boyd co. inc. is one of the nation's oldest corporate site selection firms. Clients of the firm with operations in Florida's super region include jp morgan chase, progressive insurance, time inc., pepsi, centurylink, hp and convergys..

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