

Location and Site Selection Process

New England Economic Development Course

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Topics of Discussion

- **Understanding The Process**
- **The Site Selection Process**
- **Critical Location Factors & Trends**
- **Who Are Your Targets?**
- **Economic Development & Site Selection**

Understanding the Site Selection Process: The Company

Top 10 reasons companies locate or relocate

1. To acquire more room
2. To lower operating costs
3. To modernize equipment and facilities
4. To move closer to a larger market segment or to establish a new market
5. To consolidate into fewer facilities
6. To be closer to certain supplies or natural resources
7. To access a better or larger labor pool
8. To eliminate specific labor-related situations
9. To be closer to similar companies (clustering)
10. To improve quality of life

Understanding the Site Selection Process: The Community

- **Primary goal of any Economic Development effort is to influence corporate site selection**
- **It helps to be known:**
 - **Site consultants**
 - **National real estate companies**
- **Must understand factors that control the decision, the process a company goes through and how you can have a positive influence on your community's chances**

Basic Understanding by Both Company & Community:

- **Process is matter of elimination**
- **Both sides will examine and analyze data**
- **Community must understand what the company will do and decide if the fit is right**
- **Understand there is no perfect location: Excellence is not perfection**
- **Time frame**

Steps in The Site Selection Process: The Company

- **Formulate Objectives and Strategy**
- **Define the Project Specifications**
- **Define the Search Area**
- **Initial Screening**
- **Secondary Screening**
- **Field Investigations**
- **Analysis & Decision**
- **Implementation**

The Screening Process

Three Levels of Screening:

1. Initial Screen
2. Mid-Level Screen
3. Final Screen

The Screening Steps

1. Initial Screen

- **Initial Screen typically examines countries, states or large geographic regions and focuses on criteria that is identifiable at the state level**
- **Issues examined in this step include: logistics, proximity to markets/suppliers, state climate (e.g. right-to-work, taxes, stability)**

The Screening Steps

2. Mid-Level Screen – Part I

- **Mid-Level Screen typically examines MSA's, counties and communities**
- **Issues examined in this step include: area image, transportation, incentives, more focused cost items, real estate availability, industry/business environment, economic development delivery**

The Screening Steps

2. Mid-Level Screen – Part II

- **Site consultants aren't hired to visit 100 sites**
- **Up-to-date web site critical; consultants and companies will use to screen. You can be eliminated before you know you were considered**
- **After you've made this cut, how quickly should you respond to a questionnaire or RFI?**

The Screening Steps

3. Final Screen

- **Final Screen typically examines specific communities and real estate options that meet company needs, and involves on-site visits by the company and/or consultant**
- **Issues examined in this step include: detailed costs, detailed labor market conditions, specific site/building parameters, value of incentives**

Critical Location Factors

Cost Factors

Markets and supply sources
Labor
Utilities
Transportation & Logistics
Taxes
Occupancy/Real estate costs
Incentives
Overall operating costs

Non-Cost Factors

Labor quality & management relations
Labor availability
Environmental/Regulatory
Education quality & opportunities
Location/Image
Real estate availability
Economic development effort
Quality of life

Critical Location Factors

Top 10 Site Selection Factors (Corporate Survey)

1. (2) Highway Accessibility
2. (1) Labor Costs
3. (3) Tax Exemptions
4. (7) Occupancy or construction costs
5. (8) State & Local Incentives
6. (5) Corporate tax rate
7. (6) Availability of skilled labor
8. (10) Inbound/outbound shipping costs
9. (4) Energy availability and costs
10. (12) Availability of buildings

Critical Location Factors

Top 10 Site Selection Factors (Consultant Survey)

- 1.-t Labor Costs**
- 1.-t State and local incentives**
- 3. Highway accessibility**
- 4. Availability of skilled labor**
- 5. Energy availability and costs**
- 6. Proximity of major markets**
- 7. Tax Exemptions**
- 8. Occupancy or construction costs**
- 9. Corporate tax rate**
- 10. Availability of buildings**

Critical Location Factor Trends

- **Cost of labor / Highway accessibility extremely important**
 - Top 3 both surveys
- **State and local incentives**
 - Tied No. 1 consultants, up to 5th (from 8th) corporate
 - Commuting patterns: How far for how much?
- **25 years ago (1986)**
 - No. 1-Labor costs, No. 2-Highway accessibility

Critical Location Factor Trends

- **While taxes do affect the bottom line and are an important issue, they are more of an indicator of business climate**
- **Locations can be eliminated early in the process because of negative subjective impressions held by inexperienced decision makers**
- **Quality of life is a subjective factor and usually does not significantly impact the ultimate decision**

Critical Location Factor Trends

Top 9 Quality-of-Life Factors

1. (1) Low crime rate
2. (2) Healthcare facilities
3. (4) Housing costs
4. (3) Housing availability
5. (5) Ratings of public schools
6. (6) Climate
7. (8) Colleges and universities in the area
8. (9) Cultural opportunities
9. (7) Recreational opportunities

Source: Area Development 25th Annual Corporate Survey 2010

Critical Location Factors

Bottom line is the bottom line

1. **It's really about costs**
2. **There is a “need for speed”**
3. **Can I attract and retain the workforce I need?**
4. **Incentives – Flexibility more important than bottom line**
5. **Quality of life is not major differentiator**

Incentives

- **“Don’t chase the money! There is no amount of money that will make a bad location a good location.”**

Michael McDermott

Grubb & Ellis

Who Are Your Targets?

- **Site consultants 30-35% projects**
- **Realtors also filling that role**
- **Internationally: Banks, construction companies**
- **Accounting firms**

And – Who within the company?

CEO

COO

CFO

How Do You Find Them?

- **Call trips**
- **Conferences**
 - IAMC
 - CoreNet Global
- **Publication-sponsored events**
- **Trade shows**

Economic Development and the Site Selection Process: Know Yourself

- **Do your own community analysis**
 - **Community assets**
 - **Regional assets**
 - **Labor availability, wages, sites, major employers, utility capacity, transportation, recent economic development news**
- **Up-to-date and accurate**
- **Information needs will vary by project**

Economic Development and the Site Selection Process: Know Your Allies

- **Where will you turn if you don't have an answer?**
- **State, utilities, universities, railroads, others**
- **Local employers are critical**

Attraction vs. Retention OR Promises vs. Experience

- **Should have strong retention program**
- **Expansion announcements are powerful marketing and sales tools**
- **Expanding companies are best sales people to attraction prospects**

Economic Development and the Site Selection Process

In Conclusion:

- **Understand the site selection process**
- **Know the community's strengths and weaknesses**
- **Focus your targeting effort**
- **Focus time on retention and expansion**

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