

# EXPANSION

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HELPING GROWING COMPANIES EVALUATE FUTURE LOCATIONS

# AMERICA'S TOP BUSINESS OPPORTUNITY METROS

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# AMERICA'S TOP BUSINESS OPPORTUNITY METROS

By Bill King, Chief Editor

*Some metro areas are strong in one or two areas of importance to companies looking for the best location for a future facility. These are the cities that have achieved solid ratings across the board in Expansion Management's numerous studies during the past 12 months.*

**W**HEN WASHINGTON MUTUAL ANNOUNCED its selection of San Antonio, Texas, for its new regional operations center, Benson Porter, the company's chief administrative officer, cited a variety of reasons why the company chose the Alamo City for a facility that may bring as many as 4,200 jobs during the next seven years.

"San Antonio offers a business-friendly environment, a strong work force, great quality of life, affordable housing for our employees, a central location and a viable real estate solution to accommodate our growth," Porter said.

When Washington Mutual made its formal announcement at a news conference in June, Porter was surrounded by a phalanx of local and state politicians.

Make no mistake. This was a big deal for the city and its new mayor, Phil Hardberger.

"San Antonio is a great place to do business," Hardberger said. "Our diverse economy, available work force and strong business climate make us attractive for a variety of industries. When companies like Washington Mutual select

our city for large expansions, it seems like we must be doing something right in San Antonio."

San Antonio is just one of 71 metropolitan statistical areas (MSAs) that have been designated as "5-Star Business Opportunity Metros" in our third annual *Mayor's Challenge*™ ranking of the business climates in our country's 362 metro areas.

Among today's big city mayors, attracting businesses — and the new jobs and tax revenue they bring with them — is their No. 1 priority.

"Tampa has a history of being a thriving business and government center with a unique and diverse local work force," said Pam Iorio, mayor of Tampa, Fla. "I always encourage businesses to consider our community for expansion and relocation based on our great quality of life, favorable business climate and natural assets."

The story is the same in nearby St. Petersburg, which has undergone an amazing renovation during the past decade.

"The business climate in St. Petersburg is strong," said Rick Baker, mayor of St.

★★★★★  
**5-STAR BUSINESS OPPORTUNITY METROS**

Akron, Ohio
Albany-Schenectady-Troy, N.Y.
Amarillo, Texas
Ames, Iowa
Ann Arbor, Mich.
Atlanta-Sandy Springs-Marietta, Ga.
Austin-Round Rock, Texas
Baltimore-Towson, Md.
Birmingham-Hoover, Ala.
Blacksburg-Christianburg-Radford, Va.
Boston-Cambridge-Quincy, Mass.-N.H.
Boulder, Colo.
Champaign-Urbana, Ill.
Charlottesville, Va.
Cincinnati-Middletown, Ohio-Ky.-Ind.
Cleveland-Elyria-Mentor, Ohio
College Station-Bryan, Texas
Colorado Springs, Colo.
Columbia, Mo.
Columbia, S.C.
Columbus, Ohio
Dallas-Fort Worth-Arlington, Texas
Denver-Aurora, Colo.
Des Moines, Iowa
Detroit-Warren-Livonia, Mich.
Durham, N.C.
Fargo, N.D.-Minn.
Flagstaff, Ariz.
Harrisburg-Carlisle, Pa.
Harrisonburg, Va.
Houston-Baytown-Sugar Land, Texas
Huntsville, Ala.
Iowa City, Iowa
Jefferson City, Mo.
Johnson City, Tenn.
Kansas City, Mo.-Kan.
Knoxville, Tenn.
Lansing-East Lansing, Mich.
Lawrence, Kan.
Lexington-Fayette, Ky.
Lincoln, Neb.
Little Rock-North Little Rock, Ark.
Lubbock, Texas
Madison, Wis.
Minneapolis-St. Paul-Bloomington, Minn.-Wis.
Nashville-Davidson-Murfreesboro, Tenn.
Oklahoma City, Okla.
Omaha-Council Bluffs, Neb.-Iowa
Philadelphia-Camden-Wilmington, Pa.-N.J.-Del.-Md.
Phoenix-Mesa-Scottsdale, Ariz.
Pittsburgh, Pa.
Portland-Vancouver-Beaverton, Ore.-Wash.
Raleigh-Cary, N.C.
Reno-Sparks, Nev.
Richmond, Va.
Rochester, N.Y.
San Antonio, Texas
San Diego-Carlsbad-San Marcos, Calif.
San Francisco-Oakland-Fremont, Calif.
San Jose-Sunnyvale-Santa Clara, Calif.
Seattle-Tacoma-Bellevue, Wash.
Springfield, Mo.
St. Louis, Mo.-Ill.
State College, Pa.
Syracuse, N.Y.
Tampa-St. Petersburg-Clearwater, Fla.
Toledo, Ohio
Tucson, Ariz.
Tulsa, Okla.
Virginia Beach-Norfolk-Newport News, Va.-N.C.
Washington-Arlington-Alexandria, D.C.-Md.-Va.-W.Va.

Petersburg. “We are presently in the midst of the most significant economic and community expansion period of our city’s history.”

All across the country, mayors are serving as pitchmen — or pitchwomen, since a large number of the mayors who head up this year’s roster of 5-Star Business Opportunity Metros are women.

More and more, local officials are willing and eager to work with companies that consider locating within their municipality.

“One of the strongest reasons to do business in Atlanta is the city’s great history of successfully forging public-private partnerships,” said Shirley Franklin, mayor of Atlanta. “From the 1996 Summer Olympics to the current campaign to develop a new brand for the city of Atlanta, the public and private leaders in this city have a synergy that is unique to Atlanta and a key driver for success in the business community.”

Mayor Bill Purcell of Nashville, Tenn., echoes that sentiment.

“When you’re a mayor, you hope the leaders in your community are passionate about the city’s work and look for opportunities to take the lead on civic issues,” Purcell said. “No city I know has the number of brilliant executives who are more willing to take the lead to improve their city that Nashville has.”

Competition among cities is fierce and, despite their notoriety, incentives are not the difference maker when it comes to why businesses choose one city over another. Being able to satisfy a company’s long term business requirements is much more important, and the most successful cities realize that fact.

“In Austin, all the right economic trends are heading up — job creation, business expansions and sales tax revenues — while unemployment is headed down,” said Will Wynn, mayor of Austin, Texas. “This vibrant, growing economy is largely the result of a powerful new cooperative effort to aggressively seek good jobs for our residents. City, county and state governments have joined the school districts and business community to create a united front in making Austin a top competitor for jobs.”

Some of this year’s 5-Star Business

Opportunity Metros, like Huntsville, Ala., and Knoxville, Tenn., are able to take advantage of major government science and technology centers to create a world-class environment in industry sectors upon which the knowledge economy will be built.

“From aerospace and defense contractors to research and development, as well as manufacturing, Huntsville has it all and has room for more,” said Loretta Spencer, mayor of Huntsville. “Our city continues to grow and thrive because of our outstanding business community and a quality of life that’s second to none.”

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 FOR OPPORTUNITIES TO  
 TAKE THE LEAD ON  
 CIVIC ISSUES.”**

Bill Purcell,  
 Mayor, Nashville, Tenn.

Knoxville, with nearby Oak Ridge National Laboratory, is similarly situated.

“We have an educated work force, a technology industry that is second to none, a strong business climate, and our geographical location makes us attractive to businesses,” said Knox County Mayor Mike Ragsdale.

The site location process is, at its core, about comparing one community with another, and what distinguishes *Expansion Management* is our unchallenged leadership in the area of research that compares metro areas according to a variety of business climate and work force factors.

This year’s *Mayor’s Challenge* is based upon a metro’s various rankings in seven studies and rankings conducted by *Expansion Management*’s award-winning research department during the past 12 months. Our rankings compared all 362 MSAs in the areas of public education,

health care cost and availability, transportation and logistics infrastructure, quality of life, strength of the pool of knowledge workers, government influences on the business climate, and the metro's reputation among prominent corporate site location consultants.

## PUBLIC EDUCATION

**T**HE BACKBONE OF OUR MANUFACTURING work force is still the high school graduate. Although one in four American adults now possesses a college diploma, that leaves three in four who do not.

With the increasing sophistication of the modern manufacturing line, it is crucial that their workers possess an ever-increasing level of knowledge and understanding that goes well beyond what workers needed just a generation ago.

That's why we evaluate America's high schools each year in our *Education Quotient™* (EQ), which compares every school district in the country with a K-12

enrollment of at least 3,300 students (there are 2,800 districts that meet this requirement).

### BEST METRO PUBLIC SCHOOLS

- 1 . . . . . State College, Pa.
- 2 . . . . . Sheboygan, Wis.
- 3 . . . . . Madison, Wis.
- 4 . . . . . Lawrence, Kan.
- 5 . . . . . Iowa City, Iowa

Source: *Expansion Management's annual "Metro Education Quotient™," April 2005*

Unlike other rankings of high schools, the EQ focuses primarily on results (college board scores and graduation rates), not on spending.

Unfortunately, most people associate a metro area's public schools with the namesake public school district (i.e., Washington, D.C., or Kansas City, Mo., or Cleveland or New York), which is invariably "underperforming," to put it mildly. What this leads to is an anecdotal evaluation of a metro area's schools that is quite often far from the mark.

For that reason, we take the results from the EQ and organize them according to MSA. Each school district's relative weighting in the metro's overall rating is based upon that district's total enrollment as a percentage of the total enrollment of all districts in that MSA.

The idea is to get a better feel for the quality of education a typical student in the metro is receiving.

## HEALTH CARE COST AND AVAILABILITY

**W**HEN MOST OF US THINK OF health care costs, we tend to personalize it. We focus on our personal and family expenses: co-pays, deductibles, network vs. out-of-network, etc.

What we forget is the fact that, for those of us with employer-provided health insurance benefits, the employer is paying about 70 percent to 80 percent of the total cost.

Trust me on this one: Employers are painfully aware of this rising personnel cost that threatens to eat up ever-increasing portions of the corporate bottom line.

### BEST HEALTH CARE COST AND AVAILABILITY

- 1 . . . . . Kansas
- 2 . . . . . Tennessee
- 3 . . . . . Louisiana
- 4 . . . . . North Carolina
- 5 . . . . . South Dakota

Source: *Expansion Management's annual "Health Care Cost Quotient™," February 2005*

What most corporate site selectors didn't seem to realize, at least not until we did our first *Health Care Cost Quotient™* (HCCQ) ranking three years ago, was that most health care costs vary from place to place, sometimes dramatically. That makes them a site location factor just as important as such traditional areas like taxes and wages.

Our HCCQ ranking takes a broad range of health care-related factors and organizes them into five broad categories: health care facilities, health care providers, health care provider visits, employer and

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employee health insurance costs, and malpractice liability insurance costs, which we consider a leading indicator of rising health care costs in the particular state.

Since most of the insurance costs — for health insurance and malpractice insurance — are based upon statewide rates, the HCCQ compares and ranks the 50 states. A metro ranking is based upon its state's ranking, with multi-state MSAs receiving a ranking proportionally allocated among its various states.

## TRANSPORTATION AND LOGISTICS INFRASTRUCTURE

**O**UR ANNUAL *LOGISTICS QUOTIENT™* (LQ) STUDY, PRODUCED in partnership with *Logistics Today* magazine, compares the logistics infrastructure in each of the 362 metro areas according to about 60 factors grouped into 10 broad categories.

The first two major categories — the Transportation and Warehousing (T&W) Industry Climate and the T&W Industry Work Force Climate — attempts to get a feel for the variety and availability of transportation and warehousing services available in each metro area, as well as the cost and availability of workers engaged in various transportation and distribution activities.

### BEST LOGISTICS INFRASTRUCTURE

1. Cleveland-Elyria-Mentor, Ohio
2. St. Louis, Mo.-Ill.
3. Minneapolis-St. Paul-Bloomington, Minn.-Wis.
4. Chicago-Naperville-Joliet, Ill.-Ind.-Wis.
5. Houston-Baytown-Sugar Land, Texas

Source: *Expansion Management's* annual "Logistics Quotient™," September 2004

Our theory is that, the greater the number of companies and workers, the greater the competition and, therefore, the more flexible the costs will be.

Since most logistics in the United States is transported over highways, five of the major categories focus on road transportation.

The five categories are

road infrastructure and spending; road conditions; road density, congestion and safety; the interstate highway network; and vehicle taxes and fees.

The final three major categories evaluate rail service, waterborne commerce and air cargo service.

## QUALITY OF LIFE

**M**OST QUALITY OF LIFE RANKINGS ARE HEAVILY WEIGHTED toward cultural amenities. While we certainly agree that those are important to a segment of the population, we look at quality of life in ways that impact the expense side of a company's ledger.

We believe that quality of life for most Americans means being able to afford a decent home in a safe neighborhood with good schools, where the cost of living affords them a reasonable amount of disposable income they can use to

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partake of the cultural amenities upon which other quality of life rankings put such a heavy emphasis.

Why do we consider a seemingly “fluffy” area like quality of life as a site location factor? After all, most people like where they live and, besides, unless the corporate executives intend to relocate to the new location, what difference does it make anyway?

While that may be true, it misses the larger point, which is that living costs are the determining factor in the establishment of an area's prevailing wage rates. While armchair philosophers can argue which came first, high costs or

high wages, for companies considering establishing a new facility in that location, the fact remains that it is what it is. If a company wants to attract and retain quality workers, they're going to have to pay pretty close to whatever the prevailing wage happens to be.

Most Americans aspire to a middle class lifestyle, which is available in every community in the country. The only difference is how much it will cost to buy into that lifestyle and, as everyone knows, that cost varies widely from city to city. That is where it becomes a business, as well as a site location, factor.

Based upon that philosophy, our annual *Quality of Life Quotient*™ compares all 362 MSAs according to nearly 50 different factors organized into nine broad categories — low crime rates, affordable housing, quality public schools, reasonable standard of living, spouse employment opportunities, adult education levels, traffic and

commuting, continuing education opportunities for adults, and commercial air access.

## KNOWLEDGE WORKERS

IN AN AGE OF GLOBAL COMPETITION AND “offshoring,” America's competitive advantage in the economy of the 21st century will be in the knowledge-based sector. If it requires brains, we'll do it (at least initially). If it requires brawn, it's moving overseas.

Even the fact that the product is steeped in sophisticated technology is no guarantee that those companies and jobs will remain in the United States. Certainly, once a company's high-tech product becomes “commoditized,” its production facilities are very likely headed to Mexico or India or China, where well-educated workers are willing to work for a fraction of what U.S. workers earn.

Like it or not, that's the reality of the global economy. We need to be the inventors — that's where our relative

### BEST METRO QUALITY OF LIFE

1. Fargo, N.D.-Minn.
2. Columbia, Mo.
3. Missoula, Mont.
4. Sioux Falls, S.D.
5. Lexington-Fayette, Ky.

Source: Expansion Management's annual “Quality of Life Quotient™,” March 2005



Dr. Min Kao, co-founder of Garmin International

## BEST KNOWLEDGE WORKER METROS

1. Boston-Cambridge-Quincy, Mass.-N.H.
2. Washington-Arlington-Alexandria, D.C.-Md.-Va.-W.Va.
3. San Francisco-Oakland-Fremont, Calif.
4. San Jose-Sunnyvale-Santa Clara, Calif.
5. Raleigh-Cary, N.C.

Source: Expansion Management's annual "Knowledge Worker Quotient™," May 2005

advantage is, and that's where the wealth creation is.

Education is the cornerstone of the knowledge economy, and those communities that are able to offer companies a labor force stocked with well-educated workers will succeed in the economic competition that is increasingly global in scope.

Our annual *Knowledge Worker Quotient™* comparison of the college-educated work force in all 362 metro areas organizes a dozen factors into five

major categories: the education level of the adult population (by B.A./B.S., M.A./M.S., Ph.D. and professional degree); workers employed in science and engineering occupations; medical doctors; university research and development spending; and the number and type of colleges and universities in the metro area.

## GOVERNMENT IMPACT ON BUSINESS CLIMATE

**P**OLITICIANS TEND TO TAKE CREDIT FOR good things that happen in the economy and deny any responsibility for things that go bad. Usually, this is just political puffery.

However, there are definitely things that state government does that has a direct impact on the state's business climate. Generally, those items involve tax and spending priorities, as well as debt management (or lack thereof).

Our annual *Legislative Quotient™* compares the impact of each of the 50 state legislatures in creating a healthy business climate. It takes about 25 factors and organizes them into seven major categories: the general tax bite, tax and spending trend during the past five years, infrastructure spending, education spending, spending on government administration, debt management and the existence (or not) of right-to-work legislation.

The reason we believe this is a site location factor is that, for better or worse, when a company relocates to a different state, it also inherits that state's problems. A simple look at the tax rate is not good enough. It's even more important to look at the trends during the past five years or so. Are things improving or not?

Same thing for debt. Moving to a state with a large debt is no different from acquiring a company with a heavy debt load. Regardless of who created the debt, it's yours now, and

## Is it any wonder that the leading GPS devices are invented in a place with an unobstructed view of the sky?

Before the invention of global positioning systems, people used the stars for navigation. In 1989, Garmin International positioned itself among Kansas' own stars—a workforce of smart, dedicated individuals who blaze their own innovative trails. And these stars have grown Garmin from 10 associates to nearly 1,000 today.

  
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the only way to work it down is through higher taxes.

Likewise for infrastructure spending. Deferred spending on maintenance only prolongs the problem while increasing the ultimate cost of fixing it. Sooner or later, the day of reckoning will arrive. When it does, you'll be the one paying for it if you chose to locate in that state.

**BEST TAX AND FINANCIAL MANAGEMENT ENVIRONMENT**

- 1 .....Texas
- 2 .....Arizona
- 3 .....Nevada
- 4 .....Washington
- 5 .....Arkansas

Source: *Expansion Management's annual "Legislative Quotient™," November 2004*

Our intent is not to get into an argument over whether taxes are good or bad. Opinions vary on that one. However, what is certain is that taxes are a business expense, just like rent and salaries, and an increase in taxes must be offset by either a cut in other expenses or an increase in revenues.

At least, that's how the private sector operates.

**REPUTATION AMONG CORPORATE SITE CONSULTANTS**

**T**HIS YEAR, FOR THE FIRST TIME, WE HAVE included the results of our seventh annual poll of 80 prominent corporate site consultants.

This is a perception poll, not unlike the opinion polls taken daily by politicians, news organizations and other firms attempting to take the pulse of a certain group on a particular issue. In this case, our goal is to find out which cities their clients find most attractive when it comes to selecting an expansion or relocation site.

We felt it was important to include this poll because a metro's reputation is critical, particularly once it makes it to a company's "short list" of possible future locations.

**THE 5-STAR METRO DESIGNATION**

**O**NE OF THE STANDARD FEATURES OF *Expansion Management's* various annual metro "Quotient" studies is the awarding of the "5-Star" designation to the top 20 percent of the 362 MSAs. Metros that earn this distinction can rightfully consider themselves to be among the elite cities when it comes to that particular category (i.e., public schools, health care costs, logistics infrastructure, etc.)

Metros that rank in the 21 to 40 percentile are designated as "4-Star Metros," while those that rank in the middle (41 to 60 percentile) are awarded 3-Stars. You can do the math for the 2-Star and 1-Star metros.

Why do we arrange metros into group rankings? Because it provides

**RANKING AMONG SITE CONSULTANTS**

- 1. Nashville-Davidson-Murfreesboro, Tenn.
- 2. Atlanta-Sandy Springs-Marietta, Ga.
- 3. Kansas City, Mo.-Kan.
- 4. Charlotte-Gastonia-Concord, N.C.-S.C.
- 5. Indianapolis, Ind.

Source: *Expansion Management's annual "America's Hottest Cities" poll of professional site consultants, January 2005*

you — business executives and corporate site location specialists — with a quick and easy means to compare the relative strengths and weaknesses of a particular metro you may be considering for a future facility location, as well as to compare it with any other communities you might be considering using the same criteria for each location.

**A FEW FINAL WORDS ABOUT RANKINGS**

**O**NE OF THE PROBLEMS WITH RANKINGS is that sometimes people take them too literally. This is particularly true of critics of rankings, most of whom say that it is impossible to come up with a true business climate ranking.

Obviously, we disagree. Sure, it's hard, but it's not impossible. People and businesses do it every day. That's how you make decisions: You establish criteria based upon what you believe is important, collect data based upon that criteria, and process the results.

Then you make your decision. Do you always choose No. 1. Not necessarily, but what rankings do accomplish is to separate the acceptable from the unacceptable, the great from the good.

The most important factor when looking at ratings is to understand the criteria upon which those ratings/rankings are based. If the initial criteria makes sense to you, then the results should make sense to you as well.

You may occasionally be surprised at the results — and you may not always agree with the results — but that's where the leader's role in the decision-making process takes over.

All that rankings like the *Mayor's Challenge* do is to provide you with information upon which to base a facility location decision based upon criteria that, in our judgment, is important for you to consider before making your final decision.

However, the final location decision is yours, not ours.



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**FOR MORE INFORMATION**

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