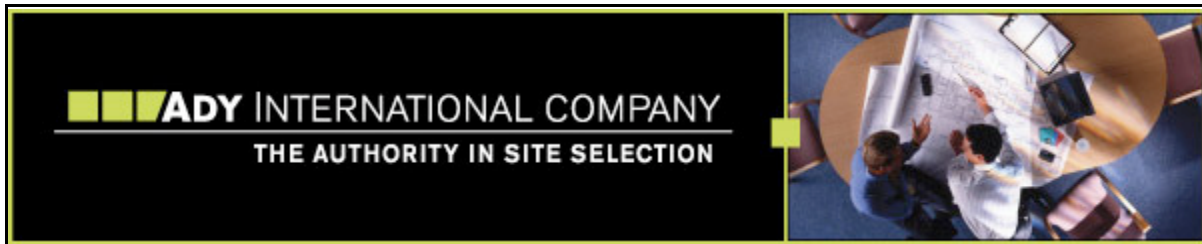


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April 2008

Economic Development Newsletter

In This Issue

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Incentives: Their Use and Misuse

Tuesday, April 15
10:00 am CST

Website Marketing

Tuesday, June 17
10:00 am CST

Marketing to Site Selectors

Tuesday, August 12
10:00 am CST

- [Services](#)

Community Field Audit

Evaluate communities through the eyes of a site seeker and then report back with comments and suggestions for improvement.

Board Leadership Training

Designed to help your community leadership/Board understand the site selection process and what prospects are expecting of the community leaders who make up most Boards.

Website Navigation Report

Gives exact industry-specific outlines for

As I See It

The Road to Granting Special Incentives Can be Treacherous



Regardless of which side of the negotiating table one occupies, most parties involved in incentive negotiations know that incentives can be classified into two broad categories: those that are already legislated, or so called "as-of-right" incentives, and incentives that are "specially negotiated," that is, on behalf of a specific project.

The former, or legislated incentives, tend to be more amenable to understanding and agreement and easier to justify on behalf of all parties involved. On the other hand, specially negotiated incentives tend to be more difficult to adjudicate because there usually is little precedence, either legal or experiential, to use as guidance.

Most states and communities have in place some benchmarks for evaluating special incentives, either written or most likely unwritten, that they use to assess the value of a project to the state and the community. Those relating to the project itself include: proposed employment and investment, potential wage and salary levels, name and "quality" of the company, community "fit" with targeted industries and potential suppliers, and perceived degree of competition from other areas for the project.

In addition, many states and communities use two traditional stalwarts of due diligence: cost-benefit analysis and claw backs if project goals and milestones are not met. These are both reasonably effective methods if properly implemented. Many times the cost-benefit analysis is never undertaken or,

community data required by most site selectors. The reports also provide customized online links to key data sources.

Community Website Assessment

Ady International will review your community's economic development website with our 35+ point checklist and evaluate how the community can attract more location prospects through the website.

Community Labor Market Evaluation

Evaluate your labor market (primary, secondary, and auxiliary) based on the statistics and criteria used by site selection firms.

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if it is, it lacks the details to make a meaningful evaluation. Also, many times the milestones negotiated for claw backs are not monitored against the company's subsequent performance or they are thrown out in court.

When you head down the road of granting special incentives, there are some "Rules of the Road" that might help you to avoid the bumps, sharp turns, and even accidents that can occur along the way to achieving a successful new project. Some key rules for granting special incentives include:

- **Rule #1:** Make sure all potential special incentives granted for a project are written and understood by the negotiating team
- **Rule #2:** Make sure the people negotiating the incentives have the power to do so
- **Rule #3:** Make sure the state and local community work together to develop an integrated program
- **Rule #4:** Make sure a detailed cost/benefit analysis is undertaken for every project
- **Rule #5:** Make sure the company achieves agreed to milestones before releasing funds
- **Rule #6:** Make sure competitive impulses do not overwhelm rational logic
- **Rule #7:** Be prepared to explain your decision to all stakeholders

By following these simple rules, you can avoid being in the headlines for the wrong reasons. Better yet, you can use the negotiation of special incentives to talk with the relocating company explicitly about your mutual performance expectations while you both are still at the bargaining table - in other words, before it's too late.

Ady International Company is the authority on site selection. Our principal, Robert M. Ady, has conducted more corporate relocations in the United States than any other individual. He brings a wealth of experience to your site selection project, as well as longstanding relationships with economic development organizations nationwide.

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