

# RETAILERS:

## Shopping for the Right Site

By James H. Renzas

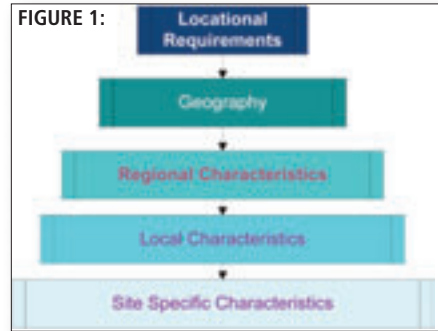
### Retail Site Selection – Prevailing Practice

**S**ite selection for a large retail establishment is different than almost any other industry. The process is driven from the outside in, as opposed to the inside out, as most other industries approach site selection. (See Figure 1) For example, a manufacturer might be interested in finding the best location for a particular type of facility. Generally, as site consultants, we would work with the client to help the manufacturer understand the key location drivers for a particular type of facility. Sometimes these drivers are labor costs, labor skills availability or energy costs. Other times, it is proximity to airports and specific university research programs.

*(Continued on page 54)*



**SITE SELECTION PROCESS FOR INDUSTRY**



**LARGE FORMAT RETAIL SITE SELECTION PROCESS**



In the distribution industry, site selection decisions are driven primarily by logistics costs and time-to-market considerations. In the office sector, work force skills, cost and availability can often be paramount. Even the hospitality sector approaches site selection from a remarkably different perspective.

Retail industry location choices, specifically for store locations, are more often than not driven by the availability

of a suitable development project (see Figure 2). Normally, retailers will do market studies of broad market trends, such as population growth, housing construction trends, and per capita expenditure patterns to identify market areas in which they may desire expansion opportunities. But from this point, the site selection process diverges significantly from other types of industry location projects.



PHOTO PROVIDED BY LOWE'S

Specialty retailers, also referred to as “Big Box” retailers, often look to the development community to identify locations within a particular marketplace which may have the best potential for retail expansion.

Often, major national retailers will maintain regional real estate managers whose job is to get to know the development community in the markets in which they are interested in expanding, in order to get early notification of potential new retail development projects. In other words, the retail development process is primarily a real estate driven process wherein the initiative to provide a suitable location is the retail development industry’s responsibility. This is why trade shows such as ICSC are so critically important in the retail industry and why retailers generally look to the development community to be the catalyst for deal-making.

Once a potentially suitable site or building has been brought to the attention of the real estate manager of an expanding retailer, there will be some preliminary analysis based on the real estate manager’s own experience of site potential. If, in the opinion of the real estate manager, this site has potential as a retail location, the site will be discussed with the real estate manager’s superiors to determine if the company would have further interest in the site. Since the process is real estate driven, time is often of the essence in determining if the site is potentially suitable

because the developer will often introduce the site or building to other competing retailers at the same time. At this point in the negotiations, the retailer is in a race with other retailers to secure an interest in the property before it is gone. The project will often go to internal teams of architectural and engineering personnel, or to outside consultants, to evaluate the building cost and obstacles to development prior to making a commitment to the site.

In addition, internal or external specialists will be called in to derive an estimate of the potential store sales cycle at various points in the future, should the development go forward. Often, retailers will conduct internal evaluations or hire outside consultants to help identify what incentives, if any, could be available prior to making a location decision. Our sister firm, Location Management Services, has conducted thousands of these incentives evaluations – projects wherein estimates of dollar-cost benefits are determined to offset either development costs or on-going operating costs. Such incentives include sales tax sharing arrangements, infrastructure grants for off-site improvements, tax credits for investment and/or job creation, and a number of other creative solutions offered by state and local officials.

Once the company has done its homework on a potential retail site, the three main elements of the analysis – development cost, market potential, and

state/local incentives – are forwarded to financial analysts for evaluation and review. The financial analysts generally prepare an ROI (Return on Investment) analysis for each site under serious consideration. Development costs are weighed against the potential revenue

from increased sales and financial incentives which can lower start-up or on-going operations. This analysis is often prepared for the Chief Financial Officer, or his/her designee, in order to determine the likely payoff associated with the development of a specific store (Continued on page 56)

**Longleaf Business Park at Lake Wales**

Lake Wales is on the cutting edge of technology, while at the same time offering the quality of life of a smaller community. For business, they offer lower land and lease rates, and a “Certified Development Site” with fully-developed infrastructure and permits. For family, Lake Wales offers historical landmarks, 110 parks and recreational facilities, and 14 golf courses within a 20-mile radius. And both Tampa and Orlando are close enough to enjoy, but distant enough to avoid the traffic.

Long Leaf is fully serviced with three-phase electric, natural gas, telecommunications infrastructure, city water and sewer, and city re-use water. And, Lake Wales has teamed up with Verizon to make Longleaf Business Park a “Smart Park.”

Road: Located on US 27, one mile south of SR 60 and 28 miles south of I-4.

Rail: CSX serves the entire region. There

is more rail in Polk County than anywhere else in the state. Several spur lines are located in and around the City of Lake Wales.

Air: 50 miles to Orlando International Airport and 63 miles to Tampa International Airport. The Lake Wales Municipal Airport is located one mile northwest of the Longleaf Business Park with the entrance road at SR 60.

Water: The Port of Tampa, the 7th largest in the U.S., is only 25 miles from Polk County and includes the country’s largest dockside cold storage facility. To the south, Port Manatee connects to Polk County’s CSX railroad which includes 10 truck lines, six custom brokers, four international banks, and 3.6 million barrels of liquid storage.

For more information, please visit [www.longleafbusinesspark.com](http://www.longleafbusinesspark.com) and [www.cityoflakewales.com](http://www.cityoflakewales.com)

**Strong Retail, Class A Commercial, Technology, Automotive Retail, Communications, Aviation, Defense Industry, Manufacturing**

**We are looking for you!**

**DO YOU NEED...**

- Access to major expressways I 294, I 355, I 88, I 55
- Proximity to O'Hare and Midway Airports
- Relocation support
- Assistance with Village and County regulations and procedures
- Sources for financial, technical and job training assistance

**If you answered YES to any of these questions...**

**Think Downers Grove First**

**The Fast Track To Success**



**Downers Grove Economic Development Corporation**  
 2001 Butterfield Road, Suite 120  
 Downers Grove, IL 60515  
 Phone: 630-729-0380 • Fax: 630-729-0381  
[info@dgedc.com](mailto:info@dgedc.com) • [www.dgedc.com](http://www.dgedc.com)

CIRCLE 2 ON READER SERVICE CARD

## Schaumburg, IL: Second Largest Economic Center in the State

With more than 33 million square feet of office, industrial and commercial development, and hundreds of additional acres available, Schaumburg is the largest economic center in the state after Chicago. A wide array of businesses, from small entrepreneurs to large corporations, such as Motorola, call Schaumburg home. As the hub of economic activity in the northwest suburbs, Schaumburg boasts over 13.2 million sq. ft. of industrial space that offers a variety of accommodations to fit any business needs. Schaumburg's proximity to O'Hare and Chicago is enhanced with access to rail, three expressways, and its own regional airport to accommodate businesses.

Continued steady development will occur as Schaumburg attracts companies who demand a highly skilled labor force and a prestigious address. Schaumburg businesses employ more than

85,000 in the Village (expected to reach 130,000 by the year 2020) with the majority in retail (19,651) and manufacturing (16,386).

Amada is completing construction of a new 133,000 sq. ft. facility that will be home to their national sales and repair of laser cutting equipment. Kraft will be opening a distribution center to take advantage of Schaumburg's premier location.

The word "parks" aptly describes these industrial developments, as planners designed them for not only function, but aesthetics. Several sites include public parks, trails and gazebos. Such amenities - along with the Village's highly skilled labor force - continue to attract companies to Schaumburg's prestigious business address. Full industrial development (by 2020) is projected to encompass approximately 15,600,000 sq. ft.

location. The meeting between the CFO and the head of real estate to discuss potential projects is a significant step in the determination of whether or not a specific site is likely to be chosen by the retailer for development.

If the ROI is sufficient to pass the CFO's hurdle rate (often between 10 and 15 percent), the project is given the "green light" to go to a deeper level of analysis. Because the CFO of large national chains sometimes reviews from 10

to 20 potential store locations monthly, if you are selecting only three to five new store locations to go forward with, it is critical that all of the information be as accurate as possible for the decision-making  
*(Continued on page 58)*

*Discover Your Hidden Potential in*  
**Green County!**



**Globally Accessible** to major markets in the upper Midwest and beyond.

**Quality Workforce** with workers compensation rates 20% below the national average.

**Prepared Communities** with 6 fully-served business parks containing over 1,000 acres of available sites.

**Regional Resources** including 10 universities and technical colleges within a 60-mile radius.

One call to Green County Development Corporation can put you in touch with available sites, buildings, regional data, contacts, programs, and other resources to assist in your expansion/ relocation.



Anna Schramke, CEcD - Exec. Director  
www.GreenCountyEDC.com  
email: gcdd@tds.net • 608.328.9452

CIRCLE 72 ON READER SERVICE CARD

**GROW WITH THE VILLAGE**

**Dramatic New Regional Center**



North of Dallas on Central Expressway  
Collin County, Texas

FOR MORE INFORMATION CONTACT:  
Ron Clary  
Town of Fairview  
rclary@fairviewtexas.org  
972.562.0522 ext. 222

**FAIRVIEW TEXAS**  
ECONOMIC DEVELOPMENT CORPORATION  
www.fairviewtexasedc.com  
www.villageatfairview.com

CIRCLE 34 ON READER SERVICE CARD

process. Some communities will “hold back” critical information, such as potential fee abatements or infrastructure assistance, thinking they are positioning themselves for negotiations. This stance will often hurt the communities when the site is on the borderline of be-

ing approved. Some CFOs will ask the real estate manager to go back and see if costs can be reduced or if community incentives can be improved. Others will simply shelve the project for a later time, or drop it from further consideration entirely. (Continued on page 60)



**WELCOME TO THE TOWN OF VERNON  
“THE CROSSROADS FOR OPPORTUNITY”**

Located in north central Connecticut, just northeast of Hartford; known as the “capital” of Tolland County; direct access to I-84, I-91 and major state routes; only minutes from Bradley International Airport; near the University of Connecticut Main Campus; and much more to offer... Excellent Sites Available

**www.vernon-ct.gov**  
**Vernon Economic Development**  
**14 Park Place, Vernon, CT. 06066**  
**Phone: (860) 870-3637 or (860) 870-3667**  
**Fax: (860) 870-3683**  
**Email: mrodriguez@vernon-ct.gov**

CIRCLE 73 ON READER SERVICE CARD

## Santee, California

Has the “Right Environment”

Santee, California is situated just 18 miles from downtown San Diego, and offers a rare combination of high-tech opportunities and high quality of life unparalleled in the region. Development is underway on RiverView at Santee, a 1.9 million-square-foot, master-planned, mixed-use campus on 104 acres overlooking the San Diego River. It features LEED-inspired offices designed for technology, R&D and corporate uses and is located directly adjacent to the 455,000 square-foot Trolley Square Shopping Center and Santee Transit Center. All of these are within an amenity-rich environment, walking distance to homes, shopping, restaurants and trolley service.) RiverView is part of the 700-acre Santee Town Center, which has been master planned for major retail, commercial, residential and recreational uses within a pedestrian and transit-oriented setting (visit: [www.RiverViewAtSantee.com](http://www.RiverViewAtSantee.com))

Santee offers convenient freeway access to I-8, I-15, SR-52, SR-67 and SR-125, with San Diego Trolley service to San Diego State University, Qualcomm Stadium, and the I-8/Mission Valley Corridor. It is uniquely situated for a reverse-commute during rush hour – only 20 minutes from San Diego, La Jolla, and the region’s “silicon” companies in Sorrento Valley.

The City prides itself on having a stable local economy, award-winning schools, very low crime rate, competitively priced housing for all income levels, and the seventh highest household median income in the region. With a five-mile market population of over 260,000, available land for development, skilled labor force, and regional freeway and trolley access, Santee is a premier business location in San Diego County, providing the right environment for high growth companies.

## Pflugerville, Texas: Where Business is Flourishing

For new and relocating companies, Pflugerville, Texas, offers a clear choice for prosperity. Corporate headquarters, retailers, technology firms and similar businesses can reap the benefits of Pflugerville's optimal location, streamlined municipal processes and forward-looking leadership.

Pflugerville is located just minutes north of Austin, a pioneer and world leader in technology and a growing center for medicine, biotechnology, telecommunications, retailing and environmentally-focused businesses. Pflugerville's prime location in the midst of a thriving Central Texas economy enables emerging and growing companies to take advantage of established protocol while pioneering new ideas and initiatives.

Texas consistently ranks as one of the country's most favorable, eco-friendly business climates. Central Texas, especially, has encouraged a diversification of industries that has enabled it to maintain a steady and growing economy despite downturns elsewhere in

the country. In addition to a low tax burden and a competitive regulatory environment, Pflugerville offers a wide range of state and local programs, including the Texas Enterprise Fund, fee waivers and a Triple Freeport Tax Exemption.

Although Pflugerville is growing rapidly, the city still has more than 5,000 prime acres ready for development. For retailers, Pflugerville offers all the things smart businesses look for: a great central location, an affluent and rapidly expanding population and an educated, motivated workforce. The city's current population of 40,000 is expected to increase by as much as 50 percent over the next five years. Businesses locating in Pflugerville will draw from an expanding pool of customers and employees who want to live, work and shop in a single area.

For more information about how Pflugerville is helping businesses reach their potential, please call the Pflugerville Community Development Corporation or visit [www.pfdevelopment.com](http://www.pfdevelopment.com).

### Theoretical Constructs

There is a school of thought in retail site selection that believes that the site se-

lection process can become more scientific and strategic as opposed to the traditional way that site selection has been

approached in the past. The idea is to take a more geospatial approach to retail site selection by using (Continued on page 62)

# Take Your Business to the Next Level

in Manitowoc County



Shovel Ready Sites



Access to Markets



Dedicated Workers

As you consider where to start or grow your business, we invite you to take your business to the next level in Manitowoc County, Wisconsin. Our county offers:

- A productive, dedicated workforce
- Excellent incentives and worker training programs
- Affordable energy
- Exceptional primary schools, secondary schools, and community colleges
- A harbor on Great Lakes shipping lanes
- Easy access to markets
- A high quality of life with an affordable cost of living

Contact Kenneth Stubbe, CECD for free, confidential, and solutions-oriented assistance at (920) 482-0540 or [info@edcmc.org](mailto:info@edcmc.org).





Take your Business to the Next Level

www.edcmc.org

CIRCLE 79 ON READER SERVICE CARD

sophisticated geographic information systems to pinpoint locations which offer the highest market potential by identifying underserved retail segments. These programs utilize government and proprietary data about consumers living within a given market area and their

spending habits. Once the number of potential consumers and growth in that market can be linked with spending propensities and existing retail opportunities, it is theoretically possible to pinpoint the optimal site location for a new retail facility.

**Computerized Sales Forecast**

The problem with this approach is that the retailer has no idea as to whether or not a site exists at that optimal location, how much the development of that site would cost, and whether or not there are state or local incentives which could either lower the development cost or improve operating conditions. If there is no site available, or the site cannot be reasonably developed, there is no benefit in doing extensive work to develop a market potential estimate.

In addition, community leaders may not be interested in retail development and may target available sites for some other land use. The ability of the typical retailer to go through an entitlement process in order to change land use designations is limited. The general reaction to obstacles of this nature would be to simply look elsewhere for a site that can be more easily developed. If the market analysis indicates a large amount of unsatisfied retail sales potential, retailers will simply look for a nearby site to capture this market potential rather than fight a protracted battle with the host community and/or neighborhood groups.

Unfortunately, retail site selection not only incorporates market potential considerations, but also political and real estate considerations as well. This makes retail site selection rather messy and not always a perfect candidate for desktop analysis.

**Retail Incentives**

There is a great deal of debate as to whether or not communities should provide incentives to retailers, much of it directed toward big box retailers such as Wal-Mart. The general consensus among retailers is that incentives can help make a location work, when it would not ordinarily be developed by reducing development cost and on-going operating costs. Incentives can never replace pure market potential and most retailers would not locate in a community that didn't have the basic market potential to support a new store location, unless that community is growing fast and will provide market potential in the near future.

That said, incentives can often make the difference (Continued on page 64)

**Take Two Valleys  
And Call Us In The Morning**

**The Perfect Cure for Business Relocation Anxiety**

If you suffer from the headache of not knowing where to relocate, expand or build your new or existing business, or if you're stressed over lifestyle versus work or work versus play, relax. The Valleys of Southern Idaho are just what the doctor ordered.

From its upscale, younger, creative demographic to its world class skiing and resort lifestyle, the Wood River Valley is an entrepreneur's dream. Tech-savvy, energetic, with engineering and business-to-business support, many upper-line manufacturers like Scott and Rocky Mountain Hardware have chosen to call this Valley home.

For a company looking at a large area manufacturing facility with easy distribution, we would prescribe the Magic Valley, a major retail center with a strong, versatile work force, affordable housing and the College of Southern Idaho. Not to mention some of the lowest energy costs in the nation. We are home to companies like Dell Corporation's Technical Support Center and Jayco Inc.

Whether you're looking for large scale or upscale manufacturing, the good news is within a little over an hour you can experience both of our Valleys.

In the final diagnosis, we know we must meet a very specific list of criteria before business relocation. We also know, all things being equal, that given a big dose of The Valleys of Southern Idaho and you'll feel a renewal and excitement about your business you haven't felt for years. The Wood River and Magic Valley, the best of both worlds.

Try them and we guarantee you'll be hooked for life.

**THE POWER OF IDAHO**

Jaysa Inc.  
Magic Valley  
Premier manufacturer of recreational vehicles

**THE VALLEYS OF SOUTHERN IDAHO**  
Life. Work. Play. Balance  
WWW.SOUTHERNIDAHO.ORG  
JANR11EDO@AOL.COM

Rocky Mountain Hardware  
Wood River Valley  
Premier manufacturer of best made recreational vehicles

OFFICE: 208-324-7408 TOLL FREE: 1-866-768-8443

CIRCLE 68 ON READER SERVICE CARD

between having a new store location built in your community or not. This is due to the fact that most retailers look at three or four potential store locations before choosing one to develop or lease. The potential store locations that do not get built may have some combination of market

potential and/or development cost, but not to the extent that it satisfies corporate minimum ROI rates for development. If this is the case, incentives can often be used to increase the ROI of a specific project in order to satisfy corporate minimum requirements. Even then such projects

PHOTO PROVIDED BY THE HOME DEPOT



might not get built if there are other alternative store sites that can support a higher ROI projection. Thus retail incentives can help get new retail locations built that may not get built otherwise. It is a political decision which is up to the community as to whether or not such incentives are made available to the retailer or the developer.

**Incentives Management**

Research has shown that there are approximately \$50 billion in tax credits and incentives available for expanding companies in the United States. Less than 1/3 of these incentives and credits are ever applied for and less than 1/2 of these savings are ever collected. The most predominant retail incentives are performance based – meaning that the beneficiary of the incentive must prove that the jobs, investment and taxes as originally projected are actually produced. This requires a disciplined approach to incentives compliance. Unfortunately, only a small percentage of retailers have processes in place to perform this compliance on a regular basis. The majority of retailers manage incentives on an ad hoc basis, sometimes leaving it up to the local store manager to perform the compliance duties, and at other times dividing the compliance duties amongst tax, finance, human resources and real estate. This leads to a loss of incentives dollars due to non-compliance and falsifies the original ROI assumptions on which the project was approved.

In our work for large-scale retailers, we rigorously manage the incentives compliance process because that is where the real benefits are generated. Some have relied on third parties or legal advisors to negotiate incentive packages, but these do no good unless a (Continued on page 66)



“ IF YOU BUILD IT,  
THEY WILL COME! ”



BUT WHO WILL PAY FOR IT?



LEXINGTON REALTY TRUST

THE LEADER IN SINGLE TENANT PROJECT FINANCING

CALL US TO LEARN HOW WE ARE ASSISTING ECONOMIC DEVELOPMENT GROUPS THROUGHOUT THE COUNTRY.

CONTACT - DICK ROUSE, SAM SALANT OR LARISSA BELOVA :  
212 - 692 - 7200



CIRCLE 78 ON READER SERVICE CARD

PHOTO PROVIDED BY WALMART

compliance strategy is determined early on in the process.

**Making the Right Location Decision**

Retail site selection decisions are among the most important decisions that a retailer will ever make. A lot can be made or lost on the selection of the location for retail store development. This is why most major retailers prefer to have “boots on the ground” when selecting potential new locations for stores as there are many factors that need to be weighed against one another before finalizing an expansion decision.

Computerized models can be helpful in identifying potential sales opportunities in the landscape, but they will never be a substitute for local knowledge of the marketplace and real estate development conditions. These can only be provided by the retail developer, who plays a critical



role in the deployment of retail expansion strategies.

Finally, community incentives have a role in the process, but it is up to the community leaders to understand that role and factor the costs versus benefits

of retail development into their thinking about how the community should be developed. Retailers are happy to play a role in this process, but they rely on many others to help them make the right decision. **T&ID**

## MAINE'S PREMIER TECHNOLOGY CENTER

Maine's premier **pre-permitted** business and technology center located on 285 acres in the Kennebec Valley at the heart of Central Maine.

- Fully Permitted Site
- World Class Workforce
- Huge Economic Incentives
- Redundant Fiber Optic Network
- Verizon SmartPark
- Available Class A Office Space





**CAMPUS**  
FirstPark's superior technology and office facilities sit on lots ranging from 3.5 - 13.6 acres allowing business the space to open avenues for national and international corporate success.



**ENVIRONMENT**  
The region provides superior natural resources, educational resources, and quality of life. From the rocky coast to the inland mountains, there is an unmatched quality of life here.



**WORKFORCE**  
Central Maine employers claim a state-bred work ethic that is second to none. The immediate labor force is more than 67,000+ with another 53,000 within a short commute.

Check out why **FirstPark** is the successful address for business.

www.FirstPark.com


CIRCLE 6 ON READER SERVICE CARD