

# Niagara's

# FEARFUL

Economic developers aggressively courted a water bottler for Lake County, which then turned against the company.

A little more than two years ago, Brian Hess, director of operations for Niagara Bottling Co., e-mailed state economic development offices from Florida to Texas as a first step toward building a plant to help his company go national.

The \$300-million, family-owned Niagara produces private-label bottled water for companies such as Costco, Albertsons and many Las Vegas casinos. Headquartered outside Los Angeles, it has six plants in California and Pennsylvania. A foot in the Southeast would help Niagara compete for the large grocery and club stores that require national distribution and marketing.

In the e-mail, Hess explained his need for industrial space close to highways, and he outlined what Niagara could offer in return: Total capital investment of about \$100 million, 200 new jobs within five years and one of the cleanest manufacturing operations around.

Florida's economic developers, Hess says, were the most aggressive and the most professional respondents. Enterprise Florida and the Metro Orlando Economic Development Commission, he says, jumped on his project and didn't rest until they found the right spot: Lake County, to the west of Orlando, with a tax base that's 80% residential and 20% commercial, was looking to diversify its economy and create jobs. The county is convenient to Florida's Turnpike and other highways and has ample industrial space.

Officials with both the Metro Orlando EDC and the Lake County Economic Growth & Redevelopment office courted Hess vigorously. They held out the prospect of \$2.2 million in local tax

abatements and economic incentives. State officials offered upward of \$800,000 in highway improvements. In May, Hess put in an order for \$35 million in new bottling equipment, to be ready this spring. In September, he bought a \$15-million property in the Christopher C. Ford Commerce Park just outside Groveland.

Before closing, Hess says, he had meetings with about a dozen different local officials to make sure he could build the plant. They included the county manager, county planning and zoning officials and utility officials with the city of Groveland, from which Hess expected to buy water. Lake County planners gave Hess written confirmation that his plant conformed to all zoning and land-use regulations. Not only could he get a permit, the county officials told him, but they would help him expedite it.

But while Hess spent many hours with regional and local economic developers, as well as city and county staff, most local elected officials didn't know about the plan.

When the plan finally went public, the public went ballistic. Water-supply problems in the county are more than obvious: The same epic drought that's gripping the rest of Florida and the Southeast has reduced its beautiful namesake lakes to puddles. The idea of a bottler tapping the county's

**WATER TORTURE:** Niagara Bottling went "from hero to zero — overnight," says Brian Hess, director of operations. "It is the absolute most unfair thing I've ever seen."



**OPPORTUNITIES:** Ray Gilley, CEO of the Metro Orlando EDC, says his role is to bring good opportunities to local government. Local government's role, he says, is to understand and weigh a company's benefits vs. demands on the community.



Growth & Redevelopment office and the county had some serious flaws in it," he says.

Hunkered down amid the blame-storm, Metro Orlando EDC officials aren't talking much. Spokeswoman Jennifer Wakefield says EDC officials would not discuss questions related to the case — saying only

most important resource created what longtimers say was the loudest — and broadest — public outcry in memory.

The elected officials, including a county commissioner who had met with Hess and supported Niagara's plans, got the water religion. Two months after Hess closed on the property, Lake County commissioners unanimously voted down Niagara's incentive package. Groveland city commissioners, meanwhile, unanimously denied the company's request for the sanitary sewer connection that's crucial to Niagara's operations.

### On the q.t.

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The issue, elected officials say, is not economic development or growth vs. no growth. It's water. Lake County is front and center in Florida's water crisis: Water managers have told local officials they must find and fund alternative sources by 2013, when population growth will outstrip sustainable groundwater supply. The county has been warring with neighboring developments, including The Villages, over permits to pump groundwater and over possible diversions of surface water. "The idea of having a company mine our water resources and ship them out of the county when we are asking people to conserve and pay for alternative sources is just ridiculous," says Lake County Commissioner Elaine Renick.

A majority of local elected officials share Renick's viewpoint. Commission Chairman Welton Cadwell, a 16-year commission veteran who was kept in the dark about the plant, says he and colleagues are stumped by how oblivious the economic developers were to the water crisis. He's also puzzled how they could ignore the prevailing political winds — in the fall of 2006, voters had elected a more environmentally conscious board. "The communication link between the (Metro Orlando) EDC, the Lake County Economic

that the incentives package offered to Hess did not amount to a guarantee. "We don't make promises," Wakefield says.

At the November meeting at which commissioners voted down the incentives, Ray Gilley, president and CEO of the Metro Orlando EDC, said he saw his role as bringing good opportunities to local government. Local government's role, he said, is to understand and weigh a company's benefits vs. demands on the community.

Lake County Economic Growth & Redevelopment Director Dottie Keedy says she had to keep many elected officials in the dark about Niagara. Economic developers sign strict confidentiality agreements with companies such as Niagara, and every county official she introduces to a potential company has to sign an agreement, too. "I usually don't talk to the commission until things are pretty far along," Keedy says. "My concern is always, the more people who know, the more difficult it is to keep quiet."

Commissioner Renick, known for her work on water issues going back to her years on the Clermont City Council, was distraught to learn about Niagara's plans from an *Orlando Sentinel* reporter rather than the county manager, who knew well her interest in water. "But when I read the confidentiality agreement, I understood," Renick says. "You'd be scared to death to talk if you'd signed it."



**SUPPLY LINE:** California-based Niagara Bottling — a \$300-million, family-owned company — produces private-label bottled water for Costco, Albertsons and many Vegas casinos.

### Bitter aftertaste

Timing may have hurt Niagara as much as anything. The commission voted on the company's incentives just as Florida newspapers were reporting on how Atlanta was months from running out of water as Lake Lanier was drying up. Meanwhile, bottled water, still one of the fastest-growing segments of the U.S. beverage industry with average sales increases of 10% a year for the past decade, has begun to lose some appeal. Americans worry increasingly about bottlers siphoning off water resources and about the energy and pollution involved in making the plastic bottles. (This month, Niagara, which makes its own bottles, launches a new bottle 20% lighter than any other on the market.)

Hess also must share some of the blame. Relying on what he viewed as guarantees from managers within local government, he closed on Niagara's property before anything was put to vote. "He knows how government works, and I think he should take some responsibility for buying the building before he knew he had the support," says Renick.

Hess says some commissioners apologized before the incentives vote, telling him, "Yes, you're about to get the shaft, but we're not willing to take one for the team." The county commissioners, he says, "appear to be good people, and it would be one thing if they were playing games with their own money. But they're playing games with my money, and that's very frustrating."

Hess feels even more bitter about the city of Groveland, which he says also welcomed him in the beginning. While the industrial park is outside city limits, Niagara originally hoped to buy up to 500,000 gallons of water a day from Groveland, a prospect that Hess claims thrilled local officials. But the town changed its tune after the St. Johns River Water Management District laid down the law — Groveland's own permit is for less than 300,000 gallons of groundwater a day, and the water district is making the town and other local governments cooperate in planning for alternative sources.

Despite the withdrawal of county incentives and Groveland's rejection of Niagara's request for a sewer connection, the company is still trying to build its plant. It's steaming ahead with its request to the water management district for the 500,000-gallon permit. Both the county and the city have vowed to fight

Gregg Matthews top; Niagara Bottling bottom



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the request; they have succeeded in having the permit bumped up from staff review to consideration by the full water management district board.

Hess, furious that a two-year courtship has turned into combat, has hired a water-law expert, Tampa’s Edward de la Parte Jr., and a PR firm that specializes in water issues, Environmental PR Group. He’s also engaged hydrogeological experts who he hopes will prove that Niagara has as much right to a permit as any business. He estimates that Niagara executives are spending “several hundreds of thousands more dollars” than they expected when they chose Lake County over their second-favorite site in Texas. “It’s a million-dollar-plus loss,” Hess says. “The plant would have been up and running by March.”

In addition to raising a few questions about how valuable the economic incentive package really was to the company, the case puts water managers in a tough spot. Niagara can easily prove the first two of Florida’s three-part criteria for granting a permit: 1) The daily withdrawals are “reasonable and beneficial,” i.e., they won’t harm the aquifer; 500,000 gallons a day is a proverbial drop in the bucket. 2) Niagara’s withdrawal won’t interfere with existing uses of water.

Opponents will have to hang their argument on the nebulous third part of the test: Whether the use is “consistent with the public interest.” R. Duke Woodson, a Foley & Lardner partner in Orlando whom Groveland has hired to fight the permit, says the case “is not going to rise and fall on the effects on the environment. It’s going to turn on a brand-new

**RUNNING LOW:** Lake County Commission Chairman Welton Cadwell — with Commissioner Elaine Renick — says he and colleagues were stumped by how oblivious economic developers were to the water crisis.

argument for Florida — whether bottling water is in the public interest.”

As all the players await their chance to address water managers later this spring, elected officials and economic developers in central Florida are having heart-to-heart talks about exactly what industries Lake County wants. Cadwell, the county commission chairman, admits it isn’t fair to heap all the blame on the EDC: “We had a responsibility to let them know exactly which industries to target,” he says, “and I don’t think we’d done that.”

Cadwell hopes Lake County hasn’t scared any industries away, especially those that are green, high-tech or health-care related. “I absolutely hate that Mr. Hess had that experience here,” Cadwell says. “But I also want to be very clear about our message: Our natural resources are very important to us. If you bring the right kind of business here, we’ll do anything we can to help you.” 