

Sabre Industries Expansion Project

By Martin J. Dougherty

GROWTH OF ADVANCED MANUFACTURING IN THE HEARTLAND: RETAINING A MAJOR EMPLOYER IN SIOUX CITY, IOWA

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sabre industries

EXPANSION PROJECT

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the decision by Sabre Industries to build a new 150-acre campus facility in Sioux City, Iowa, and the challenges overcome throughout the process, illustrate key elements of a comprehensive and innovative approach to economic growth in a medium-sized community. This expansion project also highlights the success and improving potential of American advanced manufacturing.

Critical components of the Sabre story include 1) the importance of a long term strong relationship between economic development and company officials, 2) the need for long-term planning and pro-active investment in industrial-scale infrastructure and quality shovel-ready sites, and 3) the sometimes highly competitive nature of site selection decisions and how creative solutions can solve key challenges.

The ribbon-cutting for the new Sabre campus, located in Sioux City's new Southbridge Business Park, was held in January, 2013. The multi-phase expansion includes seven buildings in the first phase, including a 192,000 SF manufacturing building and an office building. Initial plans include an investment of \$28 million and 532 jobs.

SIOUX CITY

Sioux City is Iowa's fourth largest city, with a population of 85,000, and is located along the Missouri River in the northwest corner of the state. Situated in the heart of some of the nation's richest and most productive farmland, Sioux City has been traditionally home to a diverse range of food processing businesses with household names such as Morrell, Tyson, Jolly Time Popcorn, and Sioux



Sabre Industries campus in Southbridge Business Park.

Bee Honey. The community has faced its share of economic challenges through the decades, including the closing of the Sioux City Stockyards, once one of the country's largest livestock markets. The city is a regional center for healthcare, retail shopping, as well as entertainment and cultural activities. However, as is often the case with the state of Iowa itself, the legacy of manufacturing and the export of manufactured products, is sometimes overlooked as a major element and strength of the local economy.

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SABRE INDUSTRIES

Sabre began in Sioux City in 1977. Building upon the traditional manufacturing work ethic and strength of the region, as well as a unique history of tower manufacturing in the community, Sabre has evolved into a leading global manufacturer of steel communication and electric transmission towers. The growth of the cell phone industry has created a large demand for communication towers, both in the U.S. and around the world. In addition, the aging of the "power grid" and the need for new trans-

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mission lines to serve changing markets and new sources of energy has driven increased demand for the high quality steel towers of the type designed, engineered, and manufactured by Sabre. The company now has facilities in Sioux City; Alvarado, Texas; Elwood City, Pennsylvania; and Bossier City, Louisiana.

LONG-TERM RELATIONSHIP

During a business retention and expansion visit and subsequent conversations in 2008, about five years prior to the ultimate expansion decision, city economic development staff first became aware of the company's growing need for new space. The company had begun considering several different options including moving the corporate office space to another state. In response to the need for more overall space, the company began to lease available space in other locations around the community. The city economic development team immediately began working with the company to find solutions to meet its needs. A variety of prime office locations were shown to the company; however, after its initial search, Sabre decided to postpone a major decision regarding new facilities.

Over the next several years, city economic development officials stayed in close contact with the company as it was sold to a New York-based private equity group and word spread of the company's intentions to consider various options to meet its projected growth, even if it meant relocating the entire Sioux City operation to another location. The city and its partners worked diligently to stay in contact with the company and to make sure its needs were being met as the company grew at an increasingly rapid pace and to demonstrate to local and New York decision makers that Sioux City was the right place for Sabre's next expansion.

In 2010, the city leased some outdoor storage space near the city's airport to allow for some breathing room on Sabre's site. In the summer of 2011, the city and the company faced a new and unusual challenge as unexpected flooding occurred along the Missouri River, near the company's facility. The city worked closely with local executives to ensure the company was well-prepared for any potential impacts from the flooding. Although Sabre's facility was never directly impacted by the localized flooding, the company nevertheless made the decision to temporarily relocate its entire operation to leased space in several locations throughout Sioux City. City engineers

worked closely with Sabre to ensure its needs were being met during this difficult time, and the city assisted in the location of temporary space.

SHOVEL-READY

Sioux City's location in the Loess Hills of western Iowa creates many scenic views but provides limited opportunities for large flat sites of the type needed for larger-scale industrial facilities. Most of the available land for larger sites had already been developed. Recognizing this need, the city began a committed effort to find and develop a new business park with larger shovel-ready sites. This led to the development of the Southbridge Business Park, with initial planning studies that began as early as 2006.

Southbridge is strategically located just south of the Sioux City Airport ("Sioux Gateway"). The area is ideally suited for industrial development, located along and adjacent to Interstate 29, with rail service and several thousand acres of developable land. The city has taken a number of pro-active steps to further this new development over the past few years.

In 2009, the city acquired and annexed over 400 acres of land. The city constructed a new \$35 million water treatment plant and well system (completed in 2012), as well as new utility lines to serve the business park and other growing areas of the community. A critical issue was the need to construct a new major north-south access road into the area. Working with the Iowa 185th Air National Guard, and with assistance from the Iowa DOT, the solution was to relocate the existing airport access road out of the airport area. This had an additional benefit of improving access and security to one of Iowa's two Air National Guard bases. The new street (now named "Southbridge Drive") was opened in 2012, and provides excellent access to the Interstate and other new streets in the business park.

The city's development efforts received financial assistance through several grants including a \$4.8 million Iowa DOT RISE grant, a program that provides funding for transportation improvements that further economic development. The utility improvements received both grant funds and financing through an Iowa state revolving loan fund.



Aerial photo of Southbridge Business Park, Sioux City, Iowa.



Sabre Industries, Inc. ribbon cutting on January 17, 2013 at Southbridge Business Park in Sioux City, Iowa.

The timing of the new business park proved to be a critical element in Sabre's ultimate decision to build its new campus facility. Prior to the construction of Southbridge, the city did not have an available site large enough to accommodate the company when the decision was made to relocate the entire facility to a new site.

SITE SELECTION PROCESS

Sabre's projected growth led to a decision by the company to build a complete new 150-acre campus facility, rather than an expansion of its current property, or construction of a second facility, which had been considered as options. It began a national search for the ideal community in which to expand its operations. City Council and city staff were committed to assisting Sabre Industries with their need to expand by providing creative solutions to meet their needs. With manufacturing facilities in Iowa, Texas, Pennsylvania, and Louisiana, the company looked at several locations across the country. City officials made it a priority to provide Sabre with land, financial resources, and a dedicated and highly trained workforce for its successful expansion. The new campus facility would benefit both Sabre and Sioux City by providing the capacity necessary to meet future demand along with a sizable, highly-skilled and technically-sophisticated workforce; and contribute to Sioux City's overall business attraction initiatives.

In late 2011, the city learned that Sabre had hired Cushman Wakefield of Dallas to administer the site selection process. The city competed for several months with several locations across the country for an expansion project valued at nearly \$28 million. Also at stake were the estimated 532 jobs, more than doubling the number of 208 existing employees.

CREATIVE SOLUTIONS

Sioux City's economic development team was extremely creative in its compilation of an incentive package for the project. Listening closely to Sabre's needs, the city and its partners addressed each in some way.

Partners involved included the city, the state of Iowa, The Siouxland Initiative (the regional EDO), MidAmerican Energy, and Western Iowa Tech (community college). The city provided the necessary 150 acres, fully-equipped with all utilities and close Interstate proximity. Two major streets were paved and water and wastewater connections were designed and constructed to meet Sabre's short timeframe. By using tax-increment financing, the city was able to provide the land at no cost to Sabre, as well as provide funds to the city-owned airport (which previously owned a portion of the site).

Economic Development staff worked with the Iowa Economic Development Authority for assistance through the state's High Quality Job Creation Program. In addition, the state's unique "Targeted Jobs Withholding Tax Credit Program," available for border communities, was also used to support the project. "We're excited because Sabre was one of the first calls I made after the election in 2010," stated Iowa Governor Terry Branstad, "... we hit the ground running. Sabre was courted by several other states, including LA, OK, NV, NE, and TX and they all aggressively competed for this project, but I'm proud of the cooperation of the community and that we were successful."

As Sabre narrowed its search, it became apparent that other states had offered larger incentive packages to lure the company to build in other locations. At that point, the city took the aggressive step of offering to purchase the company's existing Sioux City facilities. This \$2 million transaction, again made possible through the use of tax increment financing, allowed the city a vehicle to provide needed upfront cash to the project. At the same time, the city would acquire an asset that could be sold later to an economic development prospect. The city currently owns the 40,000-square-foot building and adjoining 16 acres, which were leased back to Sabre until the end of 2013 during the transition to its new campus. The property is drawing considerable interest due to the short supply of available manufacturing space in the Sioux City metro area.

Aside from financial assistance, the city provided technical assistance every step of the way to make sure construction stayed on Sabre's tight six-month schedule. The city formed a team to hold weekly construction meetings to ensure fluid communication among project engineers,

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contractors, and the city's engineering, planning, and inspections staff, and to expedite approval of site and construction plans for the seven separate buildings in the first phase of the project. Brian Newberg, Sabre vice president & general manager, put it this way: "Finding a partner like we did with the team of the City of Sioux City, The Siouxland Initiative, and the State of Iowa to say here is the plan, here is what we would like to do, here is where we would like to do it, and they were all on board, they were right with us and they were a wonderful partner."

Sabre began in Sioux City, and the performance of the local workforce is critical. The Sabre campus is home to a wide range of employees with various skills. The company designs, engineers, and manufactures a complete line of tower structures for wireless and utility customers. Addressing the decision, Peter Sandore, CEO & president of Sabre Industries, stated "Why Sioux City? Reaction time, the package offered including incentives and land, and a great local management team so we felt we could be a more efficient facility than if we had to build a new team in another area."

Nevertheless, the ability to meet the need for a significant number of new employees, including a substantial number of qualified welders, was a concern. Recognizing the critical element that the workforce would play, the city partnered with the state of Iowa and Western Iowa Tech Community College (WITCC) to provide a training package and customized welding program for the newly created jobs. The four-week program features a seamless orientation plan that is strong in both blueprint reading and safety. WITCC's dedication and flexibility to assist local employers expand operations reflects the outstanding training and workforce opportunities available in Sioux City. In addition, the state's premiere New Jobs Training program (260E) provided financial assistance with training and initial employee costs.

Finding solutions to augment the existing quality workforce provided a clear edge. As stated by Sabre CEO Peter Sandore: "When we looked at the people and the work ethic, what we went through here a year and a half ago moving the whole facility across town, working



Local, state, and elected officials were joined by the president/CEO of Sabre Industries and president of Clean Line Energy on 2/17/14 to announce an agreement designating Sabre as a preferred supplier of transmission structures for the Rock Island Clean Line transmission project.

24/7, you really believe that what happens to make these things successful is people."

PROJECT IMPACT

The Sabre project will most certainly provide a range of positive local, regional, and state economic development effects, both direct and from the overall ripple/multiplier effect from new employment and capital expenditures, including construction, site operations, fiscal benefits, and local spending. Sabre's development team has indicated the new facility will generate increased demand for numerous specialized business services within the local economy. The metro area is beginning to see an increased need for new housing, as the city, like many medium-sized Midwestern communities, did not experience the overbuilding that occurred in many parts of the U.S.

The future of American manufacturing is closely tied to the skill levels of American workers. Customized training through partnerships between colleges and business, supported with training funds, can allow businesses to compete, particularly in advanced technology manufacturing. Companies like Sabre combine elements of design and engineering with skilled manufacturing to compete successfully in a global marketplace.

Company executives identified Sioux City as a much-valued asset as the number of positions has grown from the previously existing 208 employees to nearly 500 today. Sabre's Sioux City operations include executive management, administration, sales, operations, human resources, welding, manufacturing, and shipping and receiving. The multi-phased expansion project has a capital investment valued at nearly \$28 million and is likely to go much higher.

Company officials have already begun plans for future phases of expansion in Sioux City due to their rapid growth, including an on-site expansion of their manufacturing capacity and a new building for additional parts storage. Additional future phases may include a galva-



Interior of Sabre Industries, Inc.

nizing facility, further adding value to the type of products that can be produced. This type of facility will likely serve other companies as well.

Sabre Industries is the first company to move into the new Southbridge Business Park. A ribbon cutting with Iowa Governor Terry Branstad, Lt. Governor Kim Reynolds, Sabre executives, and state and city officials was held on January 17, 2013 to unveil Sabre's new state-of-the-art facility.

CONCLUSION

The overall approach taken to the Sabre expansion project in Sioux City, Iowa, is replicable and can be adapted for use in other places. Traditional economic development practices, including a strong business retention program, and investment in quality sites with industrial-scale infrastructure must be in place to be competitive and support successful economic growth. Communities must identify companies with growth potential, be aware of their needs, and assist those companies to find solutions over the long term.

This project however also highlights the need to be innovative to address critical challenges such as the ability to strategically apply local and state financial resources as needed. It also demonstrates the growing need for an increasingly skilled workforce. This also must be addressed with multiple and creative solutions, such as the

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customized training programs offered by community colleges. However, the effort to address the skills gap must also find its way into local schools at an earlier level.

Sabre's products are designed, engineered, and built in the United States and sold nationally and internationally. The company's products serve key growth areas of the economy, including communications and energy. Projects such as the Sabre expansion demonstrate that American mid-sized communities, skilled workers, and businesses can compete successfully in the global marketplace. ☺

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