



Business Incentives: Consolidation EDS Case Studies

**Results:**

ADP was able to negotiate incentive packages for retention and expansion incentives at each location and supply the information back to the company for inclusion in their cost-benefit analysis. Using multiple data sources, including the incentive information, the company decided to consolidate to Rhode Island, allowing them to significantly reduce costs and eliminate redundancies that were causing high overhead.

\$12 million dollars over a 7-year period, consisting of training grants, property tax reductions, utility abatements, tax credits, and infrastructure grants.

MANUFACTURING COMPANY RECEIVES \$12 MILLION IN INCENTIVES TO CONSOLIDATE THREE EXISTING FACILITIES INTO ONE

- **Project Parameters:**
 - o Areas Under Consideration: RI, MA, and CT
 - o Project Location: Rhode Island
 - o Type of Project: Consolidation of Manufacturing Operations
 - o Capital Investment: \$32 million dollars
 - o Impact on Employment: Net loss of 150 employees
- **Issues:**
 - o Client had locations in each of the three states in consideration
 - o Needed to convince states that job retention was as important as the capital investment of the project
- **Results:**
 - o The manufacturer chose to consolidate to the Rhode Island facility
 - o \$12 Million incentive package

Issues:

A manufacturing client decided to reduce capacity by closing down two of its three Northeast locations. ADP had to convince the States that the retention of jobs was equally as important as the expansion portion of the project. Public perception of the plant closure needed to be handled with extreme care due to union issues.

Incentive Package	Credit Value
Reduction in Income Tax Rate (by 1%)	\$1,800,000
State Grants	\$3,000,000
Customized Training Grants and Credits	\$1,500,000
Investment Tax Credits	\$2,000,000
Utility Rate Reduction	\$1,330,000
Property Tax Reduction	\$1,100,000
Sales Tax Exemption	\$530,250
Technical and Engineering Services	\$380,000
Total	\$11,643,250

\$48.2 MILLION INCENTIVE PACKAGE NEGOTIATED BY ADP ALLOWS PHARMACY HEADQUARTERS TO MOVE ALL CORPORATE JOBS TO NEW YORK CITY

- **Project Parameters:**
 - o Areas Under Consideration: New York, New Jersey and Michigan
 - o Project Location: New York, NY
 - o Type of Project: Consolidation
 - o Capital Investment: \$600 million dollars
 - o Impact on Employment: Net gain of 2,000 jobs
- **Issues:**
 - o Where to locate 1,000 corporate jobs from an acquisition?
 - o Needed to reduce excess office space from acquisition
 - o NYC facilities had an ideal location, but much higher costs
- **Results:**
 - o Expand current NYC location
 - o \$48.2 Million incentive package

Issues:

As a result of a recent acquisition, a large pharmaceutical company was faced with a decision of where relocate more than 1,000 corporate jobs. The acquiring company maintained corporate headquarters facilities in New York City and in New Jersey. The acquired company maintained corporate headquarters and substantial office/R&D operations in Michigan and New Jersey.

The pharmaceutical company inherited millions of square feet of excess corporate office real estate in NJ and MI. By contrast, in New York City, the company had insufficient space and would need to acquire up to 650,000 square feet of additional Class A office space. The occupancy cost differential between New York City and New Jersey and/or Michigan was considerable. Further, any newly acquired space in New York City would require significant build-out costs. Property taxes in New York City were increasing by 18% as a result of the municipal budget shortfall. The company's obligation to its shareholders dictated that the location decision contribute to overall company performance, while meeting high standards of financial accountability.

Given the company's global HQ location in New York City, the ideal scenario would be to expand in New York City, but only if the operating cost gap between New York City, New Jersey and Michigan could be significantly reduced.

Results:

ADP secured a \$48.2 Million incentive package for the company in New York City consisting of: sales tax exemptions, property tax abatements, reduced electric utility rates, and outright grants. ADP remains involved in the ongoing implementation, administration and compliance of the incentive package. The company was able to provide shareholder value by reducing its costs of occupancy in New York City. New York City and New York State gained commitments for 2,000 new jobs (1,000 initial jobs, plus 1,000 in organic growth over 5 years) and capital investments of close to \$600 Million.

its can comprise multi-million dollar savings. Most state tax credits are calculated as a percentage of investment dollars or head count increases.

Incentive Package	Credit Value
Sales Tax Exemption	\$23,800,000
Electric Rate Reduction	\$13,000,000
Property Tax Abatement	\$10,000,000
Capital Grant	\$1,000,000
Training Grant	\$400,000
Total	\$48,200,000



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