

Consultant's Perspective on How to Start a Site Selection Project

The site selection process can be daunting, from the complexity of the decision, to managing conflicting criteria, maximizing incentives, and just having the time to do it in a comprehensive and effective manner. Once the decision has been made to add capacity, a company must decide where that investment should occur. Options may include expanding an existing operation, seeking an available building to purchase or lease, or pursuing a greenfield site. If the decision is made to exclude existing locations, then company leadership must determine where the new operation should be located. This choice will have a significant impact on the ultimate success of your investment.

Facility location decisions can be extremely difficult, and the wrong choice can impact a company well into the future; therefore, you must be prepared to conduct a thorough assessment. If you decide to proceed without the assistance of a location consultant, it is imperative that you have the right areas of expertise on the project team. These individuals will rely on their strengths to establish what characteristics potential locations must have to be considered viable options ("Must" factors) and what features are desirable, but not mandatory ("Want" factors).

A few examples of factors that will likely be evaluated throughout the location selection process include:

Property conditions	Operating conditions	Living conditions
<ul style="list-style-type: none">• Location• Configuration• Topography• Zoning/neighboring land use• Ownership/cost• Construction feasibility/cost• Transportation access• Utility infrastructure• Environmental	<ul style="list-style-type: none">• Labor market/cost• Training resources• Education resources• Logistics• Utility services/cost• Taxes• Leadership• Community acceptance• Incentives	<ul style="list-style-type: none">• Attractiveness• Housing• Recreation• Social/cultural• Education• Health care• Shopping• Hotel/meeting space• Congestion

Developing "Must" and "Want" criteria will help those individuals that are part of the core decision team come to a consensus on what location characteristics are most important to the success of the project. This exercise will also expose those areas of expertise (e.g., manufacturing, finance, real estate, human resources, engineering, logistics, legal, information technology, etc.) that may be missing from the core project team. (Be sure to utilize only those individuals with the knowledge to determine if a potential location meets all of the "Must" criteria and can determine the extent to which the site/community achieves each "Want" criterion. Large teams can impede the process, so be prepared to make some strategic and tough team member choices.)

Team members frequently consider their area of expertise the most important to the project, and this misstep should be avoided. A human resources representative, for example, will often heavily weight human resources issues, while the company's general counsel typically believes that legal matters are of the utmost importance. Your company's project manager should benefit from the participation of an experienced location consultant, since consultants play an important role in promoting active participation of various team members, while maintaining the team focus on shared project goals.

"Must" and "Want" factors will also assist with your team's selection of the appropriate search region and allow you to evaluate numerous property/community options within that region. As an example, freight costs can be important to companies during the location selection process. A business with considerable truck traffic may decide that their new facility must be within a certain number of miles of a predetermined centroid location (position of optimal inbound and outbound transportation costs) to be considered further ("Must"). This factor alone will determine the extent

of the search region. In addition, the closer the new plant is to the centroid the lower the transportation costs (“Want”), so this factor should be weighted heavily in the analysis.

Now that the project team is in place, the key “Must” and “Want” factors have been determined, and the search region has been identified, it is time to find a suitable location for the project. Since most projects consider areas of interest in multiple states, I recommend that you work with a representative of each state’s economic development organization. The company’s project manager or their consultant can make contact with the state organization to introduce the project, and prepare and submit the request for property proposal (RFP). The RFP should include the following:

- Project description (capital investment, number of full-time employees, average wage, ramp-up schedule)
- Search region overview
- Property or facility requirements
- Transportation and utility needs
- Other minimum criteria or preferences for a property/community

In an effort to secure a thorough and organized response from the economic development professionals, I suggest that you also include a detailed questionnaire with your RFP. In addition to property and infrastructure questions, be sure to ask questions that will allow you to gain a better understanding of non-recurring and recurring costs that you will encounter if locating in a particular community. On top of the site acquisition, site preparation, and infrastructure improvement costs applicable to a specific location, the team must also consider permit fees, impact fees, wage rates, taxes, and utility rates because they can drastically differ for locations under consideration. This extra step can ensure that you have the data necessary to narrow the number of possible location options.

Once you have received the submissions from each location of interest, you must first confirm that each proposal meets the minimum criteria (“Must”) and then evaluate each site against the others relating to the “Want” factors. Upon conclusion of your desktop evaluation, you should be able to identify a few options that may be good candidates for your project.

It is now time to start planning your field visits. Those visits can be arranged with help of your consultant or your state project manager. A productive site visit will not only enable your team to become more familiar with the property and community of interest, but upon completion of the site visits, you should be in a better position to downselect to finalist locations.

Typically when we take clients out in the field for site/community visits, we are given a limited amount of time to complete this step of the process. We are generally dealing with the most senior executives of a company, and they have significant demands on their time. Therefore, we may visit just four to six locations and spend only a couple of hours at each location. Even if your team has more time to allocate to each location, you will still need to think strategically about what must be accomplished during the site visits.

How the visit agenda is arranged is up to the client team, but I find it helpful to conduct a brief tour of the site upon arrival in the community. This way the team will be more familiar with the property and the property’s surroundings when the formal discussions begin. Next, we will typically meet with representatives from the local economic development team to conduct in-depth reviews of some of the key information previously provided and gather responses to unanswered questions.

Suggested topics for successful site visits:

- Confirm the property has adequate acreage for current requirements and future growth.

- Avoid properties with schools, churches, and other non-conforming uses nearby. Review zoning maps and land use plans to limit the potential for dissimilar development in close proximity.
- Examine the truck route (and distance) to interstates and connecting limited access highways, and confirm they are adequate.
- If applicable, investigate if on-site rail service is truly available. You need to understand that an active rail line adjacent to a proposed site does not necessarily mean the site can be rail served.
- Your project cannot operate without utility services, so you must confirm that adequate and reliable service is available to serve current and future needs.

Since most of our projects are deadline driven, we will often focus the majority of the discussion on items that can significantly slow or halt the overall project schedule. Examples may include mandatory utility infrastructure improvements, transportation network enhancements, and permitting. We also spend considerable time discussing the experience and resources of local workforce training institutions.

The list below includes those entities that we often request participate in our site visits.

- Landowner or property representative
- Utility service providers (electricity, natural gas, water, wastewater, telecommunications)
- Railroad service provider, if applicable
- Local permitting/zoning department
- State environmental permitting department
- Recruiting, screening, and customized training provider

This list may grow or contract based on time allowed, the specific area of expertise of each of your client team members, and unique project requirements.

If your schedule allows, spending time with human resources representatives from a few similar sized manufacturers within the region is very beneficial. They can provide insight into the local labor pool and operating environment that is unattainable from public resources. Conducting these meetings privately is imperative, because information will not flow as freely if members of the state or local economic development team are present. Existing industries' willingness to meet with you and candor may surprise you.

Do not expect custom incentives proposals to be presented during your site visits unless requested by your team. The goal of the site visits is to decide which of the remaining candidate locations are suitable for the project. Once you have visited each of the locations, you will be better prepared to select the finalist locations and issue a customized request for incentives support. Always keep in mind that the selection of a poor site cannot be overcome with any level of incentives support.

Each visit will typically conclude with a more in-depth site tour by vehicle and possibly by air, and a windshield tour of the community. A more thorough community tour may be necessary if you intend to relocate several members of the company team to the new facility location, so plan accordingly.

Lastly, try not to think of the decision-making process as site selection, but rather site elimination. By eliminating those locations that do not fully align with your key project objectives, you should be left with finalist locations that you can select from and be successful. A thorough site selection process will prepare the project team to recommend a location and defend its selection to company senior leadership for years to come.

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McCallum Sweeney Consulting (MSC) provides site selection and incentives negotiations services to leading companies worldwide. MSC brings experience, commitment, integrity, and leading edge technology to our clients in helping them make the best, and most informed, location decisions.

The geographic location of a new facility will greatly impact the success of that operation. The location decision is a complex one, involving a wide range of decision criteria, conflicting factors, and considerable uncertainty. MSC uses a dynamic and open process that has been refined over many years of experience, coupled with the latest geographic information system (GIS) technology to assist our clients with selecting the optimal location for their facilities. The MSC process is designed to give clients the utmost confidence in their location decisions.