
MEMORANDUM

DATE: July 20, 2006
TO: City Council Members
FROM: Russell Weeks
RE: Grant to Real Estate Professionals for Economic Growth: Study to Comply with *Utah Code* Section 10-8-2
CC: Cindy Gust-Jenson, Rocky Fluhart, Alison McFarlane, Sam Guevara, Louis Zunguze, Gary Mumford

This memorandum pertains to a \$10,000 grant to the Real Estate Professionals for Economic Growth, a voluntary trade association. The grant is subject to a written study and a public hearing required under *Utah Code* Section 10-8-2. The required study starts with the next paragraph.

The Salt Lake City Council adopted the City's budget for Fiscal Year 2006-2007 on June 15. The budget contains \$10,000 to use as a grant to the Real Estate Professionals for Economic Growth (REPEG). The grant is only for the 2006-2007 fiscal year. The group is a voluntary trade association consisting largely of commercial and industrial real estate brokers and developers of commercial properties. The association first met in early 2005. Since then, the Governor's Office of Economic Development, Salt Lake County, the Economic Development Corporation of Utah, and the Church of Jesus Christ of Latter-day Saints have joined the association.

Utah Code Section 10-8-2 allows municipalities to appropriate money "for corporate purposes only." The section considers a "corporate purpose" as "any purpose that, in the judgment of the municipal legislative body, provides for the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality."

However, before a city's legislative body can make a decision to appropriate money for a corporate purpose, it must hold a public hearing for public comment on a study that shows:

1. An identified benefit the city would receive in return for any money or resources appropriated.
2. The city's purpose for the appropriation, including an analysis of the way the appropriation will be used to enhance the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of the municipality.
3. Whether the appropriation is necessary and appropriate to accomplish the reasonable goals and objectives of the municipality in the area of economic development, job creation, affordable housing, blight elimination, job preservation, the preservation of historic structures and property, and *any other* public purpose. (*Italics: City Council staff.*)¹

To meet the law's requirements, the study will be available July 25 in the City Recorder's Office, Room 415, City & County Building, 451 South State Street. The public hearing will be

held at 7 p.m. August 8 in the City Council Chamber, Room 315, City & County Building, 451 South State Street.

The most immediate identifiable benefit the City would receive from formally appropriating the \$10,000 for the Real Estate Professionals for Economic Growth would be a survey of businesses conducted by The Summit Group Communications firm. The survey would be a follow up to a study that Summit Group undertook for the trade association last year. The study involved determining factors that led businesses to locate or not locate in Utah.² The trade association has commissioned the follow-up survey to explore whether perceptions of Utah among companies that have moved to the state were what companies' managers and workers expected, or whether companies' managers and workers found a Utah different from what they expected.

After the study is finished, the trade association would like to use it to help develop a strategy to broaden and deepen two things:

1. The kinds of businesses that start or locate in Utah.
2. The work force – to help businesses already in Utah and to attract other businesses to Utah.

A second identifiable benefit from appropriating the grant would be access to and dialog with a group involved in actively developing commercial and industrial properties and marketing those properties to businesses. The Governor's Office of Economic Development joined Real Estate Professionals for Economic Growth because its members are involved daily with companies that might locate in Utah – if conditions in Utah meet those companies' needs. The trade association sees itself as a sounding board and an advocacy group, and would like Salt Lake City to be represented within the association, most likely by having the City's Economic Development Director Alison McFarlane participate with the group, according to association President Bill Martin.

It should be noted that the \$10,000 budgeted for the Real Estate Professionals for Economic Growth would make up roughly 16 percent of the association's \$63,000 budget for the fiscal year.³ However, according to one estimate, of the 103 million square feet of industrial buildings in Salt Lake County about 49 percent – 50.8 million square feet – is in Salt Lake City. Of the 27.3 million total square feet of office space in Salt Lake County, 13.9 million square feet – 51 percent is in Salt Lake City, according to a Commerce CRG review.

The Salt Lake City Council's main purpose for appropriating the money would be to continue Salt Lake City's position as Utah's commercial, business, and financial center.⁴ If Salt Lake City can continue to attract commercial and industrial businesses to the City, the greater chance it has of becoming the capital city that the Council, the Administration, and business organizations foresee. More commercial investment also increases the potential to provide meaningful City services at less cost to residents and businesses through a broader tax base.

It should be noted that two City Council goals for Salt Lake City's downtown are:

- Administration should identify major corporate presences in downtown, ascertain their satisfaction, and make appropriate efforts to ensure that they will remain downtown ...
- Administration ... should target businesses to locate corporate or regional headquarters downtown.⁵

Given the above, the appropriation appears necessary and appropriate to accomplish the City's goals and objectives, particularly in the areas of economic development and job creation. One might argue that the City's participation, financially and otherwise, in organizations such as the Salt Lake Chamber of Commerce, the Downtown Alliance, the Hispanic Chamber of Commerce, and the Economic Development Corporation of Utah could accomplish the same goals. However, the Real Estate Professionals for Economic Growth is a smaller, more compact organization than any of the other listed organizations. The association may focus better on specific issues than the larger groups that have more diverse interests.

At this point the trade association's goal is very specific: Conduct a study and, if possible, develop a strategy to better market Utah to businesses already here and businesses that might locate in Utah. The State and Salt Lake County have agreed to invest \$10,000 each in the trade association in the 2006-2007 Fiscal Year to take advantage of the study and to tap the Real Estate Professionals for Economic Growth's particular expertise. It appears to be in the public interest for Salt Lake City to do the same, and the grant appears to meet the requirements of *Utah Code* Section 10-8-2.

¹ Utah Code 10-8-2 (3) (d & e).

² Please see attached document.

³ Other contributors are listed in single-page attachment.

⁴ *Salt Lake City Council Policy Statement on the Future Economic Development of Downtown*, Pages 2, 9.

⁵ *Ibid*, Page 11.

RESOLUTION NO. ____ OF 2006
(ACCEPTING THE STUDY PERFORMED
IN COMPLIANCE WITH *UTAH CODE* SECTION 10-8-2
AND AUTHORIZING A \$10,000.00 GRANT
TO THE REAL ESTATE PROFESSIONALS FOR ECONOMIC GROWTH,
A TRADE ASSOCIATION OF COMMERCIAL REAL ESTATE BROKERS)

WHEREAS, the City Council has received a request that a grant of \$10,000.00 be made to the Real Estate Professionals for Economic Growth, a trade association of commercial real estate brokers, to support its programs within Salt Lake City for Fiscal Year 2006-2007; and

WHEREAS, the City Council has received and reviewed a Study regarding said proposed grant prepared by the City Council staff in compliance with the requirements of *Utah Code* Section 10-8-2, and public notice has been given at least 14 days prior hereto in a newspaper of general circulation within the City; and

WHEREAS, the Council has reviewed the Study, and has fully considered the analysis and conclusions set forth therein, and all comments made during the public hearing;

NOW, THEREFORE, BE IT RESOLVED by the City Council of Salt Lake City, Utah:

1. The City Council hereby adopts the conclusions set forth in the Study, and hereby finds and determines that, for all the reasons set forth in the Study, the net value to be received by the City by making this grant will constitute adequate consideration, or equivalent value, both tangible and intangible, for the benefit being provided by the proposed contribution;

2. In the judgment of the City Council, this appropriation will provide for the safety, health, prosperity, moral well-being, peace, order, comfort, or convenience of the inhabitants of Salt Lake City;

3. That \$10,000.00 be and is hereby appropriated to the Real Estate Professionals for Economic Growth, a trade association of commercial real estate brokers, to support its programs within Salt Lake City for Fiscal Year 2006-2007, as described in the aforementioned Study.

Passed by the City Council of Salt Lake City, Utah, this _____ day of June, 2006.

SALT LAKE CITY COUNCIL

By _____
CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

REPEG RESEARCH REPORT COMMUNICATIONS PLAN

REPORT DISTRIBUTION:

To: REPEG Board of Directors

EXECUTIVE SUMMARY AND REPORT RATIONALE

Please note the following when reviewing this report

The following qualitative research report is based on the interviews of 21 separate individuals who have represented more than 100 business relocations or expansions that involved the State of Utah during the past five years. The report, while interpreted by The Summit Group, is meant to reflect what we heard or gathered vs. opinions of our firm.

The sample included interviews with persons responsible for deciding whether corporations chose to locate, or not locate businesses, in Utah. Portions of the sample included executives that were directly employed by corporations in the consideration process and others included professional site selectors, each of whom had considered Utah multiple times as a site candidate for clients.

It is openly acknowledged that qualitative research of this type has limitations and should be viewed anecdotally, not statistically. The following report is not, nor was it intended to be, one of statistical validity, but rather, a report that offered insight, perspective and introspection as offered directly from those decision makers concerning their consideration of the State of Utah as a place to relocate or expand theirs, or their clients', businesses. Further, given that almost all of the "did not choose Utah" participants were companies that left Utah after first locating in the state, will bias some opinions toward situations that were beyond the realm of a competitive selection point. And finally, it is acknowledged that this report is relevant as a window in time, and that future issues will evolve and will require continued evaluation. To that end, RE-PEG has begun to explore on-going, semi-annual update reports of this nature.

The purpose and intent of this report was primarily to gather and identify themes that presented across the scope of the interviews. A secondary purpose was to begin to identify tactics or strategies to address issues and opportunities that arose from the interviews. Given the interests of those who commissioned the research, these starting-point strategies have a decidedly pointed-action-bias toward the commercial real estate industry.

An addendum to this report will be released in ten days that will provide insights and perspectives from 10-12 executives who have relocated to Utah during the past three years. Some of those insights and quotes have been included in this report.

Potential interview candidates were gathered and supplied by a number of sources who have interest or responsibility in retaining or attracting businesses to the State of Utah. These sources came from, but were not limited to: Participating members of the REPEG consortium, the Governor's Office of Economic Development (GOED), Salt Lake County Department of Economic Development and the Economic Development Corporation of Utah (EDCU).

This report was commissioned by a consortium called Real Estate Professionals for Economic Growth (RE-PEG). RE-PEG consists of representatives of nearly all of Utah's major commercial real estate entities and, collectively, was responsible for more than 90 percent of all commercial real estate transactions in the State of Utah in 2004. Participating companies and organizations in RE-PEG include: Commerce CRG, The Ninigret Group, Coldwell Banker Commercial, InterNet Properties, CBRE, The Boyer Company, NAI Utah, The State of Utah's Governor's Office of Economic Development (GOED), Salt Lake County's Division of Economic Development, and the Economic Development Corporation of Utah (EDCU).

Section I:

What Do They Think?

Examining the perspective of decision makers' perceptions of Utah and how they might factor into their assessments of available sites.

It's important to note that a strong "current" of perception is already flowing regarding the State of Utah. This is not an unknown, and participants strongly believe that the perception is not about to change any time soon. In fact, several mentioned that it will not change, in some instances, even if the State aggressively markets it to the contrary.

The general threads to the responses concerning Utah as a place to do business followed the following "themes." Each theme will be detailed with additional commentary and direct quotes from the interviews that were conducted.

1. The Mormons - the good, the bad and the quirky.
2. An overwhelmingly favorable perspective toward the quality of life that Utah offers and the positive (although limited) impact that can have on a site search.
3. A "hook, line and sinker" mentality that equates trial of the State of Utah with very favorable and lasting impressions. Inducing trial, on the other hand, proves to be extremely difficult.
4. A general feeling of an improving business climate. This ironically juxtaposes positions (detailed later in this report) that were viewed unfavorably, and that would usually serve as support points for an "improving business climate."
5. Acknowledgment of what may be the single biggest perceived negative against the area; the State is recognized as being extremely limited with its own population base and its general proximity to other population centers.

Section II:

Is Utah Competing Today?

Examining where the State is winning and losing the battle to attract, retain and grow businesses. Do our incentives matter? What are Utah's most relevant advantages? Do those advantages address some, or all of the opportunities?

"The short answer is: yes, Utah is competing. The longer answer is that it would be much simpler if we could stay with the short answer. However, at the core of competing MORE effectively rests the ability to resist answering every competitive question the same way. There is much more complexity to this situation, and while answers may be available, one set of answers does not fit all. In fact, in instances where universal answers are being applied, dangerous paradoxes are resulting. If not addressed properly, these paradoxes (discussed in detail below) could limit the effectiveness of Utah's competitive positioning and ability to attract and retain businesses."

"Who cares MOST about Utah?

- Companies with a geographic need.
- Companies that don't need a large base population center.
- Companies that are persuaded by "natural" vs. "synthetic" incentives.
- Companies in at least one "made" industry"

Section III:

Inside Out, or Outside In?

Examining the real and perceived economic development strategies pursued by Utah. Is the State more about organic or acquired growth?

"Among the relevant threads that emerged from the interviews, we circled back to the question concerning Utah's strategy of building economic development strength and competitiveness. Is the state really interested in acquiring outside companies to relocate or expand in Utah, or is it just paying the concept lip service? Nearly all of those we spoke to indicated

that Utah does not appear to have either the stomach or the wallet to really go after aggressive recruitment into the state.”

“Many that were interviewed for this report argued that Utah is best positioned to offer and win with “natural incentives”, such as work force and productivity advantages that are particularly true (recall the previous discussion concerning the other less than productive edge to the Utah work ethic) and appealing to those industries pursuing call centers, distribution centers or manufacturing.”

Section IV:

What Tools Get “It” Done?

Examining underestimated tools that best resonate with decision makers today.

“The tools to get it done were identified:

1. Using the “Velvet Hammers.” What is a Velvet Hammer? It is a single person who has the ability to dramatically and favorably impact the buying decision. Others referred to these people as dandelions whose seeds spread far and wide to impact a situation.
2. The ability to understand and maximize communications flow between those seeking information about Utah and those persons, organizations, and places that are best positioned to deliver the right information.
3. Use your friends. How can Utah better serve and get more from those who have already chosen Utah before?”

Section V:

Challenges Ahead?

Examining issues that show signs of slowing economic development progress.
Can these issues be addressed to avoid becoming momentum killers?

“During the course of the interviews, there were three different themes that presented as potentially damaging economic development issues in the current “time window.”

Those themes were:

1. Growing concern over the financial stability of Delta Airlines and the potential damaging blow that could be delivered to Utah's air transport infrastructure.
2. Widespread availability of desired and viable pre-developed land sites.
3. Some noted concerns over Utah Power's inability to address growth and business concerns.

Section VI:

What's Next?

A report summary and suggested next steps of action.

SECTION I: WHAT DO THEY THINK?

Short of the facts surrounding economic development incentives, there has, perhaps, been no more written or speculated about than the "outside" world's perception of the State of Utah. In every interview The Summit Group conducted for this report we asked the simple question: "What were your perceptions about Utah both before and after doing business in the State." In every situation, it took no more than that open-ended question to elicit extensive responses from most of the participants.

It's important to note that a strong "current" of perception is already flowing regarding the State of Utah. This is not an unknown, and participants strongly believe that the perception is not about to change any time soon. In fact, several mentioned that it will not change, in some instances, even if the State aggressively markets it to the contrary.

However, the attainable success of swimming "with the current" may be an entirely different matter. While there are several significant negative perception points relating to Utah, there are more that fall positively to the State's favor. Moreover, elements of the "negatives" are also at the core of many of the positive impressions the State conjures. Should these core elements be effectively positioned, they could potentially become defining points for the State as it markets itself to business (although aimed at a consumer audience, think of the Las Vegas, "what happens in Vegas, stays in Vegas" marketing campaign).

As one participant aptly stated it, "Perception works against Utah - unless you get up close. Then it's an advantage."

The general threads to the responses concerning Utah as a place to do business followed the following "themes." Each theme will be detailed with additional commentary and direct quotes from the interviews that were conducted.

1. The Mormons - the good, the bad and the quirky.
2. An overwhelmingly favorable perspective toward the quality of life that Utah offers and the positive (although limited) impact that can have on a site search.

3. A “hook, line and sinker” mentality that equates trial of the State of Utah with very favorable and lasting impressions. Inducing trial, on the other hand, proves to be extremely difficult.
4. A general feeling of an improving business climate. This ironically juxtaposes positions (detailed later in this report) that were viewed unfavorably, and that would usually serve as support points for an “improving business climate.”
5. Acknowledgment of what may be the single biggest perceived negative against the area; the State is recognized as being extremely limited with its own population base and its general proximity to other population centers.

Perceptions of the LDS Influence

A simple examination of the demographics of the State of Utah assures outsiders of the perception that the State is heavily influenced by the LDS Church. In fact, with the Church estimating state-wide membership north of 70%, it may be one of the most demographically “influenced” areas in America today.

As can be expected, there are mixed, uncertain, and even misunderstood feelings about the role the Church may, or may not, play in doing business in Utah.

“Your biggest enemy is the unknown or the Mormon influence. And unknown emulates fear. It is not necessarily a negative, though it is not necessarily a positive either. It’s unknown. So it takes a lot more marketing to tell what the virtues of the state are to get people to come and take a look at it. I have talked to many companies for whom we do not represent, they call us because we are doing so much work there (in Utah) and we have told them, you know, you must take the blinders off, you must go and take a look at it.”

Another said: “The perceived situation, honestly, is that the Mormon influence can be a negative. There is no question about that. The actual political landscape is more positive when you are talking about the tax situation and cost of doing business.”

Another respondent said: "I think there continues to be a stigma that Utah has a significant percentage of the population that is Mormon and so if you are not Mormon it may not be a place that you fit in. I think that is more of a perception than a reality."

And another: "It's simply that life is different in Utah, I guess. From Utah to the East Coast, life is simply very different. I guess all things being relative; the culture is what makes it different. You have a strong LDS Church influence in the state and that could be good, or bad, depending on which part of the Country you are coming from."

"The way people coming into the State (perceive Utah) depends on if they have kids. If they have kids they probably perceive it as a positive. If they don't have children I think they perceive it as a negative."

Some interviewees worried and indicated they had heard about "business exclusion" if you weren't of the LDS faith. "I got wind of this very early on. We were told that if there is one thing to watch out for the Mormons is, and we are sort of used to this out here especially in Massachusetts and Rhode Island with strong Italian population, is ... the Mormons are a tight knit group, and they go out of their way to help each other out."

Ironically, it was noted by several participants that Mormons from outside the State experience similar "culture shock" when they move into the State.

Said one participant: "Well, let me put it this way. We have had people come and not be successful and they would attribute a portion of that to the change (of culture).

Interestingly enough (one) was a member of the LDS faith; coming from out-of-state he said it's a lot different here. The change is very dramatic and then he wasn't successful here. I don't know how much that attributed to him not being successful here -- there were other reasons obviously -- but it was one of the factors he mentioned."

Yet, despite there being some trepidation concerning what business life, in a largely homogenous culture may entail, barely beneath the surface lies an

interesting paradox. While the LDS influence is the leading “fear” about Utah, upon examination, attributes willingly ascribed to the Church influence and overall Utah culture become the driving positive attributes within the outsiders’ perceptions of the State. Positive attributes such as work ethic, friendliness, clean streets, public safety and overall absence of crime are all “givens” when describing the Utah culture.

“The thing was, if you are not a worldly person, you might look at it as a prejudice. You know, you’ve got these Mormons and we’re not sure who they are and what they are (about) so it must be bad. On the other hand, I was looking at the ‘knowns’ about them ... their work ethic, the demographics of how educated they are, of what good workers they are; and of Salt Lake City as a great place, as a great city with a low crime rate and just the great standing that Salt Lake City has as far as bringing a family up. And I realize what a great place to live and work.”

Said another: “Salt Lake City is probably the most hospitable and courteous city in the United States. I have known that for years from other experiences and the experience of other retailers I have placed.”

A different respondent pointed out another business positive that no other participant suggested. “During the Olympics I had people from all over the world, the world literally, that we represent saying, you go there for three days and can’t buy a beer or a drink? I said let me tell you, don’t come out here with that expectation because you will change immediately. I said the only difference in Utah is it’s a business and the LDS Church knows how to make money.”

Quality of Life is Viewed as a Business Plus

As has been widely acknowledged, executives and site selectors identify Utah’s ability to offer an improved quality of life – especially when compared to large East Coast or West Coast population centers – as a perception advantage that Utah enjoys. One site selector said that his basic search strategy is to get several locations that, on paper, equate to a draw via incentives, costs, etc. He then funnels the decision point to what he believes is the most important final deciding point: will executives move to the area?

"What I like to do is to make three of the sites look identically the same on paper, which is tricky for me; make construction costs the same if they are not the same. See, if I can get incentives somewhere to make them the same to off-set one or the other. Then, the company has to make that quality of life decision. Can I operate a facility here, would I move my family here? Those are the two things that I want a company to answer before they go wherever they go. If they like the quality of life then they are going to make that decision and that is where they are going to go. That is my number one criteria. Some people really look at the operational costs, the bottom line as well, but I really want these guys to be happy with wherever I locate them, the quality of life is huge. Utah has got so much to offer from hunting to fishing to skiing, you have got everything there."

Another noted this example: "One company recruited a CEO about two and a half years ago from the Bay area and he moved out thinking it would be a lot of fun and his kids would get some good experience skiing and it would be a short-term stint. I don't know if we will ever get him back to the Bay area. He is very happy there, he loves it."

Additional quality of life issues that repeated throughout the interview process were Utah's exceptional commuting options relative to other major cities in the United States. Many recognized, and even granted the advantage because of the "Olympic Legacy", infrastructure improvements, even without direct knowledge or experience of the infrastructure. The shortened commutes visa vie other large cities were described as a "dream" with the one exception being the commute out of Utah County along I-15.

Try it, You'll Like it

Most of those interviewed expressed the sentiment that the Utah "livability" experience was usually much better than expected. The quality of life that executives experienced was generally viewed as favorable.

"It is very interesting that one of the highest educated workforces in the nation will work in any type of job to stay there. So I am going to have production people on my floor in my big plant who will all be college graduates. They will make good money, they could make a lot more money in California but they wouldn't be near as happy."

"After some consolidation in our industry which resulted in our company buying another company, I personally had the decision of whether or not to set Salt Lake or Southern California as our headquarters. I was somewhat reticent. The business decision clearly favored Utah, but my heart was in Southern California. My head won out and we moved to Utah. We haven't regretted it for a moment. I live in Park City and work in Salt Lake. I have a much better commute and live in one of the outstanding resort communities in the world."

However, recruiting executive level management remains a need (discussed at length later in the Utah workforce discussion) and an issue for companies doing business in Utah.

"It's simply that life is different (in Utah), I guess. From Utah to the East, simply life is different. We always carefully consider if this person -- even before we even extend the offer -- is willing to come and live in Utah?"

Another said: "I have heard, even in my own industry although I have not experienced this, but we're a pretty small and tight group of CEO's and we talk frequently. I have heard from others that it is hard to recruit executives from other parts of the country to Utah because of the Church and the prevalence of that culture and religion as viewed from outside the state. Many times, and I am not a member of the LDS Church, when other executives are recruiting for positions they will have an executive call me, to try to sell Salt Lake. I do think it is an issue."

Utah is "Growing Up" as a Place to do Business

A majority of participants -- even those who did not choose Utah for a specific relocation or expansion -- noted the improving business climate and perception of Utah from outside the state over the past two decades.

"We have seen an improvement in the transportation, mainly the roads. The infrastructure I think has greatly improved in the roadways around Salt Lake City" given the fact that the Olympics were there-- you know I am aware of a major push there."

Another site selector with many experiences in assessing Utah said: "The first project I worked on in the Salt Lake City region was in 1985. I think the Region today is a much different place than it was in 1985. I think it has opened up a lot more and it is just like a lot of metropolitan areas that have grown and started to mature. I think people would find it a much easier place to live today than it might have been 25 or 30 years ago."

Square States and Mule Deer

As one participant put it, the greatest negating factor going against Utah as a place to do business, is simply there aren't enough people in or near the surrounding area to make it viable.

"Utah has some advantage in that it is well positioned geographically among the Intermountain States, but let's face it; there still isn't a large population base. It might be well positioned, but it is well positioned among the square states with large populations of mule deer, not people."

SECTION II: IS UTAH COMPETING TODAY?

The basic intent of this report is to assess, from qualitative interviews, how well Utah is competing today in attracting and retaining businesses. Are the collective economic development efforts of those in the state paying off properly?

The short answer is: yes, Utah is competing. The longer answer is that it would be much simpler if we could stay with the short answer. However, at the core of competing MORE effectively lies the ability to not answer every competitive question the same way. There is much more complexity to this situation, and while answers may be available, one set of answers does not fit all. In fact, in instances where universal answers are being applied, dangerous paradoxes are resulting. If not addressed properly, these paradoxes (discussed in detail below) could limit the effectiveness of Utah's competitive positioning and ability to attract and retain businesses.

Marketing segmentation is an effective tool that can be deployed in optimizing Utah's competitive position. This allows Utah to match its differences it can own, to the proper audience (and, not confuse or alienate other audiences concurrently) and to properly assess whether those audiences will, in fact, pay for those differences.

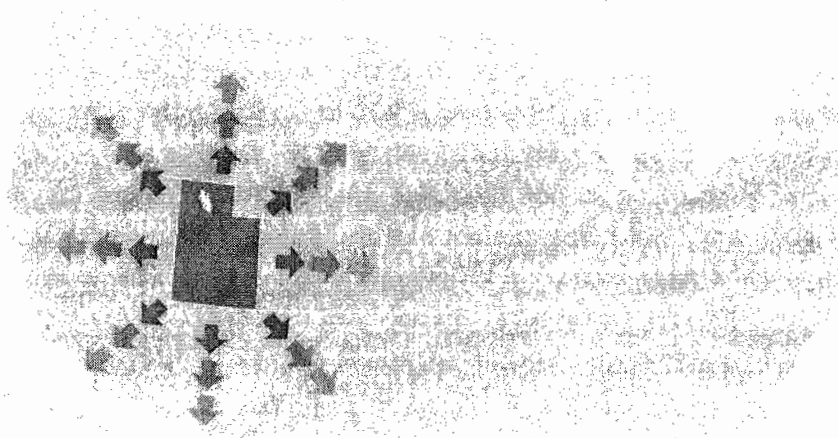
In short, it allows Utah to answer EACH question appropriately.

Marketing segmentation effectively allows you to understand who you are competing with, by audience. Understanding the difference by audience can be critical. Would anyone dispute that the search for a distribution center is not driven by drastically different factors than would a search for proper "start" points for a biotech firm?

As has been noted earlier in this report, this information is qualitative and does not suggest that it is statistically inclusive of all audiences or competitive sets. However, anecdotally, the information can prove to be useful. When asked what geographic areas Utah is currently competing with, those we interviewed (who have represented more than 100 companies that have considered relocating or expanding in Utah over the past five years) offered the following:

WHO ARE WE COMPETING WITH?

- Nevada – Las Vegas, Reno, Sparks
- New Mexico
- Denver
- Phoenix
- Portland
- Seattle
- Texas
- Boise
- Small degrees of California



Some of the competitive assessments from those interviewed include:

"I would view Utah as a having strength in the West. By that I mean it can be a strong competitor in the Western United States."

"If you compare them to the Western United States they rank very well. Their chief competitor would be New Mexico."

"I'd say Boise is becoming a competitor; Colorado was, but isn't as much anymore because the costs in Colorado are going up."

"Las Vegas is more of a competitor now. Phoenix is less so because the cost is higher and it's going up."

"You have got strong competition from Seattle, Denver, Phoenix, and other locations in the West that are having a little better success, although Phoenix is probably having worse success than Salt Lake to be honest with you for any number of reasons."

"If I am looking at Utah, I am not just necessarily looking at just those areas. I am probably looking up and down the West coast of California; I am probably looking all through Texas."

According to those we interviewed, Utah would be wise to concentrate on opportunities that let it become a "100 lb. gorilla" in the Western United States versus using limited resources to attempt to compete and position itself nationally. That, of course, does not mean that the "reach" of the message may not be national, but rather the content of the message that speaks to Western prowess and value. Again, the value of marketing segmentation is evident.

Said one participant, "Now if you rank it relative to the United States, it is below average in terms of overall climate of doing business. Very high property taxes, wage rates are okay, but it would be average or slightly less in terms of national. It is very hard to measure nationally. It is easier to measure to the Western U.S."

Chris Roybal of the GOED stated, "We hope that when people look at the Western United States, they'll look at Utah and think, "That's where we ought to be for our business center and our business activities." So we're just trying to create the right environment to do that and then have some targeting programs and initiatives to help us with our branding efforts."

Marketing segmentation begins with properly identifying audiences. Who cares about doing business in Utah? Who cares most? Who cares now? Those we interviewed begin to give us a flavor of the economic development interest.

Who cares about Utah?

- Companies with a geographic need.
- Companies that don't need a large base population center.
- Companies that are persuaded by "natural" vs. "synthetic" incentives.
- Companies in at least one "made" industry

Geographic Advantage

By properly segmenting an audience, it becomes apparent what elements of Utah's differentiation outside companies will pay to receive. One differentiating point is an innate advantage. Geography.

"I think its more geography than anything else. The geography brought the infrastructure. The infrastructure supports that."

"The logistics location of Salt Lake is excellent for serving the Mountain West and the West. "

"It was all geographic, it was all gravity. It had nothing to do with wages or taxes or incentives or anything psychographic it all had to do with the gravity and in looking in the crystal ball to see where e-commerce has been growing,"

"I think if you look at the map of the United States and where the heavy duty trucking industry is concentrated, basically, it is on the West coast and the Mid-West. East coast, Mid-West and West coast and this (Utah) is kind of like the last frontier."

"The geography, the convergence of the highways there."

"Geographical centricity for the location of an e-commerce warehouse."

"It was actually very clinical, we needed a West coast distribution center, we looked at, went on the internet and looked at time and transit maps from both Federal Express and UPS and looked to see which city gave us the greatest reach on the west coast. In Salt Lake City we are able to reach every destination West of the Rockies and a substantial amount of territory east of the Rockies within three days ground, the majority of it west of the Rockies two days ground. That was what decided us. We looked at Denver, we looked at Albuquerque, we looked at Reno and we looked at Salt Lake City, we looked at Oakland and the city that gives us the best reach is Salt Lake."

Yet, in one segment there is a perceived subtle competitive chink into Utah's armor and it is taking shape in the form of increased competition from Nevada.

"I think it ultimately came to, it was all geography. We determined that we could reach a larger percentage of the customers who were clicking on our merchandise on the web site by ground transportation cheaper from Las Vegas than from Salt Lake City.

The certain percentage of the customers -- I didn't do these calculations but I was given the results -- will select next day air. FedEx or UPS etc. takes the package from the warehouse to the airport which makes Salt Lake City and Reno and Las Vegas all about the same because they all have big airports with great package handling, but a certain percentage of the customers also select the cheaper forms of shipment second and third day ground delivery so that UPS and FedEx will ship from the ground and charge you less. Therefore the closer you are to a large percentage of your customers the better off you are. Las Vegas seemed to have the best proximity of course to southern California and Arizona where we have a lot of customers and Salt Lake City is less well located with respect to the ground element of our customers."

An interesting competitive Utah alternative to Las Vegas that at least two interviewees brought up was the burgeoning economic development efforts that are occurring in St. George and throughout Utah's Washington County.

Geographic Isolation from Population Centers

Utah's geography also serves as a marketing paradox, which, if not recognized can also be a limiting. On one hand, Utah geographical location is a huge advantage because of proximity. On the other hand, it is a huge limitation because of its geographic isolation from population centers.

"You know I hate to give you the default, I think it is simply the population. I think it makes sense to be close to those you deal with most ... so I think it is simply a case of population."

"One minus, simply is Utah's location and our size."

"Ground transport was an issue. Well, you are a long way from anywhere."

"Synthetic" vs. "Natural" Incentives

As any reader of this report would expect, a significant amount of time was spent discussing incentives, the role they play in the selection process and how Utah competes.

Through our interviews typical economic development resources were brought forth in the discussions. These incentives were created and funded through legislative initiatives; government bonds, taxes, and other expected forms of funding. One person in the study referred to these "created" incentives as "synthetic." For the purpose of this discussion, this report will continue with that label. Another important form of incentives was referred to as "natural incentives" and will be discussed momentarily.

As it relates to "synthetic or created" incentives, the State of Utah has made some strides during the past few years. House Bill 11 allowing the state to provide rebates of incremental tax increases resulting in business expansion and relocation, passed in the 2004 legislative session, took aim at improving some of these types of incentives. And, according to Martin Frey of the GOED, it has yielded results.

"I would suggest that the program is a significant success. . . . It's part of economic development overall, and economic development is a revenue generator for the state."

However, according to those we interviewed, Utah is NEVER winning because of these types of "synthetic" incentives. There simply are not enough of them, they are not well understood, and they are not marketed well (vs. other "branded programs" such as Enterprise Florida or Quickstart in Georgia) to those seeking relocation or expansion.

"Nobody has ever come to me and said, 'you should come to Utah because here is everything that we offer!' I would say that they lack everything because I know so much, like I know if I go to Orlando that I can get money from the quality target industry tax refund program and I can get money from their job growth and Florida workforce program. Same thing I know about in Dallas, I know all the moneys I can get. I don't know what I can get in Utah."

Another offered, "I think that they are lacking simply because either people aren't educated about them or there aren't enough. I think if there was a huge amount of incentives people would know about them and you would be getting more traffic but in states like Louisiana and Texas and I keep saying Florida because Florida is so good at it that people know about it so they constantly look at different areas."

"The thing Utah may lose out on is incentives, I don't like to use them to determine the win or lose of the project, but you guys just aren't very competitive with the rest of the states that are out there. You just don't have too much to offer. If you were looking at some of the other areas maybe Nevada, I would say Wyoming but there's not any people, out there so maybe Colorado, but Nevada, it seems like you guys would lose the projects to them."

"The state of New Mexico offered nearly thirty times that of Utah."

"I keep saying, this I guess I am comparing Utah unfairly to the East because if you go to the Southeast, I mean, they really understand what economic development is and they really put a lot of dollars towards incentivizing your project or whatever needs to get done and really when you get West of Texas all that goes away."

Comparing the West coast to the East coast or just the Mid-West to the east it is night and day. It seems like the states have a lot more money in the East than they do in the West for economic development I should say."

"The state has not appropriately funded training for new companies with new employment, or for existing companies with expanding employment. It is a training program that is very outdated. It needs to be a much more sophisticated training program that can adapt to the needs of a particular company or a particular project."

Yet, despite never truly winning on synthetic incentives the state still remains competitive because of other advantageous.

One respondent categorized it as follows, "Incentives factor the company's decision. They are very important to them because it helps them to work out some costs up front. So say that they are important but that is not enough to make or break the deal."

Natural Incentives

Utah, it seems, is richly blessed with, what our respondent referred to as "natural" incentives. Two factors that sway heavily in decision making and frequently in Utah's favor, are the state's cost of doing business and it's immensely capable workforce. These "natural incentives" have significant competitive power in some industries and searches.

"Utah didn't give us any incentives. I know that Sparks was willing to sell the farm and Denver had some but, Denver was very expensive at that time for the distribution center. The way I looked at it was that Sparks had all this stuff that we would save upfront, and all that and then we would end up with a mess with wayward demographics and the ability of that distribution center. So in the end of the day, I had some tough stuff to sell, especially on the finance end, with all those incentives from Sparks. But in the end it proved out because of our through put ability, our efficiencies in that (Utah) distribution center."

Another interviewee commented, "The cost of doing business here as opposed to California is about 25% less just in overhead, office space, construction, rebuilding, remodeling, all of those elements. The cost of living for the people that we employ, everything is more affordable here. Secondly, we can hire the exact same quality talent in terms of corporate support here as we can in California at a 30% discount."

And another said, "The biggest draw to this environment is the economic feasibility, it's affordable."

Utah's Famous Workforce

Other than expected general perception issues, perhaps no other theme permeated the opinions of those we interviewed more than did Utah's workforce. Without question, it is regarded by outsiders as one of the most compelling reasons to do business in the state. Interviewees cited the work ethic, education level, sheer productivity of workers, labor availability, union-free environment and multi-lingual capabilities as superb advantages.

"Well I guess I would say the reason you guys would win a lot is your labor force makes you pretty good. We went through and did a couple of labor surveys and they were pretty low unionized pay for a distribution center. I mean there are some companies that are unionized, but very few, and if we didn't run into very many union problems. We saw good overall accountability of the employees there; we didn't see a lot of high turnover rates, a lot of high absentees; the work ethic was pretty good. I think that was one of things that really shined about Utah."

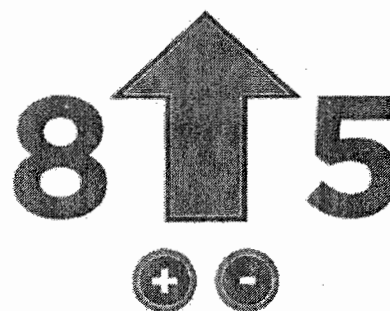
Another said, "You certainly have a superior workforce so I think we thought that the workforce in Salt Lake was the best in terms of reliability and wage rates, maybe not as plentiful as Las Vegas but certainly the best."

Said another, "The availability of workers at a lower level, your production and basic manufacturing maintenance skills that sort of thing and in that regard we have had no trouble in finding or being satisfied that those workers were available."

And another, "The minute I give them our numbers our conversation is over because they simply can't compete with the way the workers work in Utah. It actually played out in the way that I simply cannot automate something because someone can pack eight orders in one minute. Now you have to put the right incentives in place, and you have to give a good follow-up, and you have to treat your employees well, doing those things you can gain an amazing amount of productivity out of the people in Utah."

Another said, "We found the labor force situation was going to be very positive it is very competitive as far as cost and also plentiful as far as potential applicants for these types of jobs and they range from probably \$10 to \$16 an hour something like that so they are pretty good jobs."

And another, "I think the other biggest draw is the workforce. I think that there's a very good workforce here because you have a lot to choose from, you have 25 years old being an average age. I mean you have a young workforce that has a future that is ambitious that's that and then you add to it the lifestyle with the mountains and the lakes and the rivers and all the outdoor activity it provides a nice atmosphere for people to work."



Another commented, "From a call center standpoint it's a good place to put a call center, you don't have a discernable accent."

Following that line, one executive noted Utah's competitive positioning – even against off-shoring powerhouses such as India – as reasons the state's workforce can attract businesses.

"We do some outsourcing to India. However, we have been able to compete with some of that business in outsourcing to homes, in-home moms, so for typing our commitments, typing our policies, doing some work on the computer. Much like the Jet Blue model where they do all their reservations, here in Utah, because we have such a high level of skilled laborers that have been in the workforce that are home raising their families. They are very intelligent, very computer literate and

have a great work ethic and they will work for a competitive amount and so instead of routing some of our work to India we have routed it to Salt Lake.”

Utah's Infamous Workforce

Less talked about among Utah's economic development community, but clearly present as an undercurrent with relocating and expanding executives and site selectors, is a not so pretty side of Utah's labor force. It is another of the dangerous paradoxes, that if not properly addressed through proper segmentation, can cause major disconnects between those selling Utah and those buying.

On one hand, Utah has a superb workforce for the distribution, outsourcing, call center, manufacturing industries. It is an earned and granted perception outside of the state.

On the other hand, Utah has a different workforce issue that is slowing its ability to compete for “higher-end” economic development opportunities as targeted through the Governor's “clustering” initiative in his economic development plan.

This issue has resulted in a perceived “shallow mid and upper management pool” due to failed executive level recruitment into the state and the lack of Fortune 500 companies headquartered in Utah that serve as training grounds for mid-level executives and management. This, coupled with a perceived less productive professional workforce (they may be more productive from eight until five, however, they are not interested in working much past five) that demand longer hours, has created a negative Utah workforce situation.

The paradox: Utah's workforce is clearly a strength worth talking about to some segments of the audience, but is a perceived liability with others.

“A lot of it has to do with the fact that they do leave work at 5:30 and they go up to the mountains or whatever. People like it there because they come from bigger cities and they're like oh this is great.”

Another said, "Because Utah has a great quality of life and the overall idea of Utah is that it is great and it is kind of granola, but it is not a hard driving financial environment like people that would come to Chicago or go to Dallas or L.A. It's not real hard, it's not known as being a really hard driving work environment."

Another commented, "One of the biggest reasons why companies initially get excited (about Utah is the workforce) but then back away. The workforce in Utah -- I got real excited about it because I figured this workforce would be fantastic. There are so many people and what a work ethic and the cleanliness of the city I mean everybody has the same attitude about work -- I don't think that is true anymore. I have learned in this market that in my opinion the workforce here, strives for mediocrity."

"(Other places) are moving at a great speed where Utah is not. Everything just kind of stays the same, every day, every month it's always the same and I think that's a product of that striving for mediocrity here. I mean it's okay for them to get by and think, 'Look I pay my tithing, I pay my mortgage, I afford my two cars, I have my five kids and at the end of every month I have paid my bills and I have fed my family'."

Another suggested that Utah suffers in being able to bring in experienced specialists, "I know that Utah has a very good reputation in regard to education so I would not expect to have any trouble with those basic workers. Where you have concerns is when you are locating very specialized operations that require some special skills."

"Made" Industries

One final area is a combination of "synthetic" and "natural" incentives that result in "made" or "cluster" advantages that drive economic development. There were references to the medical device industry, but the one "made" industry that was frequently acknowledged by participants was the Industrial Banking industry. Utah has become the nation's magnet for these types of corporations.

"The other three or four states that offered these types of charters, the other things that one could look at seeking a banking charter there are statutes and regulations. The combination of having the charter available in Utah so industrial bank legislature and therefore statutes, I think a very good banking commissioner, the regulatory environment here is very strong for our industry in Utah.

SECTION III: INSIDE OUT, OR OUTSIDE IN?

Among the relevant threads that emerged from the interviews, we circled back to the question concerning Utah's strategy of building economic development strength and competitiveness. Is the state really interested in acquiring outside companies to relocate or expand in Utah, or is it just paying the concept lip service? Nearly all of those we spoke to indicated that Utah does not appear to have either the stomach or the wallet to really go after aggressive recruitment into the state.

As discussed in this Reports Section II regarding competitiveness and incentives, Utah is being outspent (real or perceived) in "synthetic" incentives by as much as 30 to 1 by smaller, Western states such as New Mexico and we can in no way compare to the "synthetic" incentive spending of economic development powerhouses such as Texas, Florida or Pennsylvania. Indeed, it is a safe bet that Utah, and its fiscally conservative legislative bodies does not have the fortitude to withstand some of the aggressive and risky "bet the farm" incentive plans that are occurring in some states, most notably Mississippi.

Many that were interviewed for this report argued that Utah is best positioned to offer and win with "natural incentives", such as work force and productivity advantages that are particularly true (recall the previous discussion concerning the other less than productive edge to the Utah work ethic) and appealing to those industries pursuing call centers, distribution centers or manufacturing.

Yet, the Governor's Office of Economic Development (GOED) has taken a marked stand on developing more dynamic economic development opportunities centered around identified cluster industries and Utah's Higher Education Research facilities, specifically the University of Utah and Utah State University.

Said GOED head Chris Roybal, "The whole initiative with making our research institutions more competitive will be a big part of the economic development plan. If there is any one message about our programs, it's that we're targeting our research universities. They are the best opportunities that we have to brand ourselves in the areas where we have "best in class" assets."

"The things we're targeting — tourism, research universities, recruiting activities and cluster industry development — will send the message to our neighbors and to corporate decision makers around the world that Utah is known for certain aspects. We're on the road to doing that. I think the Governor has a vision to refine those targets, and he is willing to spend a lot of his personal time to make that happen."

According to several site selectors and business executives, business development of this kind is more likely to happen from the "outside in."

"When you look at Austin, it really happened from outsiders coming to Austin. Sure, you had a strong university situation, and Michael Dell which made for an outstanding start, but much of it came from outside influences entering Austin. Austin had some hometown, and I guess University driven (although Dell dropped out at age 19) seeds, but much of the growth of the business community was definitely built from the outside in."

There is some evidence that indicates with the proper strategy, commitment and investment it is possible to create some specific and successful recruiting environments in Utah. One such example surrounds Utah's position as "the Switzerland of Industrial Banking." By creating favorable regulation and support, the State supports an inordinate amount of headquarters for Industrial Banks.

"We are one of about thirty of these industrial banks that are headquartered in Utah. It has a particular type of banking charter, I think it is only offered in five states. The combination of having the charter available in Utah, the work done for industrial banks in the legislature resulting in favorable statutes ... I think a very good banking commissioner, the regulatory environment ... all make Utah very strong for our industry," said one participant.

However, because of the Utah's perceptive drawbacks, some of those who participated in this study aren't sure Utah can ever achieve the same type of success. Instead, they indicate the State might be wiser pursuing a more aggressive "inside out" approach of nurturing, protecting and incentivizing companies that start within the state to stay within the state.

Several notable exceptions aside, according to some that were interviewed, the situation in Utah will require much more attention to growing “their own” existing businesses in the state vs. spending time and resources primarily on attracting businesses in these types of industries.

“The good news is that Utah has been blessed with a very entrepreneurial culture that spawns innovation and development. Unfortunately, many of those gifted entrepreneurs prove to be one-timers, instead of serial entrepreneurs, not because they are not capable, but rather because they are satisfied with earning one big payoff and then riding off into the sunset.”

In the end, the GOED strategy encompasses, although does not focus on, an inside out strategy as well. Roybal recently said, “One (priority) is tax reform, and another is the refinement of any regulatory initiatives that might be effective in a business’ ability to be competitive here. We want to make sure that our environment is as competitive as we can make it. We think if we have a competitive tax structure and a regulatory environment, we will be able to help not only companies that are considering moving here, but everybody else in terms of start-up activities and companies that are expanding as well. If we have an environment that allows them to compete, they will continue to grow and stay here in Utah.”

SECTION IV: WHAT TOOLS WILL GET "IT" DONE?

An important bi-product of asking more than 30 people what they think about certain issues is the inevitable lack of suggestions and opportunities to improve. Our experience in the RE-PEG project proved to be no exception in that regard. Throughout the interviews, improvement suggestions were recorded, probed and, in the end, grouped by several of the most frequently mentioned opportunities. We refer to these opportunities as "tools that can get 'it' done." What is it? Not unlike the recent EBay television advertising campaign, "it" in this instance simply means what is most needed.

The tools identified are as follows:

1. Using the "Velvet Hammers." What is a Velvet Hammer? It is a single person who has the ability to dramatically and favorably impact the buying decision. Others referred to these people as dandelions whose seeds spread far and wide to impact a situation.
2. The ability to understand and maximize communications flow between those seeking information about Utah and those persons, organizations, and places that are best positioned to deliver the right information.
3. Use your friends. How can Utah better serve and get more from those who have already chosen Utah before?

The Players

Who are the economic development "Velvet Hammers" in Utah? Who, simply by their position or persona, has the ability to singularly impact the described "decision" point favorably than do an entire group of others?

It may not start AND end with one person, but it certainly starts with one: Governor Jon Huntsman, Jr.

Described by some that we spoke to as having an ability to "warm a room" with an "understanding" persona, Governor Huntsman has an attribute that is viewed

almost as favorably as the position he holds. He is widely recognized as a first class businessman and industrialist. In fact, several outsiders incorrectly assumed that it was he who founded Huntsman Chemical, a misperception that clearly falls to his favor in this situation.

"That administration (Huntsman) has been wonderful. He helped us close the, well not close it because we are still finalizing, but the million square foot, two thousand employee project for West Jordan. He came to the table to help us before he even took office. That's what we have been looking for there forever."

"It is much better with Jon Huntsman, Jr. The reason is he is an industrialist, you know, his family. So he understands business. Jon Huntsman, Jr. has sat with three of our major clients, he understood the manufacturing processes involved in all three. It was a great discussion. We have never been able to do that there. I have never seen that. My statement to the world, now, is Utah is open for business."

Another said "I would say that in comparison to other states the way that it is administered in Utah is a positive. There is a perception or activism of government in helping business to grow and prosper."

There is a unique opportunity for any Governor as they have a disproportionate effect on both attracting and retaining businesses to an area. There appears to be, for the Governor however, an even greater opportunity because of his persona and his background in business.

The real challenge and the primary dictator of results will be if the Governor can prioritize and commit to the time to be an active and regular player in this arena. He appears to have the personal interest, but quiet rumblings, from several of the interviewees we spoke to, and from some RE-PEG members are that the Governor is already being "swallowed away" by other issues.

Unfortunately, in most instances relating to this issue, a stand-in has little or none of the same effect. And when the Governor commits, it has to be real and actionable or the effect can turn disproportionately negative.

"In fact I was trying to think who was Governor (Leavitt) when I was working on a project. I finished the project about a year and a half ago and we went to the Governors office to try to get some extra money to help us with a right-of-way acquisition and some other stuff that was off-site. He wasn't really receptive to helping us out at all and that kind of put a bad taste in our mouths. He, at one time, said 'Yeah that won't be a problem we will get that done' and then when it gets down to cutting the check to get it done, it wasn't there. It wasn't available so we actually wound up leaving one community and going to another."

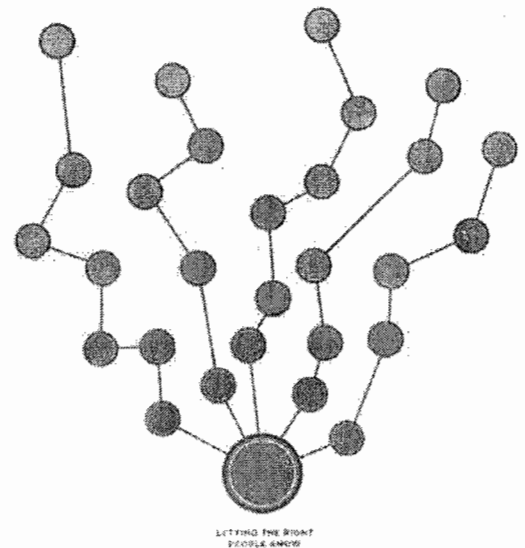
When asked about Governor Huntsman's commitment to this process, in a recent interview GOED Head Chris Roybal said, "The Governor plans to spend more than a week each month on economic development, which brings him closer to the program initiatives. I am here to make sure that we're properly using the Governor and his office to get involved in the economic development process."

Others who clearly have an ability to create singular impact to the decision process are Salt Lake County Mayor Peter Corroon, and some members of Utah's Federal delegation, although neither were identified specifically during our interview process.

The Skiing CEO

Another major opportunity that Utah possess, that many competitive states do not, is that the primary tourism activity in the state - skiing - attracts a number of business leaders who vacation among Utah's world-renowned alpine mountain resorts. In fact, one participant whimsically suggested that if Utah had as many CEOs who were interested in doing business in the State as they were in vacationing in Utah, the area's business climate might be far healthier.

Although it was said facetiously, it is a statement that deserves consideration. What if more CEOs that spent vacation time in Utah considered the State for



expansion. Couldn't it, or shouldn't it be at least a part of the messaging that occurs in the State's \$10+ million tourism marketing campaign? Wouldn't it make sense to offer "fam" tours not just to travel writers but perhaps to "skiing CEO's" as well?

"They are based in Hawaii, and they decided to put their mortgage operation out of Park City because the CEO loves Park City."

Added another who first thought of vacationing and later relocating to Utah when they saw it on the Olympics said, "One of the reasons we got the attention of (company) to come here was the Olympics. The CEO saw the Olympics were coming and saw all the press and all of that and said why don't we have an office in Salt Lake City?"

Where is the Point of the Spear?

One of the more interesting and opportunity-filled discoveries of the interviews centered upon how information is gathered by those considering Utah and the channels by which that information is gathered.

By all considerations, both those who were interviewed, and through peripheral discussions with RE-PEG members, felt that the best aggregation of information - at least from a starting point - for an interested party resides at edcutah.org (site of The Economic Development Corporation of Utah). However, the path that leads to edcutah.org is NOT the path you might expect and is littered with obstacles that may prevent the interested party from easily accessing information. See figure x.

We asked all of our survey participants the question: when you go to find information about Utah, where do you start?

Where is the first place? Like most anything else ... the Internet. In fact in more than 25% of the people we spoke to, had virtually made their decision of whether or not to come to Utah BEFORE they had ever spoken to an economic development professional.

"It may sound trivial but you just go to the internet. You go to economic development within the communities and that's where you start."

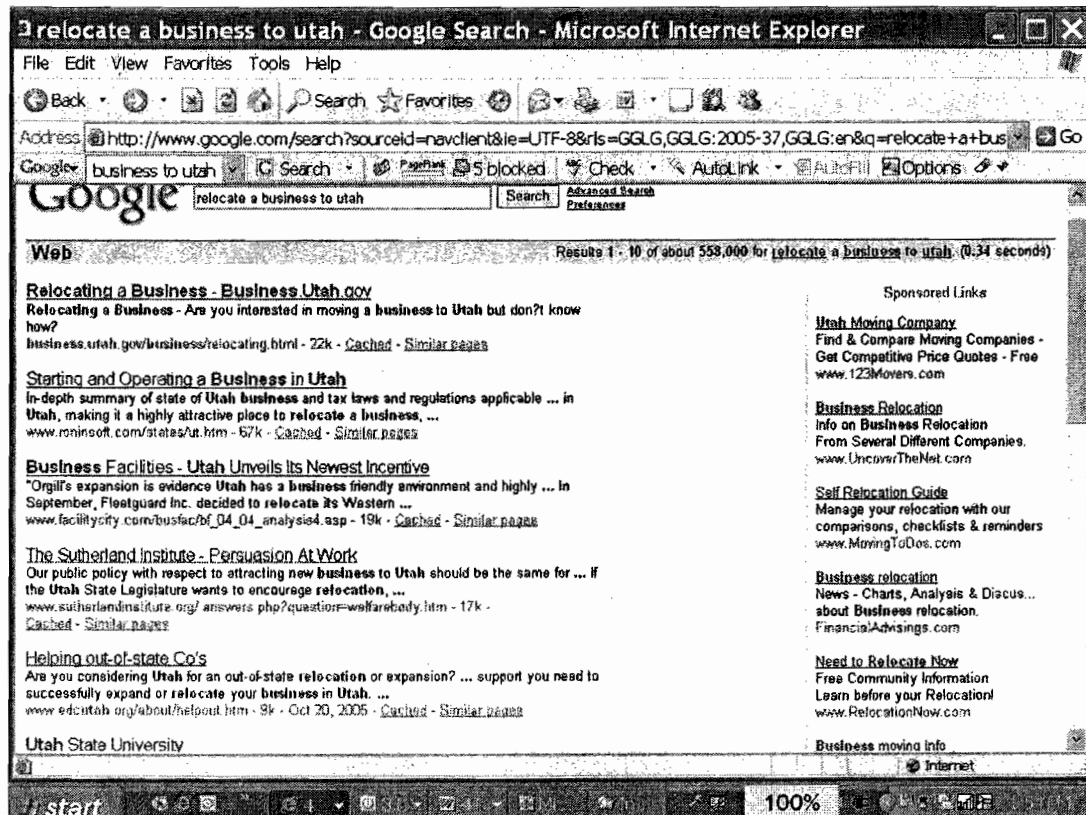
Another said, "In addition to the census, which is a great tool, you do a lot of this stuff by the Internet, you Google it, and you get as many answers as you would anywhere."

And another, "Everything seemed to start with the internet in all honesty. I would still be, I would be months behind where I am today if I had to come out here and start gathering all this information without the internet. I was looking at the Chamber of Commerce, I went to the real estate sites, I went to the Yellow Pages, and I just did Google searches."

"I use the Internet to find all of their economic development committees. I have gone to some real estate, like I used CB Richard Ellis at one point to look at real estate in the area. Those are just a few things. I am very statistically driven so I will gain stats on every city, every location, every state to the 'nth degree we have pages and pages of stats."

The Internet is so valuable in the early consideration set, that having the proper sites, (particularly edcutah.org optimized) seems critical. However, this is not the case currently. Today, the site fails basic search optimization goals meaning that when key words such as relocation in Utah, expansion in Utah, incentives in Utah, etc. are entered, the site does not appear highly in searches, and in many cases does not appear at all. Further, consideration for a branded relocation site that is more intuitive than edcutah.org (locateinutah.com) should be considered.

Search: Relocating a business to Utah:



Ironically, the site that fares far better in searches is the DBED site, something that is outdated in concept. Further, there are significant opportunities for the site to be hyperlinked with Chamber of Commerce and Commercial Real Estate sites.

A second common place for a prospect to go is to someone they have worked with before, a friend, a consultant or a site selector. This path is often the least obstructed to the EDCU information reservoir.

"Primarily the broker and our consultants did check with the state agencies to verify availability of incentives (or lack there) of plus I think some comparative wage rates for various kinds of jobs were gleaned from state agencies."

EDCU continues to battle left-over baggage resulting from lack of funding, lack of proper staffing, and ill-regard for the former Department of Business and Economic Development (DBED).

"I am just telling you, I mean not that I am not happy to talk about this, but the EDCU completely turned me off while I was there. There was a lady that was there, she is no longer there, who asked who I was working with on my project. I said we are working on a project, but I didn't tell her what it was, and I told her I was working with Dave Douglas with the state. She slammed Dave so bad and slammed the state agency and she was ripping the state and basically ripping me right there to my face and from that point forward I just had the worst taste in my mouth for the EDCU."

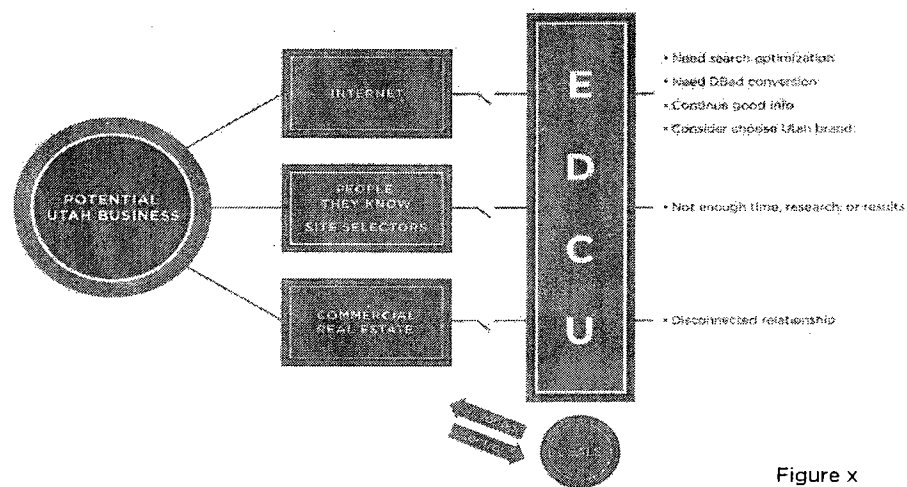


Figure x

The final critical "point of the spear" for potential Utah businesses is the realtors themselves. In fact, for both quantitative and qualitative information, they were, by far, the medium of choice.

"First a real estate agent and they took me around and introduced me to other people. I guess the main contact with the infrastructure that I had here again stemmed from the real estate agent."

Another said, "Yeah I don't really know what it has to offer besides the stuff that I know from Peggy (realtor) and how great I think it (Utah) is because of her. I mean other than that I couldn't tell you what else I know about Utah. There is not much."

And another, "Where we take our relevant information from -- I mean it depends on the realtor --because I have done the same analysis I think four times now and twice I have used a realtor and one time I was really impressed and the second time I thought well I could have done this on my own he really didn't add any value per say."

During this interview process that, in addition to the thirty interviews described, also included conversations with many RE-PEG and EDCU staff, there were several opportunities to improve the relationships between EDCU and the state's commercial realtors. On the whole, both to appear support one another and are committed to helping the State, and themselves succeed. However, there may be a thin layer of mistrust that stemming from EDCU's non-transparent management of leads and the real estate's limited tolerance for EDCU control in certain projects.

Getting by With a Little Help from Your Friends

Without question, the single best manner in which Utah can maximize its recruiting and retention dollars is to better target and emphasize building on-going relationships with people who are "friends" of the family, i.e. those who have chosen Utah previously. This is most relevant in the State and the commercial real estate industries' courting of national and regional site selectors.

Site selectors, that were interviewed, and others that were researched previously, are interested in a few basic things, namely: "make sure you have something real to sell; make my job easier; make me interested in having a business relationship; and market to me. In short, and in the words of two site selectors, "they could use a quarterback from Utah in their process."

"The biggest part is just getting it out there, making it public knowledge that Utah has these kinds of economic incentives available, they have a group that can coordinate it for you (because the paperwork itself is such a huge pain in the ass no matter where you go) it is always great to know that you have a group that will

streamline it for you. So just getting it out there that you are there and that it is available and making it known I think it is a huge deal.”

And while some were impressed with the efforts that EDCU primarily, and realtors secondarily had offered, there were many concerns. This was found to be particularly interesting given the site selector recruitment for this research was provided by EDCU and RE-PEG suggesting more generally favorable results might have been expected.

“There is a lack of economic incentive or EDC kind of interest, you know, really I don’t know how to describe it. The other cities that I deal with come to me all the time saying, ‘Who do you got, what can we do, please come down here, check out Orlando, check out Dallas, check out Atlanta, we want to host you for the weekend, we want to tell you what we can do for you. I have never ever once gotten that call from Salt Lake City or from the state of Utah. I didn’t even know they existed until my realtor and I were talking about doing this deal and she said I think we should talk to them.”

Another commented, “Utah never gets marketed to me. All the other states get marketed. Little cities like Stockton, California and Bellevue, Washington, everybody comes to us because they know we are site selection consultants along with numerous other consultants across the country. You are constantly getting solicitations from cities about what they are doing, and about their demographics, and how great the city is, and the local Mayor, and how great he is doing with the local government and how they are really pro-business. I have never gotten that from Utah.”

Another said, “I think the landscape has always been solid for us. If we need some assistance we kind of wander our way through the economic development communities or whatever people we have to, to get our answers and so forth.”

And of course, there were others who spoke favorably.

“Chris Roybal and his group at the Development Corporation. I can’t remember what they call themselves now, I’m sure we started with them. We have continuous communications with those folks.”

Another person said, "There is a gentleman who I have interacted with over the year. I met him through that Governor Leavitt advisory board. His name is Jeff Edwards. I would call Jeff if I needed some specific contact there."

However, let the seller beware! If you're going to play quarterback, you'd better have game.

"There is nothing worse than sending an economic development person to an office like mine and they are a dud. There is nothing worse. Because you are like 'oh boy that sucked'!"

SECTION V: CHALLENGES AHEAD?

During the course of the interviews, there were three different themes that presented as potentially damaging economic development issues in the current "time window."

Those themes were:

1. Growing concern over the financial stability of Delta Airlines and the potential damaging blow that could be delivered to Utah's air transport infrastructure.
2. Widespread availability of desired and viable pre-developed land sites.
3. Some noted concerns over Utah Power's inability to address growth and business concerns.

Darkening Skies Worries Business and Site Selectors

Salt Lake City is widely viewed by report participants as having a strong airport facility – many said it is a facility that is "bigger" than the city it serves. Said one, "The airport's been a real value here. I mean, it's more valuable here than the airport is for Boise."

Yet, that advantage is being partially shaded by the cloudy future of all airlines, most notably for Salt Lake City, Delta Airlines.

"I think we are concerned with how long Delta is going to be remaining there as a hub," said one participant.

Another added, "It is a good place from an airport standpoint as long as Delta doesn't go out of business. It is a nice airport and it seems to operate efficiently."

In all approximately 1/3 of those interviewed for this report expressed some concern over the potential for significant change in Utah's overall infrastructure due to Delta's mounting financial crisis. Seeming to confirm the old adage that "bad news travels fast," only one person noted that Delta had seemingly made

stronger commitments to Salt Lake City as it survived Delta's recent hub downsizing that signaled their overall presence in the Dallas area being reduced.

A different participant knew of Delta's expansion plans, but questioned Utah's air capabilities in Southern Utah. "From an airport standpoint you get out of Salt Lake City what do you have? You don't have much. St. George, Cedar City, have very small airports. But you know Delta has just announced an expansion program for Salt Lake City and I think all of this is good. I like the Salt Lake City airport."

All This Land, and Not Enough of It

Another interesting contradiction in themes occurred during participants' discussion of land availability in Utah. Many, if not most of those interviewed, agreed that Utah was blessed an advantageous geographic positioning on the map (particularly for distribution centers), and, because of the size of the state and the relative small population, a generous amount of available land. Yet, despite this abundance, the theme of "not the right land availability" was mentioned repeatedly.

"I was kind of surprised. I was looking for about 250 acres, which is a lot I guess from a small town. I probably only turned up eight to ten sites which really surprised me that they didn't have more, I mean it seems like everywhere in Utah there is underdeveloped land, but I believe there was a lot of it that turned out to be owned by I believe the government's bureau of land management."

"So I was kind of surprised that Utah didn't come up with more sites. I always kind of go back to -- and again I am comparing the West to the East -- but I know one of my friends in the Southeast will know every farmer in town. They know every land owner there is to know, so if there is a big project that comes through they can pull a match out and say, 'hey I am going to go talk to so and so and see if they want to get together and sell their property'. The economic development folks in Utah didn't really know all the big land owners in town and they just weren't quite as ready to go I should say."

Further examination reveals that the land issues center on several aspects of the Utah real estate marketplace. First, the strong influence of land developers – noted by two participants as a negative.

“It is a developer controlled market which has some negative connotations to it. The land is more prone to escalating land prices and to having restrictions placed on the property in terms of who can develop it and who has to be involved – so it is less desirable than markets where there is more just an open market of land you can go buy land and do what you want with it.”

Second, there were several comments about Utah’s lack of effective “plug and play” land sites – something that has now become a prioritized GOED initiative.

“Utah is putting in the certified sites program that is number one. That is an incentive that the state is going forward to force the communities to do it; along those lines. One of the problems in Utah right now is that there are no funding sources for infrastructure improvements.”

“The State has a good back-end program if the sites were available. For example, if I bring in a project out there we will go into a room with the state permitting departments and the lead person will bring every department head into that meeting.”

Said another, “the second most difficult item which the state and Economic Development Corporation of Utah just dealt with is something that I urged and re-urged them to put in a certified sites program. There are no good properties available in Utah to do the large projects.

And another said, “it is amazing how deficient that position is in the state of Utah. So you go out with a project, we would have done probably six or seven more projects in the state in the last two years, but we just couldn’t find the sites. Because the communities have not done their homework, nor has the state, nor have the marketing groups, the EDC to go out and pre-qualify physical properties, do the evaluations on them, so when people like us come along they are readily available and all the work is done on them. Utah has lost many projects over that variation and now they have implemented a certified sites program where these

communities, counties, etc. will have to go through this evaluation process of a physical property, if they don't do it they won't be shown."

And third, there were expressions that site development could not be limited just to areas that "nobody currently wants to go, hence their availability." It was suggested that at least some site preparation work must occur in areas with greater business and social appeal, i.e. Park City area, airport area, etc.

Losing Power?

We caution placing too much credence in this last issue, but it was mentioned by three separate participants so it made the list of potential threats. There has been some – one person noted a growing – dissatisfaction in PacifiCorp / Utah Power's ability to adequately "solve" expansion issues in some locations. It should be noted that the objections included issues surrounding power products and the manner in which they felt mistreated by the power company. In one instance, it was cited as the driving reason the company chose not to grow in Utah. Additionally, several interviewees suggested a more aggressive partnership between local power companies and economic development entities citing successful and attractive programs in other places.

"They are very important; in fact you get states like Texas and Louisiana and California where I have done some of these transactions where the utility providers will cooperate with the economic development incentives in order to get the companies there. Because they know that we depend on them a lot, some of the big electrical users and telecom users for example know that these people are going to be big clients of theirs so they often cooperate with the economic development process and provide funds in order to assist the company, to procure the company to come."

Once again, however, we caution there being too much read into these three instances as the overwhelming majority of others cited power, particularly as a cost of doing business to be at par or an advantage for Utah relative to competitive states.

"Electric power I don't remember the power companies I have worked with there but again my impression is very positive and we have had no trouble finding sites that we felt had good, reliable electric power, service too and at a reasonable cost."

Another noted, "You have a good utility network. You have an infrastructure both telecommunications and electric. Even gas that is very supportive of projects."

SECTION VI: WHAT'S NEXT?

As originally contemplated when the research for this report began, perhaps as important as the data gathered, is a need for the information to be moved into actionable steps that can positively influence their own businesses and their role of RE-PEG members in economic development throughout the State. Additionally, it is expected that this information will require updating semi-annually and that RE-PEG has a commitment to ensuring this happens.

Following review of this plan, RE-PEG members will participate in actively creating actionable tasks, sharing the results with targeted economic development influential's, sharing results with the public at large, and creating an on-going measurement and assessment mechanism as discussed.

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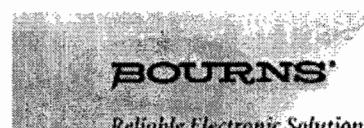


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