

THE 2012 GOVERNOR'S CUP
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How To Win, Texas Style

*Lots of companies need to be in Texas. But increasingly companies want to be in Texas.
That combination in 2012 resulted in a landslide win for the
Lone Star State in its run for the Governor's Cup.*



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2012 Top States

BY NUMBER OF PROJECTS

Rank	State	Count
1	Texas	761
2	Ohio	491
3	Pennsylvania	430
4	Michigan	337
5	Illinois	322
6	Georgia	296
7	North Carolina	280
8	Tennessee	231
9	Virginia	199
10	Kentucky	196

Source: Conway Data, Inc.'s New Plant Database

Not so fast, Buckeyes. Texas is back in a big way with a commanding first-place finish in the 2012 facilities race to claim the Governor's Cup after a 34-project loss to Ohio last year. Not only did Texas reclaim the coveted trophy, but it did so with a whopping 761 projects, 270 more than first runner-up Ohio, which held its own relative to last year's tally with just seven fewer projects (491). Pennsylvania keeps its third-place finish (430), and Michigan (337) and Illinois (322) round out the top five.

Site Selection awards the Governor's Cup each year to the governor of the state with the highest number of qualified capital investment projects the previous calendar year. The publication's proprietary New Plant database is populated with private-sector projects that meet one or more of these criteria: an investment of at least US\$1 million, creation of 50 or more new jobs or construction of new space of at least 20,000 square feet (1,860 sq. m.). The magazine does not count equipment upgrades or additions nor construction jobs in its final numbers.

"This is a confirmation of the men and women of the Texas legislature understanding that if we will continue with the predictability and stability of tax and regulation and legal policy that allows entrepreneurs to keep more of what they earn, then we will become the job creation magnet in America," Gov. Rick Perry told Site Selection on February 21st. "That is what has happened."

The Lone Star State's business attraction story did not begin in 2012. Site Selection has awarded several Governor's Cups to Gov. Perry in recent years, and his make-the-business-climate-better agenda is the main driver of his economic development success. That and economic development expertise in the state's cities and towns that mirror his intent to make Texas a natural home for

business is a combination that delivers results. Site Selection's Top Metros and Top Micropolitans include numerous Texas communities (see Top Metros, for how they secured those wins).

It's hard for other states not to notice Texas' success. Whether cases of blatant imitation or the political will finally being in place, states are now doing what Texas has been doing for years. In his State of the State address in late January, Gov. Perry pointed to his Louisiana counterpart Bobby Jindal's interest in doing away with his state's income tax. He mentioned Michigan becoming a right-to-work state in 2012. He noted Florida Gov. Rick Scott enacting education reform policies like those of Texas. Gov. Perry told this publication after winning a previous Governor's Cup that he welcomes such competition, because it keeps his and other states on their game, being proactive in winning capital investment and creating prosperity.

The Varsity Team

Five sectors drove Texas' return to the front of the pack in **2012**, each with significant, illustrative capital investment projects:

Energy: Booming shale plays, particularly the Eagle Ford Shale in South Texas, have driven hundreds of millions of dollars in capital investment in Texas. San Antonio, Corpus Christi and dozens of small towns across the region, particularly Pearsall and Carrizo Springs, saw major energy companies move in, build operations centers, and inject millions into the local economies. In Houston, several energy giants made big announcements. **Exxon Mobil** began building a monumental \$1 billion new campus north of Houston. **Anadarko Petroleum, Shell Oil,** and **Phillips 66** all announced plans to build new high-rise towers in Houston, with price tags ranging from \$125 million to \$180 million each.

Chemicals: Affordable and plentiful natural gas in Texas has attracted a resurgence in chemical manufacturing investments, particularly along the Gulf Coast. Examples include: **Dow Chemical**, Freeport, \$1.7 billion; **Celanese**, Pasadena, \$500 million; **Lyondell-Basell**, Channelview/La Porte, \$500 million; and **Kuraray Americas**, Pasadena, \$300 million.

Machinery Manufacturing: Texas manufacturing investments were particularly strong in transportation equipment and oil and gas equipment. Headline projects include: **General Motors** expanding its Arlington assembly plant, \$500 million; **Weatherford International** to build a new oil & gas equipment plant in Katy, \$100 million; and **Bell Helicopter** building a new helicopter plant in Amarillo, \$27 million.

Professional Services: Texas also saw strong investment in corporate office projects. Headline deals include: **Apple** doubles its corporate campus, Austin, \$300 million; **Southwest Airlines'** new headquarters complex in Dallas, \$100 million; **Capital One's** new campus facilities, Plano, \$96 million; **Ericsson's** expansion at its North American headquarters, Plano, \$54 million; and **State Farm Insurance** signs the largest lease in Dallas area history (1 million sq. ft.).

Data Centers: Texas experienced strong data center activity in 2012. Four companies — **Digital Realty, Stream Data Centers, T5 Data Centers,** and **CyrusOne** — invested a combined \$250

million to build or upgrade data center facilities across Texas (Richardson, Carrollton, Plano, Austin and The Woodlands).

Several of these projects, including Apple, Dow Chemical, Kuraray, and Visa, received Texas Enterprise Fund awards to help secure the projects for Texas. In total in 2012, the TEF contracted with 14 companies that committed to more than \$2.6 billion in combined capital investment in Texas over the next 10 years.

Pipe Project Illustrates Team Effort

If the first two months of 2013 are any indication, Texas is off to a promising start in this year's facilities race. On February 15th, **Tenaris** announced that it will build its first U.S. seamless pipe mill in Bay City, Matagorda County, Texas. With an estimated investment of \$1.3 billion, the new facility will have an annual production capacity of 600,000 tons of high quality seamless pipe.

With its proximity to Houston, the world's energy capital, and to Tenaris' North American headquarters, the location offers a combination of favorable geography, operational logistics and availability of a skilled work force.

"Our new facility will complement our integrated global manufacturing network and work closely with our existing North American operations to further strengthen domestic production," said Paolo Rocca, chairman and CEO. Gov. Perry was on hand to help mark the occasion.

"This announcement is only possible thanks to the hard work of state and local officials, as well as the area business community, which always plays a major role in decisions like this," he said. "The most profound statement about our favorable economic climate comes when companies like Tenaris make an investment of this size in our state. That says that not only is Texas the best place to grow your business now, but they're confident that we'll remain that way moving forward."

The new plant will generate 600 direct manufacturing jobs and offer substantial direct and indirect economic impact in Matagorda County as well as in the surrounding areas.

"With this investment, we will strengthen our local production and service capabilities to address the growing demands of the energy industry," Germán Curá, president, Tenaris North America said. "We are grateful for the support we have had from the State of Texas, Matagorda County and Bay City."

"We had been working on this for seven months intensively," relates Owen Bludau, executive director of the Matagorda County Economic Development Corp. "We got a lot of cooperation from a lot of individuals. It was a big team effort. The Governor's Office contributed \$6 million from the Texas Enterprise Fund. That was very helpful."

Tenaris looked at five sites in Texas, multiple sites in Louisiana and one in Alabama, Bludau tells Site Selection.

“We gave them a good site and the transportation access they needed. We identified seven sites before the process was over with. We initially proposed two, and then they asked for more. They chose one of those two. The incentives helped, but they were not the determining factor.”

Among the site’s advantages to Tenaris, says Bludau, are good highway frontage and long rail frontage, very flat land requiring a minimal amount of site work, good access to utilities and proximity to a municipal general aviation airport.

“They liked our training facility,” he adds. “We have a branch of the community college that will easily allow them to develop the tailored curriculum in the same facility. And they liked our own Grow Your Own Workers efforts that have been here for a number of years.”

“This is a big win for Texas,” says Fred Welch, vice president for regional economic development, Greater Houston Partnership. “Tenaris’ expansion into Bay City will greatly benefit the Houston region through increased activity in cargo and goods that will flow into and out of the Port of Houston.

“It is another testament,” he says, “to the excellent business climate in our state.”

Regional Rankings — New Facilities and Expansions

REGION, RANK & STATE		TOTALS		MANUFACTURING (New)		MANUFACTURING (Expansion)		OTHER FACILITIES*			
		2012	3 Year Total 2010-12	2012	3 Year Total 2010-12	2012	3 Year Total 2010-12	2012	3 Year Total 2010-12		
	Northeast	1	Pennsylvania	430	1,220	139	403	97	289	194	528
	2	New York	119	455	26	93	48	151	45	211	
	3	Massachusetts	68	117	7	15	31	37	30	65	
	4	New Jersey	63	162	13	48	6	14	44	100	
	5	Connecticut	25	52	8	14	2	8	15	30	
	6	Rhode Island	10	22	0	3	5	12	5	7	
	7	Maine	9	19	4	6	2	2	3	11	
	8	Vermont	8	23	2	8	6	11	0	4	
	9	New Hampshire	3	16	2	7	0	6	1	3	
		Region Totals	735	2,086	201	597	197	530	337	959	
	East North Central	1	Ohio	491	1365	59	204	208	570	224	591
	2	Michigan	337	635	90	150	160	254	87	231	
	3	Illinois	322	743	51	107	66	192	205	444	
	4	Indiana	168	508	41	123	79	229	48	156	
	5	Wisconsin	43	145	9	30	20	78	14	37	
		Region Totals	1,361	3,396	250	614	533	1,323	578	1,459	
	West North Central	1	Kansas	122	274	17	43	32	80	73	151
	2	Minnesota	107	238	28	55	22	67	57	116	
	3	Iowa	74	196	7	21	38	66	29	109	
	4	Nebraska	73	174	32	80	4	27	37	67	
	5	Missouri	68	268	13	62	24	99	31	107	
	6	North Dakota	15	38	10	14	5	15	0	9	
	7	South Dakota	6	24	2	5	4	15	0	4	
		Region Totals	465	1,212	109	280	129	369	227	563	
	South Atlantic	1	Georgia	296	781	70	199	103	260	123	322
	2	North Carolina	280	816	71	195	98	306	111	315	
	3	Virginia	199	662	23	68	70	211	106	383	
	4	South Carolina	106	397	30	131	47	164	29	102	
	5	Florida	97	334	24	116	14	53	59	165	
	6	West Virginia	42	106	6	18	23	54	13	34	
	7	Maryland	40	160	6	22	10	29	24	109	
	8	Delaware	10	28	1	6	4	7	5	15	
	9	District of Columbia	7	13	0	0	0	0	7	13	
		Region Totals	1,077	3,297	231	755	369	1,084	477	1,458	
	South Central	1	Texas	761	1,649	161	339	164	355	436	955
	2	Tennessee	231	554	23	78	140	295	68	181	
	3	Kentucky	196	559	20	72	108	318	68	169	
	4	Louisiana	139	667	42	145	59	334	38	188	
	5	Alabama	97	315	27	75	44	165	26	75	
	6	Oklahoma	82	211	10	33	42	94	30	84	
	7	Arkansas	14	87	3	17	6	57	5	13	
	7	Mississippi	14	83	6	26	5	34	3	23	
		Region Totals	1,534	4,125	292	785	568	1,652	674	1,688	
	Mountain	1	Arizona	90	192	32	74	15	22	43	96
	2	Utah	71	135	4	22	15	30	52	83	
	3	Colorado	27	74	7	16	1	11	19	47	
	4	New Mexico	23	33	5	10	1	1	17	22	
	5	Idaho	16	46	8	16	7	17	1	13	
	6	Montana	8	15	3	3	1	6	4	6	
	7	Nevada	4	45	2	12	0	6	2	27	
	8	Wyoming	3	21	1	10	1	3	1	8	
	Region Totals	242	561	62	163	41	96	139	302		
	Pacific	1	California	112	362	22	110	4	20	86	232
	2	Washington	30	74	8	25	4	13	18	36	
	3	Oregon	18	51	5	20	3	9	10	22	
	4	Alaska	4	7	3	4	0	1	1	2	
	5	Hawaii	2	9	2	6	0	0	0	3	
		Region Totals	166	503	40	165	11	43	115	295	
GRAND TOTALS		5,580	15,180	1,185	3,359	1,848	5,097	2,547	6,724		

* Other Facilities include offices, headquarters, distribution centers, research and development facilities and mixed-use facilities.

Source: Conway Data Inc.'s New Plant Database. Researched by Karen Medernach and Mike O'Connor.