

Behind the deal: Why Nestle picked Arizona for its manufacturing plant

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NESTLE

A rendering of the 630,000-square-foot manufacturing facility Nestles plans to build in Glendale.

Food giant Nestle USA revealed its plans earlier this year to build a 630,000-square-foot food and beverage manufacturing plant in the Phoenix metro.

The famous brand said it will invest \$675 million and bring 350 new jobs to the Glendale area with its plant, which will produce creamers for Coffee Mate, Coffee Mate Natural Bliss and Starbucks brands.

The announcement came after Nestle purchased about 150 acres in 2021 between Northern Avenue and Northern Parkway near Reems Road at the Woolf Logistics Center, a 1,340-acre industrial park known for attracting beverage makers.

The project received support from Gov. Doug Ducey and is one of the biggest investments announced this year for Glendale, which has already landed millions of square feet in industrial projects, including manufacturers Mark Anthony Brewing, the maker of White Claw, and Rauch North America Inc.

Both the city and Maricopa County also gave their support to create a Foreign Trade Zone site on Nestle's property, which is a popular way for Valley cities to attract business and could qualify Nestle's site for a 71% annual reduction in property taxes. The Arizona Commerce Authority said Nestle could also receive \$7 million in state incentives for investment and job creation.

'Strong opportunity for investment'

Many economic development projects are announced long after the companies begin their initial search for a property that best fits their needs for a new facility, as was the case for Nestle, according to public records recently obtained by the Phoenix Business Journal.

Before its announcement, Nestle had been searching for a site in multiple states for a few months before picking Glendale. City economic development leaders also hosted company executives multiple times and pitched its current employers, infrastructure and the city and West Valley's growth, businesses, costs, education and workforce to try to win the company over.

Nestle said it already had a presence in Arizona with Nestle Purina Pet Care and Nespresso. Its other beverage factories are located in central areas for its Midwest, East Coast and Southeast customers.

"While we considered other locations, ultimately Glendale offered a strong opportunity for investment and growth, given its proximity to our West Coast customers, business environment, and availability of a skilled workforce," a Nestle spokesperson said in an email.

Construction on the facility started this year, and production is set to start in 2024, the company said. Boldt is the general contractor.

How the deal came together

Through codename Project Raven, Nestle started its formal search for its new manufacturing facility in Arizona in February 2021, according to redacted public records obtained from the city of Glendale.

The Arizona Commerce Authority and Greater Phoenix Economic Council assisted in the process and contacted Arizona municipalities with specific requirements the company needed, including rail served property being "an absolute must."

Nestle also provided its initial proposal and perimeters for its new plant, which included a 400,000 square-foot facility with room for future expansion on 75 acres, 220 phase one jobs with an average wage of \$45,000 and a capital investment of \$450 million.

Nestle's initial utility and infrastructure needs included 30-foot clearance with heavy industrial zoning and utility availability by Q2 2022. Its power requirement would also total 23 megawatts by 2026 at full build-out.

Food and beverage manufacturers also have to secure a lot of water resources for their facilities. Nestle listed its initial requirements for water demand as an average of 1.5 million gallons of water use per day or a maximum of 2.3 million gallons per day, or between 547.5 million and 839.5 million gallons annually. This is equal to average annual water use of 5,040 or 7,728 Arizona homes.

Its average wastewater use was listed between 1.2 million to 2 million gallons per day, or about 438 million to 720 million gallons annually. By March of 2022, the city's economic development director told council members that the facility's water use would require 768,000 gallons per day on average by 2026 and require 1.5 million gallons of water per day during the summers.

In response to the proposal, the city of Glendale pitched the Woolf Logistics Center, which is provided utilities through Arizona Public Service, existing agricultural wells and Canada-based Epcor. Documents said the Woolf Logistics Center contains 14 wells that provide a "unique water source for users" with heavy water demand and that the site is also within the Maricopa Water district, which allows for access to Central Arizona Project, or Colorado River water.

Competition with New Mexico

By March of 2021, the ACA informed Glendale that Nestle wanted to move forward with a "brief field investigation" of the Woolf Logistics site, or a one-hour virtual tour including the property, rail, utility and zoning/permitting representatives.

The site is also located near transportation links such as Northern Parkway, the Loops 101 and 303 and Interstate 10, giving it convenient access to the Phoenix metro, California and Mexico, documents said. Companies like Bechtel and Rauch also shared their experiences operating in Glendale, while technical universities and community colleges and recruiting agencies also spoke with the company about labor costs and talent pipeline.

The city and ACA gave in-person tours to Nestle executives and its representatives in April and May, which included representatives from the city of Glendale, utility providers, environmental permitting, the site owner, Epcor, Southwest Gas, and Maricopa County. Following the April 2021 visit, the company's consultant raised questions over the project's 120-foot clear height requirement for part of the facility, timing of utilities, quality of water, financial contributions for wastewater and costs of obtaining water rights in addition to Colorado River concerns.

The city said in an email in April 2021 that its four and half-hour meeting with Nestle started off "rocky" and that the company was more critical than expected but said the meeting improved after all the utilities and BNSF presented and ended well with a driving and walking tour of the site.

"Just learned this morning that they had visited/received info from the New Mexico site (our competition) and learned that there were millions of dollars in utility infrastructure costs that were 'sprung on them' during the meeting, which is why they came in a bit more aggressive with us," the city's development services director said in an email to other city staff. "They felt that the other site had been less than honest and didn't want to get duped. This is also why Woolf has moved to a top choice, if we can resolve the height issues with [Luke Air Force Base]."

'Wants very high incentives'

By May of 2021, the ACA informed Glendale that the Woolf Logistics site was a finalist for the company's project and asked city executives to highlight Glendale and the surrounding region as a "prime location," to give an overview of the community and the site's location within it, where the talent lives, location of similar employers, commuting patterns, access to the commercial airport, academic institutions focused on developing manufacturing technicians and operators and an overview of the business and living environment.

"Well done and excited to see this project progress to this stage and ultimately win the opportunity for the city, region and state," the ACA said in an email to city leaders in 2021. The ACA had also said that Glendale was the only Arizona site to make the shortlist for Nestle.

The city said in an email in mid-May that the final tour with executives "went well" and that Nestle had made an offer on the site, increased their footprint "substantially" and were pushing for more incentives. In another email, the city said the site selector was "very demanding" and "wants very high incentives."

In a letter sent to the consultant for Nestle, Chicago-based Deloitte Consultant, in June 2021, the ACA estimated that the incentives potentially available for the project over 10 years totaled about \$88.7 million between the qualified facility tax program, Foreign Trade Zone designation, Arizona Additional Depreciation Program, the Transaction Privilege Tax Exemptions for manufacturing firms and others. These numbers were based on the former project proposal of 446 new full-time jobs with average annual wages at \$48,000 and an investment of \$529.3 million.

In late June and early July, the company had scheduled a pre-application meeting for its facility with the city of Glendale, months before the company announced plans to build its factory on the site, and hired an architect and design team.

In the pre-application, the company said the manufacturing facility will ultimately be expanded to a total of eight lines with an expected total area of 700,000 square feet and include offices, quality testing facilities, utilities support, dry and liquid ingredient receiving and storage and more.

A 213,000-square-foot warehouse and distribution center, the second phase of the facility, is also expected to support the manufacturing lines and use an automated robotic storage and retrieval system. The facility is anticipated to use multiple shifts seven days a week, 24 hours a day, the application said.

In February 2022, the company said it was preparing the application process for incentives programs identified during its site selection process, including the qualified facility tax credit program, APS line extension reimbursement, street development impact fee credit for arterial roadway and fast track permitting fee waiver.

Hiring for the facility was expected to start in the summer of 2022 and continue throughout 2023. The ACA previously said Nestle has invested nearly \$3 billion to expand its manufacturing footprint and in-house capabilities.