

From the Wichita Business Journal:

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'Cash is king' as states try to keep companies close to home

Real estate insider says Kansas got a good deal in keeping Hawker

Premium content from Wichita Business Journal - by Daniel McCoy

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When [Hawker Beechcraft Corp.](#) announced it was keeping its operations in Wichita for the next 10 years, it wasn't because of tax credits or industrial revenue bonds.

What kept the aircraft-maker local, and ended months of speculation about its future, was cold hard cash.

The company will get \$45 million from state and local governments over the next ten years.

Those who work in economic development and site selection say companies they deal with these days want cash, rather than other incentives such as IRBs or tax breaks.

"It's a relatively new phenomenon and it really speaks to the level of competition (for companies and jobs)," says **John Boyd**, president of national site selection firm [The Boyd Co. Inc.](#) "Cash is king."

Looking for profitability

Boyd calls the competition for jobs and companies "a second war between the states."

Hawker was a good example, since it was being courted by Louisiana, Mississippi, and perhaps other states.

But, he says, it's more important in a down economy for states like Kansas to keep the companies — and jobs — they have, rather than try to lure new ones.

"In this recessionary period, the emphasis is very much on retention," Boyd says. "At least you're working with trends and not against them."

Ron Pollina, president of Chicago-based [Pollina Corporate Real Estate](#), says he's not surprised by the package the state put together for Hawker, which pays the company using its employees' withholding taxes.

However, if he was representing Hawker, he would have asked for "a lot more" than \$45 million, because states are emphasizing job retention.

"I think the citizens of Kansas were well-served (by the deal)," he says.

Pollina and Boyd also say competition, particularly for manufacturing jobs, is increasingly global.

"The real competition is (with) Mexico, China, India," Pollina says. "It's off-shore expansions."

And when they are weighing the possible savings that can be provided by lower labor costs in other countries, companies looking domestically want to know what the immediate benefits of staying on-shore will be, Pollina says.

"More and more of our clients are looking for money up front," he says. "They want that operation to be profitable sooner."

Help for the future

Hawker's deal was similar in structure to one struck in July with [Bombardier Learjet](#), which provided \$27 million in bond financing — to be paid back through employees' withholding taxes — to help the company to build the final assembly facility for its Learjet 85 in Wichita.

The move helped Bombardier retain 300 jobs and create 300 jobs, and the company agreed to not move any existing operations out of Wichita.

Learjet in Wichita had the work force and the skill sets needed for the final assembly site. What it didn't have, says Bombardier Learjet Vice President and General Manager **David Coleal**, was an assembly facility, or the capital to build one.

"That's where the state was really helpful," he says.

Hawker agreed to keep its employment level at 4,000 workers or face having to pay back the money.

At the event announcing the incentives, Hawker CEO **Bill Boisture** said while the short-term emphasis was on job retention, the deal sets Wichita up to reap the benefits of future growth.

"We saw this agreement as one of preserving the base from which we can grow in the future," he said. "When the economy does return

and the (production) rates do pick up, the minimum employment figures become far less important than they are to us today in assuring the security of this agreement.”

Business retention and expansion efforts facilitated through the Kansas Department of Commerce

FY 2010 — 42 projects, 5,584 jobs, \$471.3 million in capital investment.

FY 2009 — 150 projects, 3,921 jobs, \$1 billion in capital investment.

FY 2008 — 234 projects, 6,814 jobs, \$1.55 billion in capital investment.

Source: Kansas Department of Commerce

dhmccoy@bizjournals.com | 266-6195 | [@DMcCoyWBJ](https://twitter.com/DMcCoyWBJ)