

## Questions loom about state's role

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The jury may be out a while on determining whether North Carolina had a realistic chance of landing the Mercedes-Benz USA headquarters and at least 800 jobs now headed to metro Atlanta.

Reports emerged in mid-December of the automaker's interest in moving to the Southeast, including multiple N.C. sites that had Raleigh at the forefront.

State economic officials, including John Lassiter, chairman of the state's public-private economic development partnership, have declined to comment about any potential state negotiations or incentive offers to the automaker. It likely will take public records requests to partnership and Commerce officials, particularly for email exchanges, to learn how seriously the automaker considered North Carolina.

A prominent site-selection official, John H. Boyd, said Tuesday that the "timing was not a friend of North Carolina for this project." Boyd is a principal at The Boyd Co., a corporate site-selection firm in Princeton, N.J.

"The Mercedes project was Atlanta's to lose," Boyd said.

Boyd said North Carolina was held back by "a lack of incentive monies, still under-developed international air connections to Europe, especially to Frankfurt, Germany, and the fact the state's re-configured economic development apparatus has yet to get its sea legs."

The Record of Bergen, N.J., reported the automaker may be offered between \$40 million and \$50 million in local and state incentives in Georgia. The Record reported New Jersey officials offered the automaker a "substantial financial package" of incentives in an unsuccessful attempt to retain the headquarters.

The lack of an auto industry cluster is probably the biggest economic regret of North Carolina's governors and Commerce secretaries since the 1980s. During that time, North Carolina sites, including in Alamance and Davidson counties, have been a runner-up on manufacturing plants for at least Mercedes-Benz, BMW and Toyota.

Gov. Pat McCrory said at Monday's annual N.C. Chamber economic forecast meeting in Raleigh that the state is missing out on potential projects of all sizes, in part because of limited incentive monies. Much of the incentives funding approved for 2014-15 by the General Assembly already has been allocated to recent announcements or projects committed to in previous years.

The largest example is MetLife Inc., which said in March 2013 it would open operations in Charlotte and Cary, creating up to a combined 2,622 jobs by the end of 2015 with an average salary of \$81,891. MetLife is eligible for up to \$87.2 million from the Job Development Investment Grant (JDIG) over 12 years.

The implications of limited incentive funding were stressed during the 2014 legislative session by

McCrory, then-House speaker Thom Tillis and former Commerce Secretary Sharon Decker. They asked the legislature to approve allowing the Commerce secretary to have up to \$20 million cash-in-hand to help close big projects.

The money could have been used to buy or improve land and infrastructure for facility development, or for manufacturing purposes. The bill also would have expanded two other incentive programs, including JDIG. Decker told legislators last year about 10,000 jobs were attached to 30 potential projects.

However, the state House rejected Aug. 19 an attempt to resurrect a controversial local sales tax and economic incentive bill.

McCrory discussed, but did not, call the legislature back into session after the November general election to vote on increased incentive funding. On Monday, he urged legislators to act early in the long session, which doesn't get going fully until Jan. 28.

"It is well-known among our clients and other site selectors we speak to that incentives are not North Carolina's strong suit currently, nor in recent years," Boyd said. "The hefty state incentives awarded to the Dell Inc. project got a lot of national exposure due to Dell's change of course."

Legislators approved in November 2004 making Dell eligible for up to \$267 million in state incentives for its \$110 million plant in Winston-Salem, which opened with great fanfare in October 2005, but was closed in November 2010.

The Dell incentives "was pretty much an exception to the rule" for North Carolina, Boyd said.

"Looking ahead, the Mercedes-Benz project will no doubt be used as a stalking horse for the argument that the state needs more incentive funding.

"In today's site-selection arena, incentives have become a necessary evil for cities and states; damned if you do, damned if you don't," Boyd said.

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