MICHIGAN MUNICIPAL EXECUTIVES WINTER INSTITUTE

Joe Sobieralski
President & CEO
Battle Creek Unlimited
JOE SOBIERALSKI, MPA

Battle Creek Unlimited
• 2016 – President & CEO
• 2015 – Vice President

Prior to Battle Creek Unlimited
• Executive Director
  ❖ Southwestern Michigan Economic Growth Alliance
• City Manager
  ❖ Bangor, MI
• Village Manager
  ❖ Village of Stevensville, MI
Traditional economic development (factory and job chasing) is expensive, time consuming, and few and far between these days. A historical look at Battle Creek’s economic development efforts. From one of the most successful industrial parks in the nation, that includes foreign direct investment, to today’s paradigm shift with an emphasis on community development.
WHO WE ARE AND WHAT WE DO...

Battle Creek Unlimited (BCU) is a private, nonprofit 501(c)3, economic development corporation.

**Mission** - Build a strong community by driving strategic investment and job creation.

**Vision** - Engage the community to meet the economic opportunities and challenges of the future.

BCU guided the nation’s first and most successful military base conversion into the fully developed modern 3,000-acre Fort Custer Industrial Park.
HISTORICAL OVERVIEW

1969
Battle Creek first acquired abandoned military land 1,800 acres

1972
BCU Established 501(c)3

1974
BCU's first delegation traveled to Japan

1976
Customs Port of Battle Creek Designation

1978
Foreign-Trade Zone 43 Grant of Authority

1980
Battle Creek TIFA Established
HISTORICAL OVERVIEW
~CONTINUED~

1970's
24 New Companies

1980's
41 New Companies

1990's
55 New Companies

2000's
32 New Companies

2010's
YTD 13 New Companies

TODAY
85 Companies reside in the FCIP
1972 – The Master Plan was completed. BCU established their first office to market & manage the FCIP.

1973 – Embossing Printers, Inc. (EPI) & Archway moved into FCIP from landlocked antiquated downtown facilities.
Began Foreign Direct Investment Attraction

1974 - First delegation traveled to Japan
1976 – Battle Creek U.S. Customs Port of Entry was established.

1978 – The Customs Cargo Center facility was constructed with funding from the U.S. Department of Commerce Economic Development Agency and the City of Battle Creek Economic Development Commission Revenue Bonds.

1978 – The Foreign-Trade Zone 43: Grant of Authority was established.

1979 – The Customs Cargo Center was renamed and dedicated in honor of Frederick R. Brydges' ten-year tenure as Battle Creek's Mayor.
By the end of the 1970’s, the Fort Custer Industrial Park was home to **24 companies**.
1980 – The Kellogg Company announced plans to build a Research and Development facility in Battle Creek.
1981 – Public Act 450 – Tax Increment Financing, Battle Creek Tax Increment Finance Authority to become the first industrial TIF in Michigan.
1983 – The Kellogg Company broke ground for the Kellogg Company Headquarters in downtown Battle Creek.

1983 – Battle Creek and Battle Creek Township merged, growing the population from 35,000 to 56,000 and reducing city tax rates.
1984 – Cortez Customhouse Brokerage Co. leased space in the Frederick R. Brydges Customs Cargo Center.

1984 – Battle Creek’s Japanese Saturday School, which started in BCU’s conference room, was registered with the Ministry of Education in Japan.
1986 – Battle Creek Nippondenso was the first OEM facility constructed by Nippondenso in the U.S. The 500,000 sq. ft. Nippondenso facility was built on 65 acres for $104 Million.

Governor James J. Blanchard noted this was the largest Japanese investment in the State of Michigan.
By the end of the 1980’s, the Fort Custer Industrial Park was home to 41 companies.

While 7 companies expanded in the Fort Custer Industrial Park
1990 – The Regional Manufacturing Technology Center (RMTC) was constructed to provide innovative, community-driven training programs.

1991 – Battle Creek became the sister city location to Takasaki, Japan.

1994 – Western Michigan University College of Aviation broke ground on the nation’s first international school of aviation.
By the end of the 1990’s, Fort Custer Industrial Park became home to 55 additional companies. While 32 companies expanded in the Fort Custer Industrial Park.
2000 – The new decade started with a total of $46.9 million in private investment projects underway at nine (9) existing and two (2) new companies.

2003 – Denso Manufacturing announced back to back expansions, doubling its size – 1,300,000 million square feet.

2004 – The OC - 48 Ethernet Fiber Ring and sub-rings were completed, connecting downtown Battle Creek, Fort Custer Industrial Park, and the W.K. Kellogg Airport.

2004 – BCTIFA provided financing to facilitate ramp improvements at the W.K. Kellogg Airport to support Duncan Aviation’s expansion.
Battle Creek has a large military presence. BCU works in partnership with the military and strives to protect our military assets.

ANNUAL ECONOMIC IMPACT:
Over 175,000 service members
Approximately $100,000,000

2009 – An energetic downtown transformation began focused on adding beautiful streetscape, creating a stunning outdoor space, and updating building facades.

By the end of the 2000’s, Fort Custer Industrial Park became home to 32 additional companies.

While 20 companies expanded in the Fort Custer Industrial Park.
Year to date for the 2010’s, Fort Custer Industrial Park became home to 13 additional companies.

While 29 companies expanded in the Fort Custer Industrial Park.

From 2010 – YTD, the investment total in the Fort Custer Industrial Park is $977,323,556.13.

The Fort Custer Industrial Park is currently home to 85 companies, including 26 international companies – 19 Japanese firms.
To date - Battle Creek has the largest concentration of Japanese investment in the State of Michigan. There are 19 Japanese companies located in the Fort Custer Industrial Park.

There are roughly 500 Japanese firms in the entire State of Michigan that employ 50,000 Michiganders.

Of those 19 Japanese companies, they employ over 7,000 people in our community. Battle Creek’s population is 52,000.
ECONOMIC IMPACT

FCIP - 3rd Largest Industrial Park in the Midwest

Abandoned military base becomes Fort Custer Industrial Park – era 1970’s

Fort Custer Industrial Park Today – 85 businesses and over 13,000 employees

Average Salary $51K per Year
The park’s $5.0 billion in earnings support an additional $1.0 billion in indirect output in the city, resulting in a total economic scope of $6.0 billion in Battle
FIGURE 4. Fort Custer Industrial Park Direct and Indirect Employment by Region, 2016

FIGURE 3. Fort Custer Industrial Park Direct and Indirect Earnings by Region, 2016 (millions)

- Battle Creek: $369 (Direct) + $86 (Indirect) = $455
- Calhoun-Kalamazoo: $553 (Direct) + $452 (Indirect) = $1,005

Note: Earnings totals do not include temporary worker earnings.
FIGURE 2. Fort Custer Industrial Park Direct and Indirect Output by Region, 2016 (millions)

## TABLE 2. Fort Custer Industrial Park Fiscal Scope by Jurisdiction, 2016

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Property</th>
<th>Sales</th>
<th>Income</th>
<th>Total Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Battle Creek</td>
<td>$930,838</td>
<td>$0</td>
<td>5,599,429*</td>
<td>$6,530,267</td>
</tr>
<tr>
<td>Education**</td>
<td>$5,966,311</td>
<td>$0</td>
<td>$0</td>
<td>$5,966,311</td>
</tr>
<tr>
<td>Calhoun County</td>
<td>$524,329</td>
<td>$0</td>
<td>$0</td>
<td>$524,329</td>
</tr>
<tr>
<td>State of Michigan</td>
<td>$1,610,307</td>
<td>$35,727,244*</td>
<td>$61,206,802*</td>
<td>$98,544,353</td>
</tr>
</tbody>
</table>

*Does not include sales or income tax revenue attributed to temporary workers.

**Includes Battle Creek and Lakeview School Districts, Calhoun ISD, and Kellogg Community College.

PROMOTIONAL VIDEO

FCIP!
MODERN DAY LOOKBACK

The world began to change exponentially, but we did not.

INDUSTRIAL REVOLUTION

1st Revolution
The industrial revolution begins. Mechanization of manufacturing with the introduction of steam and water power

2nd Revolution
Mass production assembly lines using electrical power

3rd Revolution
Automated production using electronics, programmable logic controllers (PLC), IT systems and robotics

4th Revolution
Autonomous decision making of cyber physical systems using machine learning through cloud technology
Technology

MODERN DAY LOOKBACK
~CONTINUED~

Industry 4.0 - Technological pillars

- Cognitive Computing
- Cybersecurity
- Cloud Computing
- Mobile technologies
- Machine To Machine
- 3D Printing
- Advanced Robotics
- Big Data/Analytics
- Internet of Things
- RFID technologies

Technology
MODERN DAY LOOKBACK
~CONTINUED~

People are mobile – population shift

Higher education – 20 to 30 years of degreed people

Economic shifts – FDI

Rise in the millennial effect

Labor – low unemployment – labor participation rates

Amazon

Recession of 2007
MODERN DAY LOOKBACK

FACTORY + EDUCATIONAL INSTITUTE

LEARN HOW TO WORK ALONGSIDE ROBOT

CREATIVITY & PROBLEM SOLVING SKILLS

VOCATIONAL & TECHNICAL COLLEGE

CULTURE CHANGE

TECHNOLOGY IN CLASS ROOM & FACTORY

DATA ANALYTIC SKILL NEEDED

WORKFORCE 4.0

EDUCATION, TRAINING & WORKFORCE

CONTINUOUS ON JOB TRAINING

LIFE LONG LEARNING

more STEM education

University

LABOR MARKET NEED
OEM’S ARE SHIFTING TO THE SOUTH

<table>
<thead>
<tr>
<th>EST.</th>
<th>OEM</th>
<th>FACTORY LOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>Honda</td>
<td>Marysville, OH</td>
</tr>
<tr>
<td>1983</td>
<td>Nissan</td>
<td>Smyrna, TN</td>
</tr>
<tr>
<td>1986</td>
<td>Toyota</td>
<td>Georgetown, KY</td>
</tr>
<tr>
<td>1988</td>
<td>Subaru</td>
<td>Lafayette, IN</td>
</tr>
<tr>
<td>1989</td>
<td>Honda</td>
<td>East Liberty, OH</td>
</tr>
<tr>
<td>1992</td>
<td>BMW</td>
<td>Greer, SC</td>
</tr>
<tr>
<td>1993</td>
<td>Mercedes-Benz</td>
<td>Vance, AL</td>
</tr>
<tr>
<td>1995</td>
<td>Hino</td>
<td>Williamson, WV</td>
</tr>
<tr>
<td>1996</td>
<td>Toyota</td>
<td>Princeton, IN</td>
</tr>
<tr>
<td>1999</td>
<td>Honda</td>
<td>Lincoln, AL</td>
</tr>
<tr>
<td>2002</td>
<td>Hyundai</td>
<td>Montgomery, AL</td>
</tr>
<tr>
<td>2003</td>
<td>Toyota</td>
<td>San Antonio, TX</td>
</tr>
<tr>
<td>2003</td>
<td>Nissan</td>
<td>Canton, MS</td>
</tr>
<tr>
<td>2008</td>
<td>Honda</td>
<td>Greensburg, IN</td>
</tr>
<tr>
<td>2009</td>
<td>Kia</td>
<td>West Point, GA</td>
</tr>
<tr>
<td>2010</td>
<td>Tesla</td>
<td>Fremont, CA (site of the Toyota/GM NUMI factory)</td>
</tr>
<tr>
<td>2011</td>
<td>Toyota</td>
<td>Blue Springs, MS</td>
</tr>
<tr>
<td>2011</td>
<td>VW</td>
<td>Chattanooga, TN</td>
</tr>
<tr>
<td>2016</td>
<td>Karma Automotive</td>
<td>Moreno Valley, CA</td>
</tr>
<tr>
<td>2017</td>
<td>Mahindra</td>
<td>Detroit, MI</td>
</tr>
<tr>
<td>2018</td>
<td>Volvo</td>
<td>Ridgeville, SC</td>
</tr>
<tr>
<td>2018</td>
<td>Mercedes-Benz</td>
<td>Ladson SC</td>
</tr>
<tr>
<td>2018</td>
<td>Hino</td>
<td>Mineral Wells, WV</td>
</tr>
<tr>
<td>2020</td>
<td>Rivian</td>
<td>Normal, IL (former Mitsubishi factory)</td>
</tr>
<tr>
<td>2020</td>
<td>Lucid</td>
<td>Casa Grande, AZ</td>
</tr>
<tr>
<td>2021</td>
<td>Mazda</td>
<td>Huntsville, AL (JV with Toyota)</td>
</tr>
<tr>
<td>TBD</td>
<td>Faraday Future</td>
<td>Hanford, CA</td>
</tr>
</tbody>
</table>
OEM’S ARE SHIFTING TO THE SOUTH

Marvin T. Runyon, right, president of Nissan U.S.A., waves to Nissan workers as he drives "Job 1" off the assembly line at the new Nissan plant in Smyrna on June 16, 1983.

December 1985: Toyota announces Kentucky will be the location of its first wholly owned U.S. automotive manufacturing facility.

Boeing’s labour problems

Moving factories to flee unions

An example of “anti-union animus”? Why are these Southern downtowns seeing a rebirth?

Study highlights lack of fair access to urban green spaces

ESSAY

HOW THE SOUTH USES ITS ‘ANTI-UNION ARSENAL’ TO KEEP WORKERS FROM ORGANIZING

At a Mississippi Nissan Plant, New Global Owners Wield Old Local Politics Against the United Auto Workers

How turning Ellsworth into an ‘experience’ revived its downtown

Six systems in 7 years and Michigan students still lag.

Now comes A to F. Volkswagen to build electric vehicles at Tennessee plant

Study: Access to urban green spaces favor the rich, educated

Higher income improves life rating but not emotional well-being

by Princeton University
WE UNINTENTIONALLY TOOK OUR EYE OFF THE BALL

• We’re behind and exponentially need to catch up
  • Deploying resources in a non-traditional way
  • Administrative turnover (value in longevity)
    • Desired work environments/flexibility
  • Collaboration
PARADIGM SHIFT – WHAT ARE WE DOING?

- No-strings attached approach
- Timing
- Next generation technologies

Workforce  Housing  Mobility
Education  Places  Small Business
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

WORKFORCE

Manufacturing Consortium

FORD NGL*

*Also fits under education
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

EDUCATION

May 5, 2018

$51,000,000, for education
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

HOUSING

Heritage Tower
$32.3 Million Project with housing
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

PLACES

Unconventional RFP’s

Brewery

Restaurant

Arts & Entertainment?

ARE YOU NEXT?
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

Proven Results:

$200,000 Incentive = $3,850,000 Investment

$200,000 Incentive

= $1,700,000 Investment for Mixed Use & Brewery

+
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

MOBILITY
PARADIGM SHIFT – WHAT ARE WE DOING?

~CONTINUED~

SMALL BUSINESSES

NORTHERN INITIATIVES
Money and Know How

SECONDMUSE
PROMOTIONAL VIDEOS

Battle Creek Live
BATTLE CREEK, MICHIGAN

Battle Creek Works
WELCOME TO BATTLE CREEK MICHIGAN

Battle Creek Play

LIVE!

WORK!

PLAY!
CLOSING/TAKEAWAYS

Times have changed, and the world will continue to exponentially change.

The days of only focusing on primary employment are not over, but few and far between with labor situations and market size.

You must simultaneously focus on both primary recruitment and community development.
It's costly (both with human and capital resources) to catch up.

It requires public private partnerships and buy-in from everyone to be successful.

At the end of the day, we are all working at the speed of light towards a common goal with fewer and fewer recourses, both human and capital.
THANK YOU!

Joe Sobieralski, President & CEO
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