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GLOBAL LOGISTICS FORUM

Financial Considerations For Site Selection

Hickey and Associates, LLC
November 12, 2008



Virginia Economic Development Partnership
Global Logistics Forum



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Background and Experience

Full service public incentives firm that has been assisting companies secure, manage and administer public incentives for over 25 years (secured and manage almost \$1 billion in public incentives.)

One-of-a-kind services available through Hickey & Associates includes the full life cycle of managing and administering public incentives involving negotiation, securing, contract Application and Agreement development, compliance reporting, up to and including agreement closeouts.

Recent Awards:



2007 CoreNet Global Economic Development Deal of the Year Award for Major Projects/Deals



2007 Business Facilities Economic Development of the Year - Judges Favorite



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Background and Experience

- Over 25 years of providing successful and diverse site search and public incentives consulting.
- Headquartered in Minneapolis, Minnesota.

Office Locations:

- Midwest: Minneapolis, MN
- Mid-Atlantic: Washington, DC
- Northeast: Hartford, CT
- Southeast: Birmingham, AL
Charlotte, NC
- Southwest: Denver, CO
- West: Bakersfield, CA (Los Angeles)



- Select list of clients:



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Financial Considerations for Site Selection

- ✓ The Site Selection Process
- ✓ Corporate Site Selection Teams
- ✓ Key Financial Factors
- ✓ Weighting and Scoring Factors
- ✓ Populating the Decision Matrix
- ✓ Case Study



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Site Selection – The Relocation Analysis

- Site Location Selection
 - Demographic Analysis
 - Economic Impact Studies
- Decision Matrix (Objective Scientific Analysis)
 - Ultimate Full Reporting and Scoring on Factors and Weighting
- Macro and Micro Analysis
 - Regional, State, and Local Search Screening



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Site Selection - Public Incentives Consulting

Research and Identification

- White Paper Analysis of Potential Value and Precedent of Incentives Provided to Other Companies

Solicit Support

- Prepare Presentation for Public Meetings with Economic Development Officials
- Meet with Officials
- Negotiate Incentives

Company Approval

- Approval To Proceed – Delineate Each Incentive with Value and Risks

Implementation

- Finalize Incentive Commitments
- Incentive Contracts and Agreements

Administration

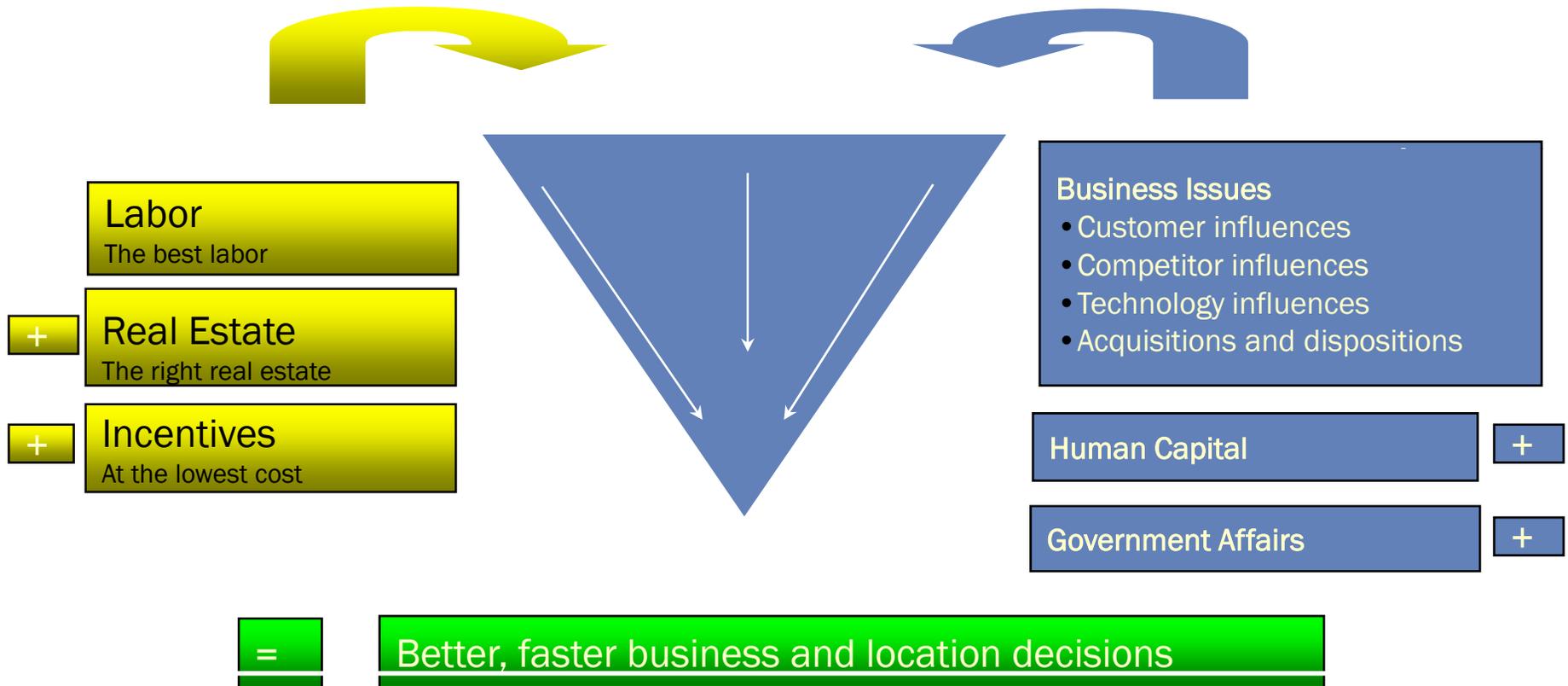
- Incentive Administration and Tracking
- Public Incentive Management System



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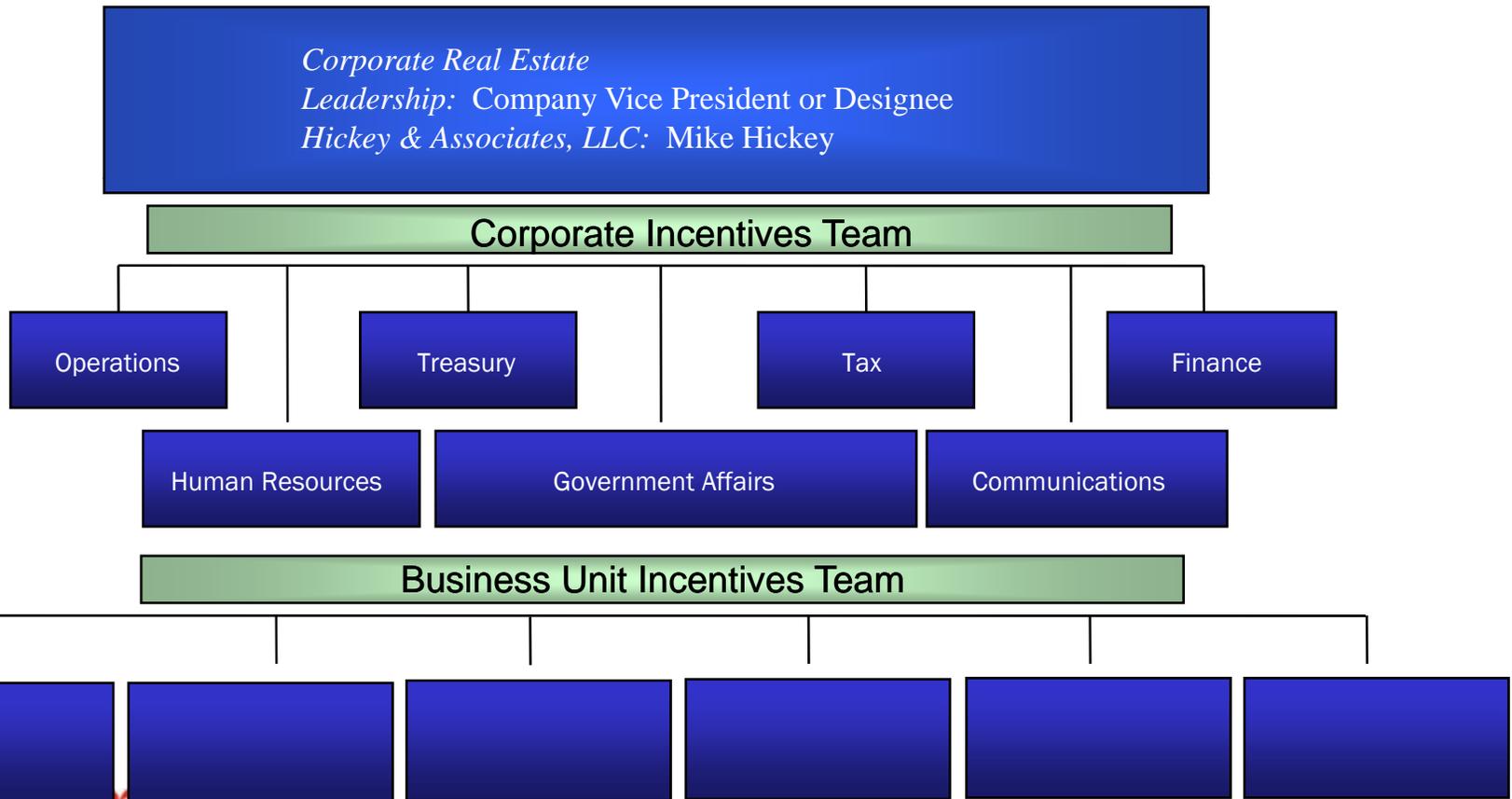


INVESTMENT DECISION PROCESS





THE DECISION / EVALUATION TEAM





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Process Customization

❑ Macro and Micro Analysis

- Selecting the Most Impactful Factors for the Project
- Evaluating State and Regional Economies
- Drilling Down to the Local Community Level

❑ Objectifying the Process

- Financial Data Enables Selection to be Scientific
- Weighting of the Factors Leads to Subjective Data
- Ultimate Goal:
 - Defensible Decisions that Lead to Company Prosperity



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Key Financial Factors

□ Definition

- Economic Elements that Effect the Bottom Line of a Location Decision
- Includes Start-up Costs and Operating Costs
- Affect Short Term and Long Term Budget Projections

□ Examples

Land Costs

Site Development Costs

Taxes

Freight Costs

Insurance Costs

Construction Costs

Labor Costs

Business Climate / Community



Assigning Factor Weights

❑ Prioritizing Financial Factors

- Project Team Determines Critical Financial Discriminators
- Each Factor is Weighted Accordingly

LOCATION Factors	Major Category Weighting
Operating Costs	43%
Land	32%
Business Climate / Community	7%
Taxes	5%
Incentives	5%
Construction Costs	4%
Environmental	2%
Insurance	2%
TOTAL	100%



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Determining Sub-Factors

LOCATION FACTORS	Category Weighting
Labor Costs	12%
Availability of Labor	3%
Employer Competition	1%
Average Area Wage	3%
Employee Turnover	4%
Local Union Activity	1%



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Quantifying Data

LOCATION FACTORS
Labor Costs
Availability of Labor – Labor Force Population
Employer Competition – Employment Rate for Positions
Average Area Wage – County or MSA Wage Rates
Employee Turnover - Local Employer Interviews
Local Union Activity – Percentage of Union Workforce

- ❑ Use the Same Data Resource to Quantify Data for Each Location



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Case Study

□ Project Parameters

- Warehouse Distribution Project
 - 1 Million Square Foot Facility
 - \$50 to \$60 Million Investment
 - 100 to 200 Jobs
- Desired Southeast U.S. Location
- Logistics Critical to Site Location Decision
 - Freight Costs
 - Proximity to Existing Customer Base
 - Proximity to Suppliers



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Case Study



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Results

- ❑ Process Eliminated the Subjectivity of the Team Members
 - Favored Location Was Proven as Best Location
 - Data Results Indicated Lowest Cost / Highest Impact Site
- ❑ Ultimate Goal:
 - Real Estate Team, Finance Team and Tax Team Agreed Upon Factors and Ultimately Agreed With Results
 - Company Made Site Decision Based on Sound Financial Data



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Contact Information



Allison Ross
Hickey & Associates, LLC

(205) 969-8022

Toll Free (800) 840-8850

aross@hickeyandassociates.com

www.HickeyAndAssociates.com



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