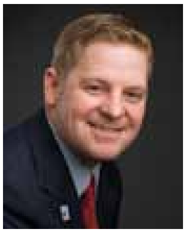
Reshored Manufacturing: Financing our Next Great Economic Opportunity



Toby Rittner,
President & CEO
trittner@cdfa.net

For the last two years, economic indicators have pointed to a new and exciting trend in manufacturing called "reshoring." Reshoring refers to the act of manufacturers bringing companies back to the United States, the opposite of the offshoring epidemic that has taken place over the past two decades.

Offshoring occurred in the 1990s and 2000s for numerous factors that ultimately led manufacturers to determine they could do business less expensively overseas. The cost of labor, raw goods, increased taxes, expensive land, machinery and equipment, and favorable oil prices all conspired to support offshoring. The global market was more competitive for most manufacturers, and moving jobs and plants overseas was commonplace.

Today, the global economy has changed the equation for business. American manufacturers created new jobs in 2011 for the first time since the late 1990s. A survey by the Boston Consulting Group found more than one-third of U.S.-based manufacturing executives at companies with sales greater than $1 billion either planning or considering bringing production back to the United States from China.

From wage and raw materials increases to transportation and product quality concerns, it is now estimated that manufacturing in America is net positive for companies. Since 2000, the cost of crude oil has nearly tripled from $36 to an average of $95 per barrel in 2012.[i] The cost of land overseas has increased while availability has decreased, and access to a trained and skilled workforce has witnessed renewed importance to manufacturers.

The ability for small and mid-sized manufacturers to compete and operate an affordable business in the U.S. has created a perfect opportunity for the reshoring of manufacturing. Even large foreign firms, including Toyota, Honda, Siemens, and Rolls Royce, have announced plans to increase U.S.-based production and export their goods overseas.

The reshoring of manufacturing is taking place throughout the country, and the development finance industry will play a major role in this effort. CDFA is poised to take on part of this challenge. In 2012, CDFA wrote the American Manufacturing Bond Finance Act. This important piece of legislation will reform tax-exempt manufacturing bonds and allow state and local issuers to support manufacturers through favorable financing options. You can learn more about the act in this edition of *Perspectives* and online at www.cdfa.net. CDFA is actively working towards introduction in Congress and eventual passage in 2013.

CDFA is also playing even more important roles as we take advantage of the reshoring opportunities facing our country. Notably, by exploring and educating communities on how we finance manufacturers in today's economic climate.

In December, CDFA officially announced a new, four-part "Reshored Manufacturing Webinar Series" that will educate our industry on the best practices, resources, case studies and strategies for supporting this important trend. The series will be delivered online over the course of four months, with one webinar each month.

This webinar series is unique in that we will address how to finance the needs of reshored manufacturers, assemble land, recruit vendors, and develop workforce strategies. From the co-location of reshored vendors within a tight geographical district to the redevelopment of outdated industrial parks, a number of state and local governments have created unique solutions to the reshoring opportunity.

However, many states and thousands of local communities are unprepared for the economic potential of reshoring. A lack of developable land, unfavorable zoning, expensive energy supplies, and the general failure to provide meaningful financial incentives is holding back countless communities.

The argument for participating is simple, the communities and states that build the most efficient and effective delivery system for assisting reshored manufacturers will succeed, while those that ignore this great opportunity will fail. Our great American cities are poised to take advantage of one of the biggest influx of new business expansion in decades, and I encourage you all to take part in CDFA's efforts to support reshored manufacturing.

[i] Source: InflationData.com

Tax-Exempt Bonds to Drive Restoration Post-Sandy

Hurricane Sandy struck the Eastern Seaboard during the first week of November with devastating effect. The most recent estimates place the damage to New York and New Jersey above $70 billion , and the MTA has an estimated $950 million shortfall in rehabilitation costs after factoring insurance and grants. These figures do not include the costs of proactively constructing infrastructure capable of mitigating the impacts of future storms—remember that Sandy is the second consecutive year that the area was affected by a hurricane.

CDFA has called on Congress to create a special allocation of tax-exempt bonds to assist states, municipalities, and private businesses with the costly business of repairing the storm-related damage inflicted on the region. Hurricane Sandy Recovery Bonds would provide lower-cost financing for the necessary rehabilitation, equipment, and construction costs that must now be borne by companies in the recovery area.

> It is time for Congress and the municipal bond industry to work together again to help the country recover from an economically-damaging disaster.

This proposal is not an original idea—Congress has approved special allocations of tax-exempt bonds following most significant domestic disasters over the past 12 years. The September 11, 2001 terrorist attacks and the Heartland floods are two examples, while the Gulf Opportunity (GO) Zone Bonds created in response to Hurricane Katrina are the strongest version to date. GO Zone Bonds were an allocation of $14.9 billion in tax-exempt private activity bond authority and $7.9 billion in advanced refunding bonds and the Government Accountability Office found that the bonds were used efficiently.

It is time for Congress and the municipal bond industry to work together again to help the country recover from an economically-damaging disaster. Hurricane Sandy Recovery Bonds would facilitate the financing of critical transportation infrastructure, energy generation and back-up facilities, and business construction and equipment costs.

Join CDFA in making this appeal to Congress. Get engaged at www.cdfa.net.