

Winning Site Selection Proposals

NCEDA 2008 Annual Conference

HERRON CONSULTING

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Discussion Topics

- **About HERRON CONSULTING**
- **The Site Selection Process**
- **Winning Projects: The RFP Response**



HERRON CONSULTING

- **Senior Professionals**
 - ◆ Each of the Principals Have 20+ years of Experience
- **Economic Development**
 - ◆ Strategy and Planning
 - ◆ Community Assets and Competitiveness
 - ◆ Real Estate Analysis and Redevelopment Potential
- **Corporate Feasibility Assessments**
 - ◆ Project/Relocation Feasibility Analysis
- **Site Analysis and Site Selection**
 - ◆ Implementation Services and Negotiation



Certifications

- Women's Business Enterprise National Council
- City of Atlanta Equal Business Opportunity Program (WBE)



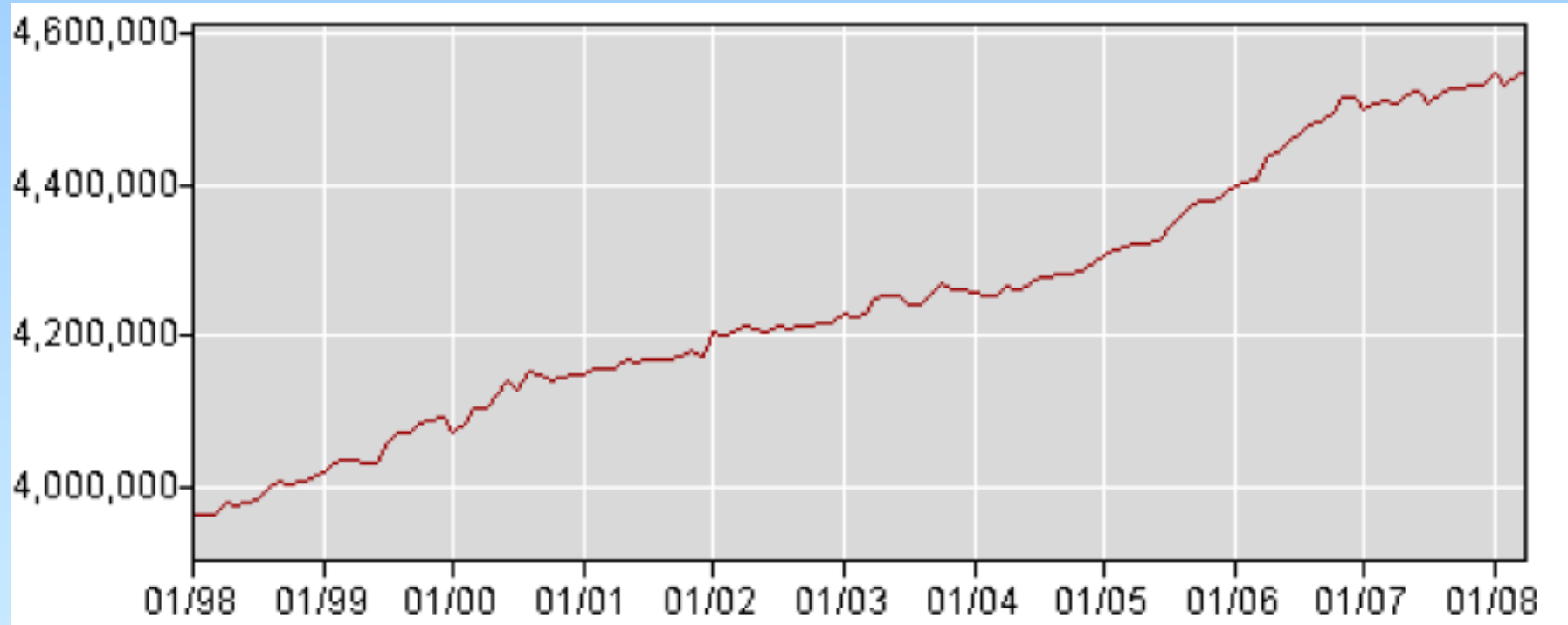
The Site Selection Process

The Game, The Players
The Rules



Backdrop

NC Labor Force

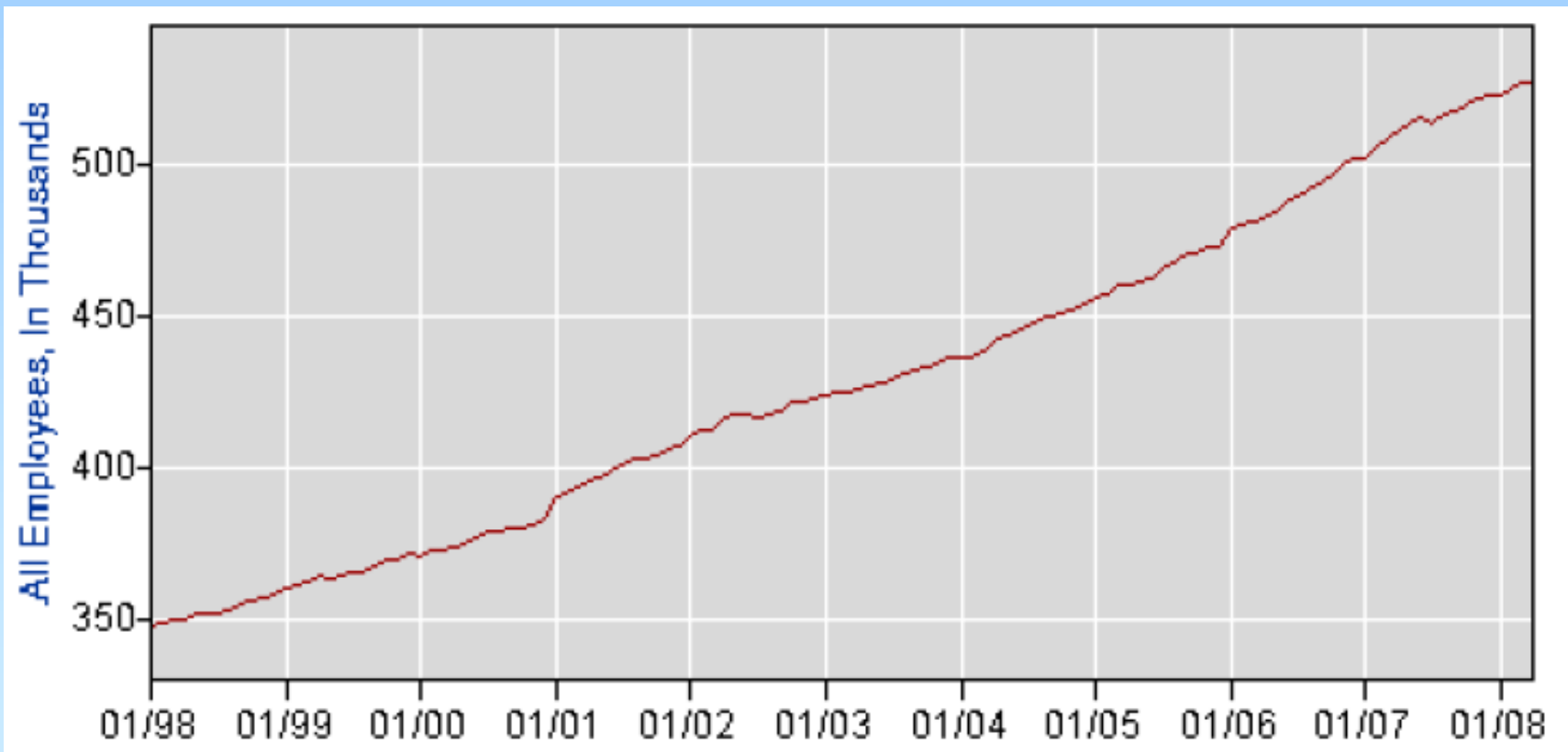


Month / year



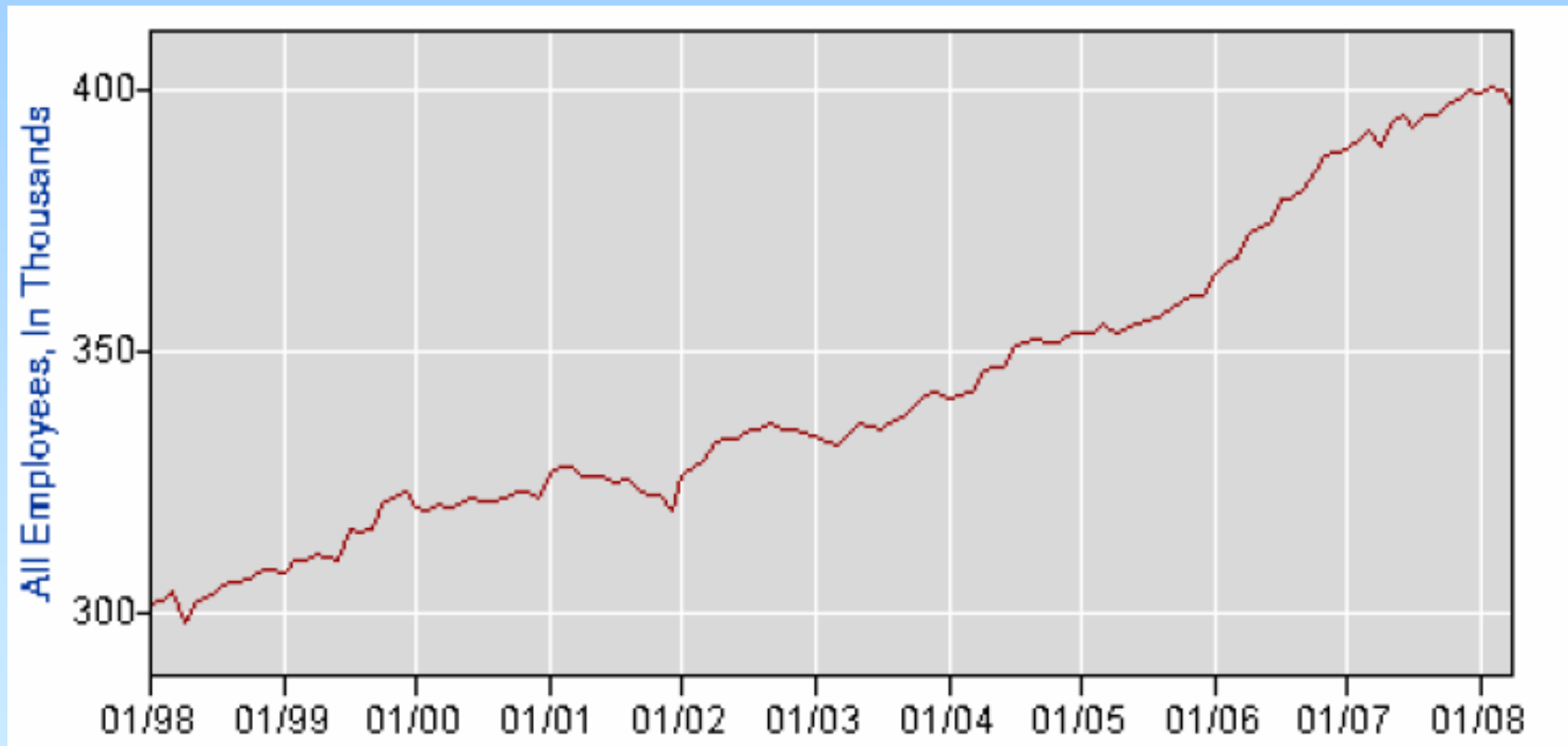
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NC Education & Health Services Employment



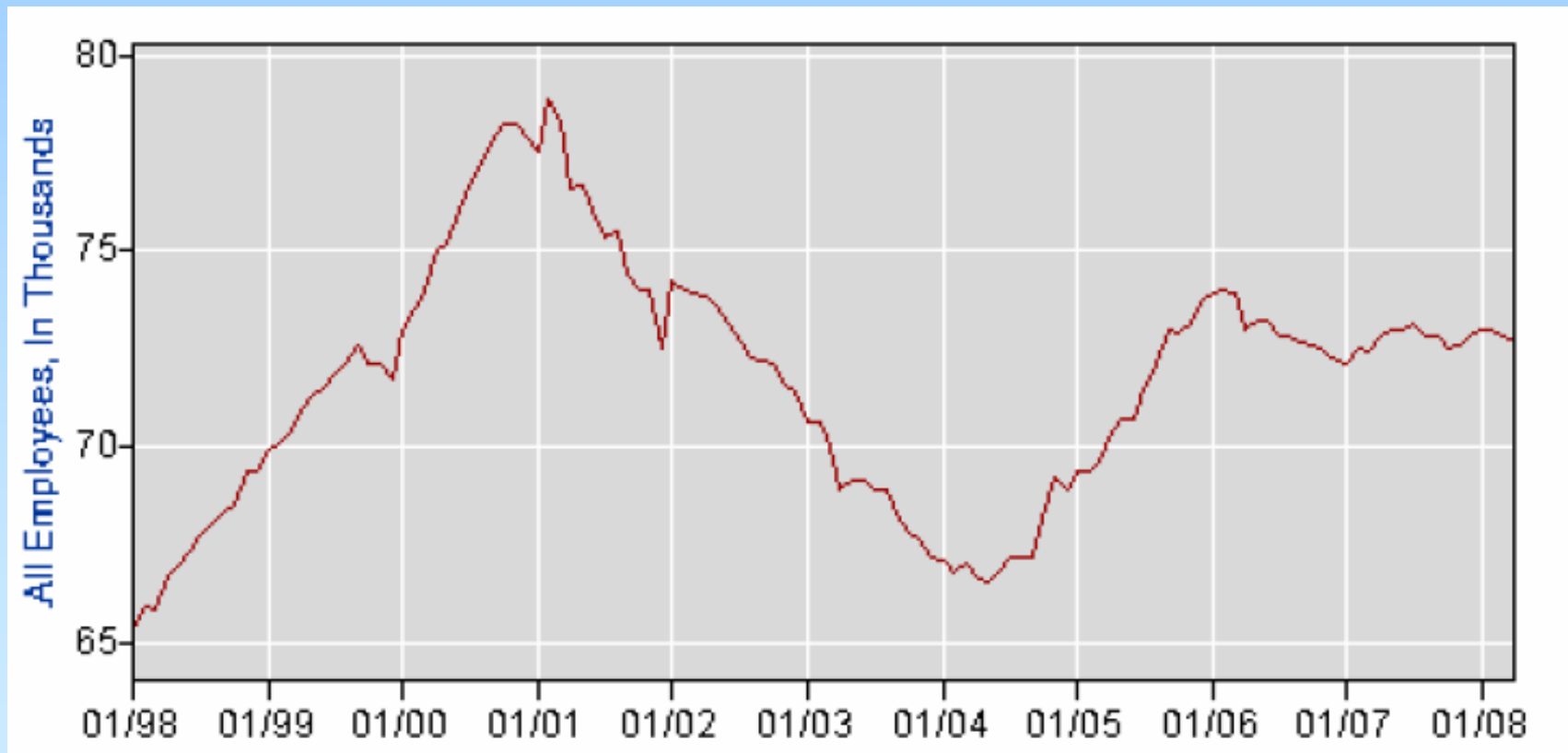
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NC Leisure & Hospitality Employment



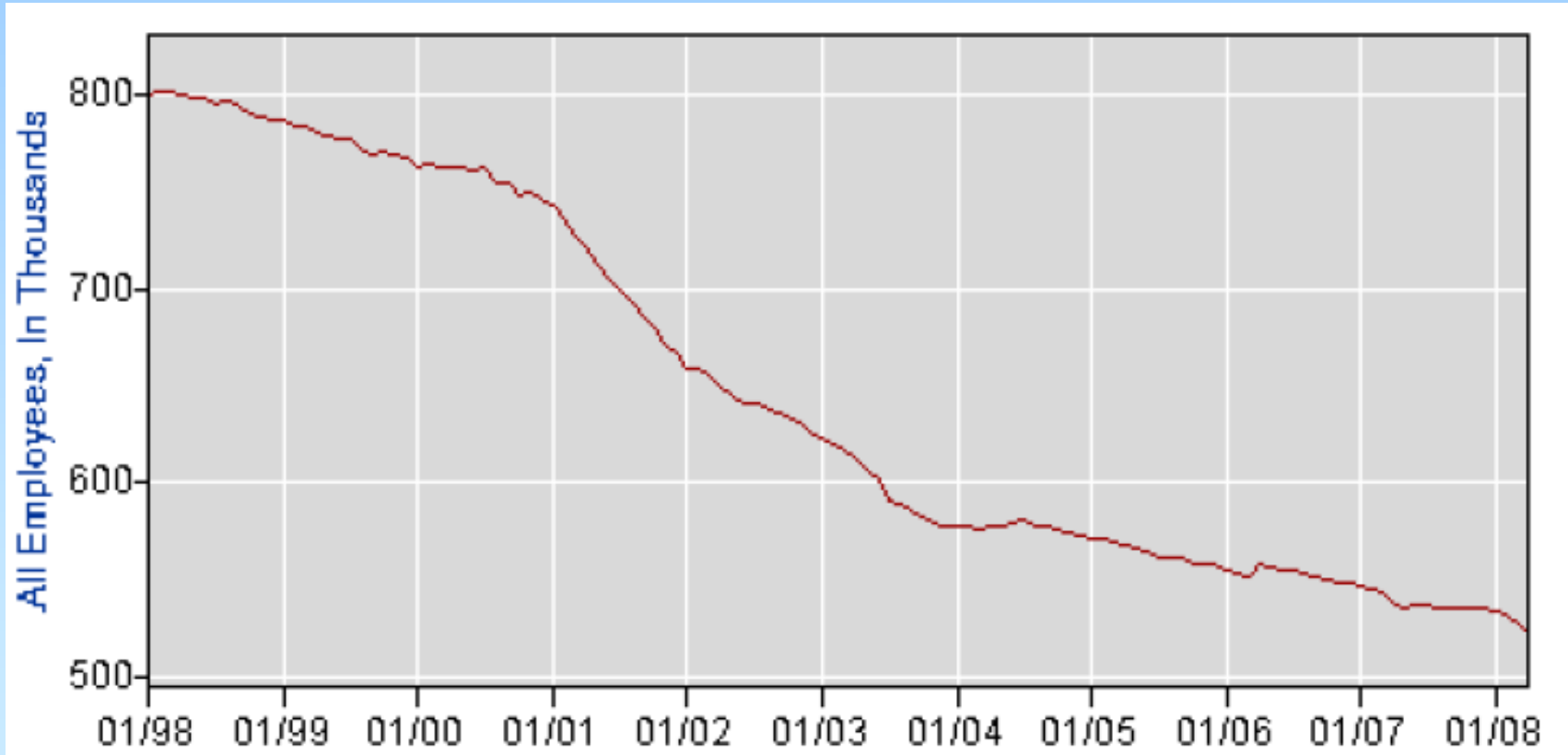
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NC Information Related Employment



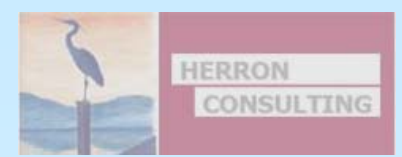
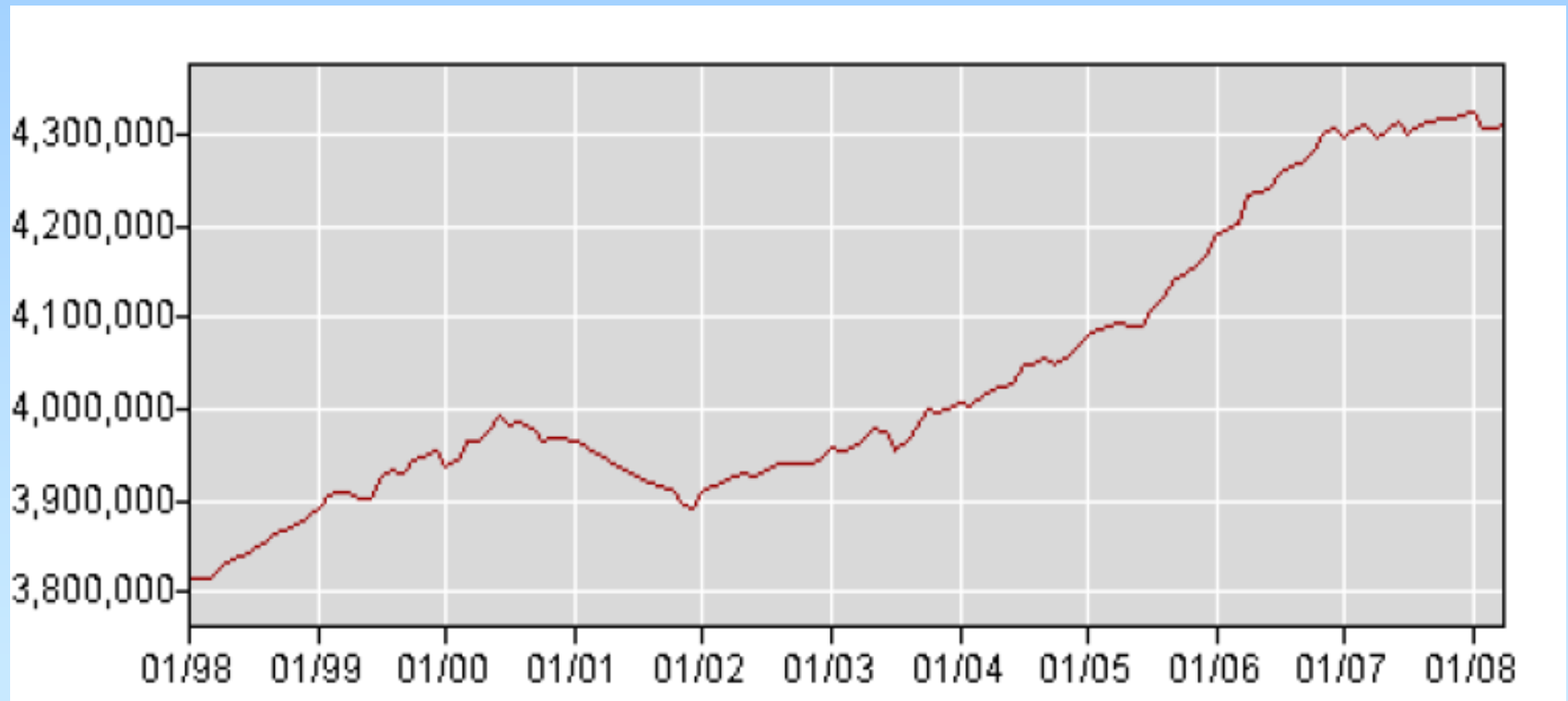
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NC Manufacturing Employment



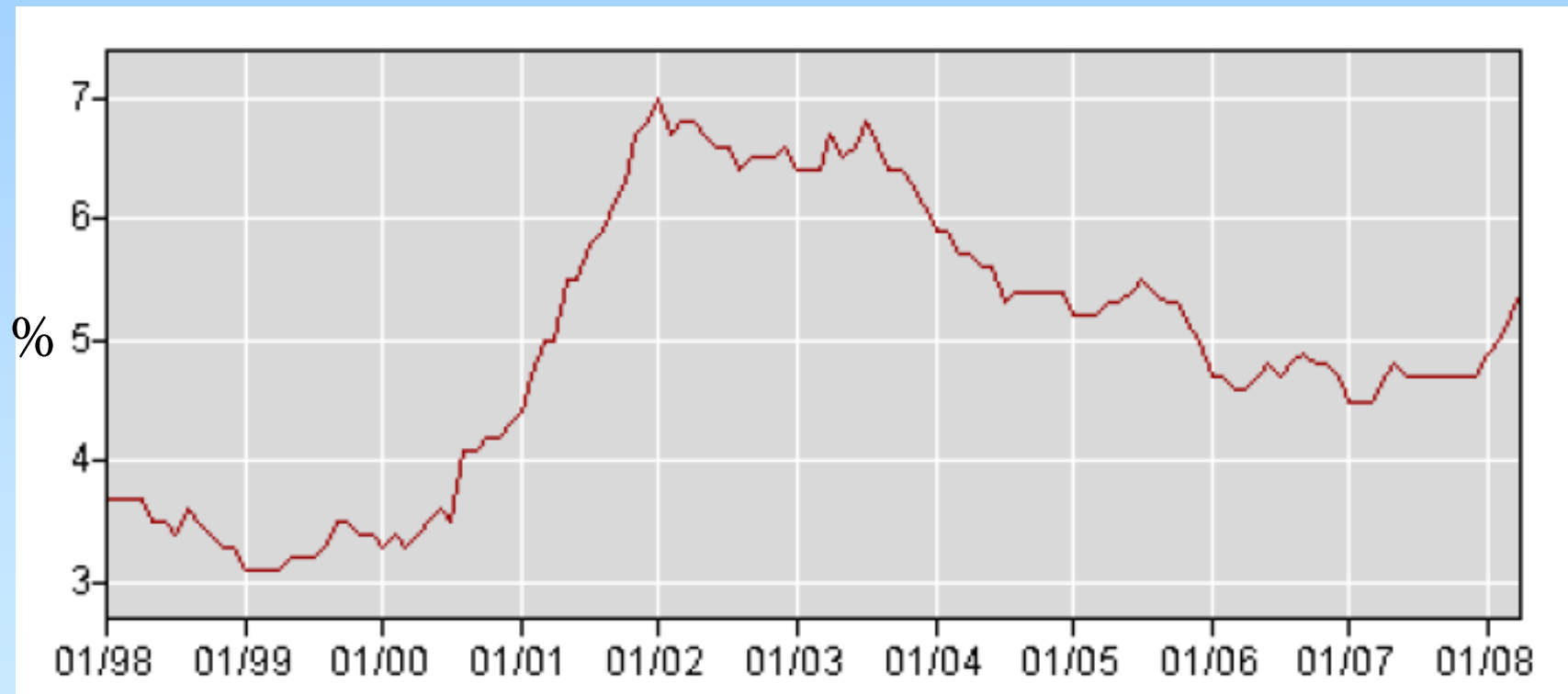
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NC Total Employment



Backdrop

NC Unemployment Rate



The Corporate Site Selection Process

- Rare event in the history of a business
- Majority of decisions made internally by owners or managers
 - ◆ Generally inexperienced in site selection issues
 - ◆ **Highly risk averse**
- Major projects generally more professional
 - ◆ Approximately 25-30% use siting consultants
- Numerous corporate and global stress factors can initiate the site selection decision



Corporate “Stress” Factors

- Growth
- Diversification of product line or services
- Development of new regional market
- Vertical or horizontal integration
- Unfavorable local business climate
- Cost structure
- Decision imposed by parent company
- Obsolescence of existing facility
- Image enhancement
- Improved quality of life
- Recruitment/retention problems



Global “Stress” Factors

- Excess capacity: Falling prices/consolidation
- Deflation: Customers pay less/ want more
- Uncertain energy supplies and rising costs
- Mergers/acquisitions
- Globalization , Supply chain optimization
- Consolidations, closures
- Improved knowledge management
- Redesigned business processes



Typical Facility Siting Process

PHASE I

Objectives

To identify those locations in a limited number of states/countries that best meet the objectives

Hundreds of communities

PHASE II

Objectives

To evaluate identified locations and sites in sufficient detail to permit final location decision

10 - 15 communities

PHASE III

Objectives

To negotiate the best financial package for final site and back-up site and ensure availability of all services by required date

2 - 4 communities

Time Drives the Site Selection Process

- Site selection is a misconception
- Site selectors have limited time, budgets, lots of late nights, cold pizza, diet cokes
- A process of area or site elimination
 - **A Search for "Fatal" Flaws**
 - **Only a few key factors considered initially**
- Selection only occurs in the final stage
 - ◆ A minimum of 2 to 4 sites or communities identified
 - ◆ Must satisfy key economic criteria ~ No apparent fatal flaws



Projects Have a History

Many decisions are made before communities receive a request for information/proposal

Region /Country Analysis

- Markets
- Transportation/logistics
- Competitor locations
- Existing facility locations
- Energy availability & cost
- Labor
- Security /intellectual capital

State Considerations

- Regulatory climate
- National tax exposure
- Worker's Compensation
- Right-to-Work legislation
- Incentives
- Receptivity to business
- Regulatory climate



Phase I - Selection Factors The Community Sees

- Site / building
- Infrastructure
- Business services
- Attitudes
- Labor availability & cost
- Work ethic
- Labor relations
- Utility supply and cost
- Quality of life
- Industrial composition
- Size and growth
- Incentives
- Environmental permits
- Property Taxes
- Training
- Education performance
- ED team experience
- Political influence



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Hundreds of communities

PHASE II

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10 - 15 communities

PHASE III

Objectives

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2 - 3 communities

PHASE II: Comparative Analysis

- **Financial analysis**
 - ◆ Non-recurring costs (investment capital)
 - ◆ Recurring cost analysis
 - ◆ Net present value
 - ◆ Cash flow analysis
- **Business environment analysis**
- **Incentives**
- **Factor rating analysis**



Operating Cost Analysis: Objective

- Labor cost (skilled, semi-skilled, unskilled)
- Inbound freight cost (known vendors to selected locations)
- Outbound freight cost (known vendors to selected locations)
- Energy costs (electric power)
- Fuel costs (natural gas)
- Property tax cost (real estate, M&E, inventories)
- Occupancy cost (land and buildings)



Business Environment Analysis: Subjective

- Labor availability
- Labor quality
- Labor-management relations
- Availability and quality of utility services
- Accessibility
- Transportation
- Vocational/educational facilities
- Quality-of-life/ image
- Telecommunications
- Protective services
- Site suitability and space availability
- Local receptivity to new development
- Environmental constraints
- Financial incentives and resources

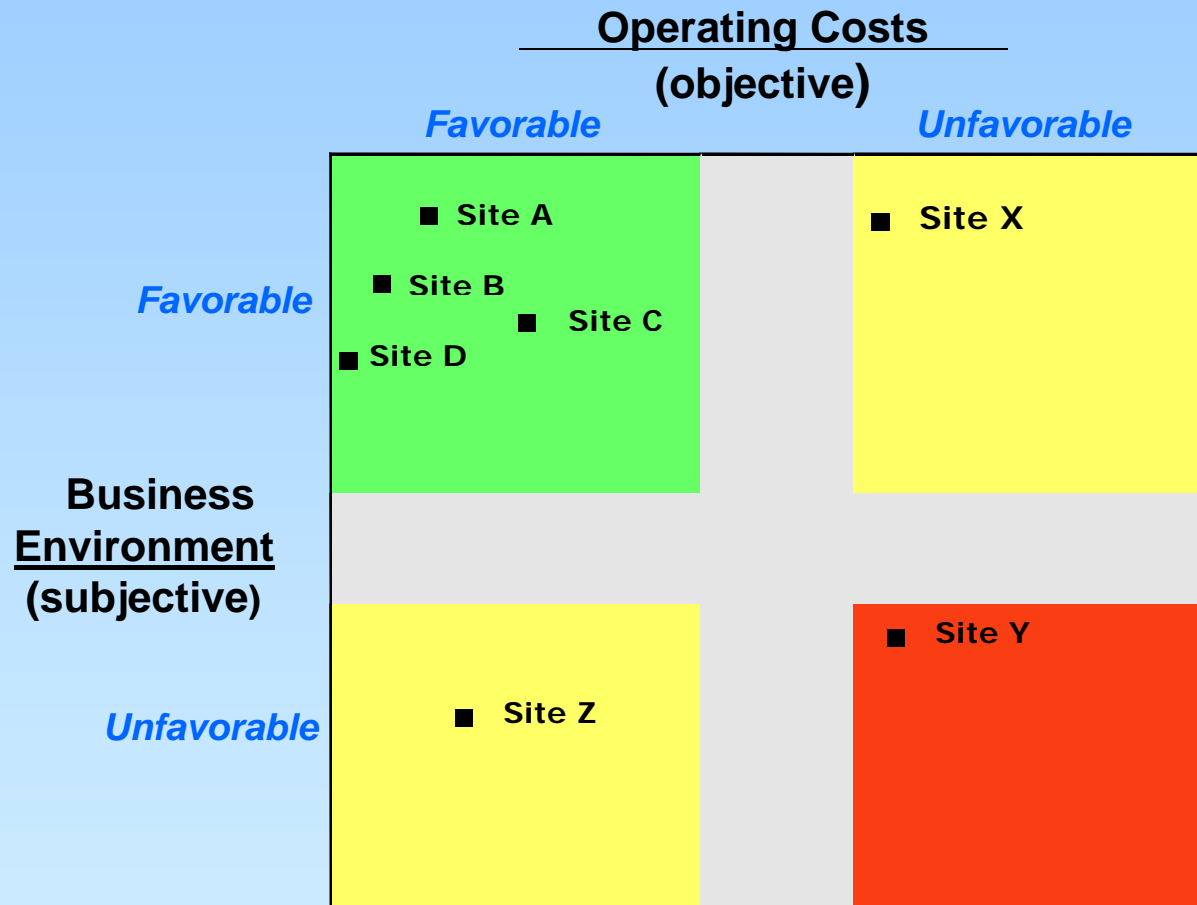


Incentives

- **Incentives can make a difference**
- **Incentives only become a differentiator after**
 - ◆ The community shows it meets the company's strategic objectives
 - ◆ Nonrecurring costs are within the Client's budget
 - ◆ Tactical needs are met
- **Incentive estimates/calculations: Provide all assumptions so site consultant can replicate on its own**
 - ◆ Spreadsheet format, annual amounts per incentive and totals



Factor Analysis: Site Performance Trade-Off



Winning Site Selection Projects

Putting Together Your Game Plan



The Plan

- Know and Satisfy Your Client
- Organize For Speed
- Prepared Sites (and Buildings) Are A Must
- Be Prepared
- Have Fundamental Capabilities



Know Your Client

- **Know and satisfy your client**
 - ◆ Initial client: May be:
 - State Economic Development organization
 - Utility
 - Location Consultant
- **Organize for speed: Timing is everything**
 - ◆ No delays
 - ◆ Have data ready and respond immediately to Client inquiries



The Goodness-Of-Fit-Test (Phase I)

- Your community must satisfy the Goodness-Of-Fit-Test
 - ◆ Your community must show it has the attributes which meet the company's **key business objectives (... what are these?)**
 - ◆ Your community must have at least one site that meets the company's location objectives
- Your community must pass this test before detailed investigations are undertaken in your area
- Goal in Phase I is simple... "answer the questions" and "stay-in-the-game"



Prepared Sites Are A Must

- Clients expect suitable sites: A bean field is not an industrial site, **unless the client believes it is**
- Select the best site/building from the Client's perspective
- Understand and respond to the Client's site criteria
 - ◆ Type of use
 - ◆ Size, configuration, shape
 - ◆ Utilities and telecom
 - ◆ Zoning
 - ◆ Transportation
 - ◆ Environmental and other site development constraints
 - ◆ Surrounding uses
 - ◆ Support services



Your RFP Response

Your Play Book and Team



Your Site Proposal

- **Essential components of your response**
 - ◆ Quality 3-ring binder, printed cover
 - ◆ Letter summarizing key assets, enthusiasm
 - ◆ Colorful, original maps – not B&W copies
 - Outline site, label maps, include North arrow
 - ◆ AVOID Bulky Overstuffed Documents Filled With Fluff
 - ◆ Include Table of Contents
 - ◆ Index the document, use tabs
 - ◆ Number your response items per the questions asked
 - ◆ Provide collateral material at tabs, at end of response
 - ◆ 8 1/2" X 11" Format



Electronic Site Proposal (RFI)

- Submit on the electronic form provided
- User email & printer friendly
- All sheets print to 8.5" x 11" paper
- Check the file size: graphics can overload email
- Try graphics software before sending to prospect
 - ◆ If you cannot open the file, neither can the prospect!
- Combine files into single Adobe (.pdf) file
- Verify the file has been received



Other Recommendations: Your Community

- Show the client **you are a risk asset and partner**
 - ◆ Be confident
 - ◆ Maintain confidentiality at all cost
- **Know where you are in the game**
 - ◆ Process is sequential (phases 1, 2, 3)
 - ◆ Act and respond accordingly
 - ◆ Don't provide too much information too early
- **Don't oversell...Just answer questions**
- **Reflect your community value proposition in proposal and during site visits**



Other Recommendations: Your Community

- Be in agreement on key issues
 - ◆ Owners/consultants run from communities in disarray
- Adopt and practice Regionalism
 - ◆ Conveys “cohesion” to the project team
 - ◆ Spreads marketing costs over a larger base
 - ◆ Provides access to broader skills base, increases the effectiveness of “the Team”
 - ◆ Access broader political support
- Be a team: Economic development is a team activity



Organize The Team

- Economic Development is a team activity
- Successful ED organizations are team-makers and team-leaders
- Get city, county, state, university resources involved
- Designate knowledgeable individuals for key topics
- Have your team participate in important client visits
- Assemble at the site to speed the site visit process
- Rehearse



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