

Site Selection Process

TKCG has worked with many different types of companies on relocation-related projects. From this experience we have identified the most important site location cost and condition criteria for different types of projects. It is important to review this information, in order to better understand why select factors are critical to the success of new locations and expansions. It will also help the reader to better understand St. Leon's potential for selected target industries.

A full SWOT cannot be completed without a labor analysis. Some consultants will not go to the extent of interviews in the community and do not present an adequate description of the labor force without talking to the people on the ground. TKCG has interviewed people involved in hiring and maintaining a labor force. Therefore the SWOT can give the community a good representation as to labor availability, labor characteristics, and the higher and secondary education system. The SWOT does not include a full resident analysis, workforce delivery system analysis or complete report on the schools and quality of life in the community. The SWOT does include what a site selection team will report on to their client after spending a few days in the county.

We will now break down the select factors for three different areas of industry as an example to illustrate the differences in corporate site selection in the areas of:

Manufacturing
Administrative/Back Office
Distribution, Warehousing, Logistics

Understanding the Importance of Select Factors in Corporate Site Selection

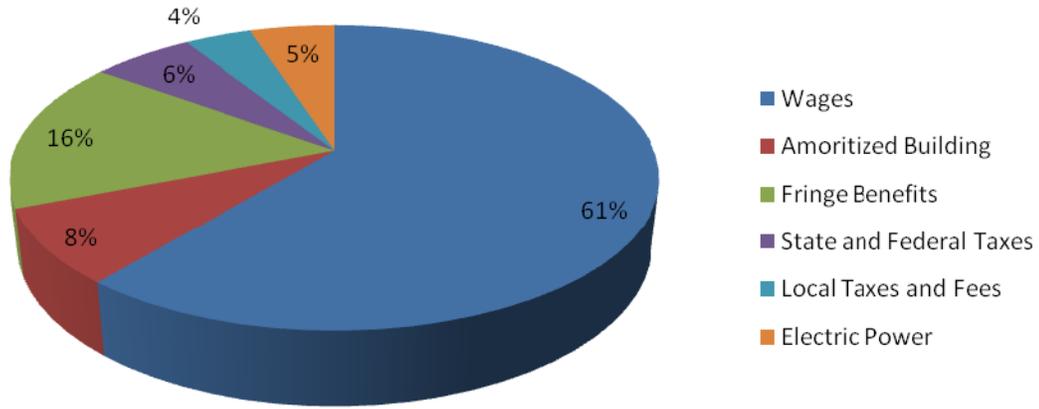
Manufacturing

Site selection studies suggest that, in general, labor will represent the largest single annual cost item for a typical manufacturing project. Fringe benefit costs (consisting of medical, disability, life insurance, unemployment insurance, and workers compensation insurance) will also be significant cost factors (often second or third). Market access is also critical and will determine freight cost variables.

The following represent annual operating costs for two manufacturing projects, one is food processing and the other is electronics. These are only inserted into this SWOT to help educate the reader on the importance of the key location criteria factors. Understanding the makeup of the key location criteria factors will later assist with the target marketing identification process for St. Leon.

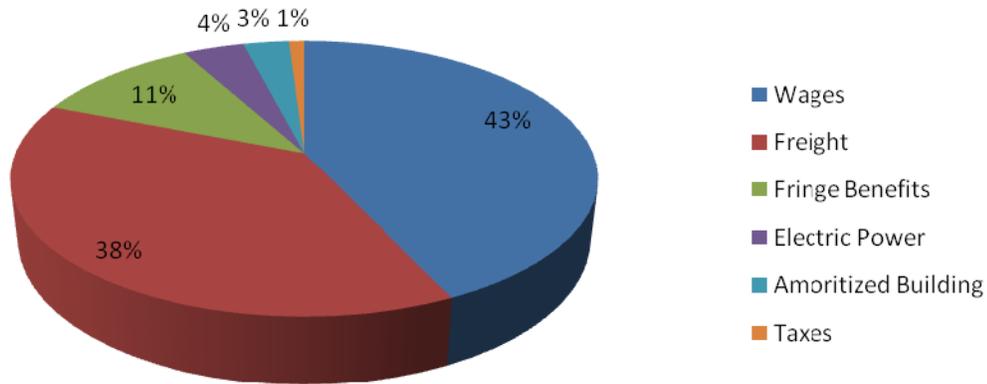
Labor is the largest annual cost component in an electronics manufacturing project.

Annual Operating Costs for a Communications Electronics Plant



A food processing plant will have a much larger freight cost component.

Annual Operating Costs for a Food Processing Plant: Freight Costs are Critical



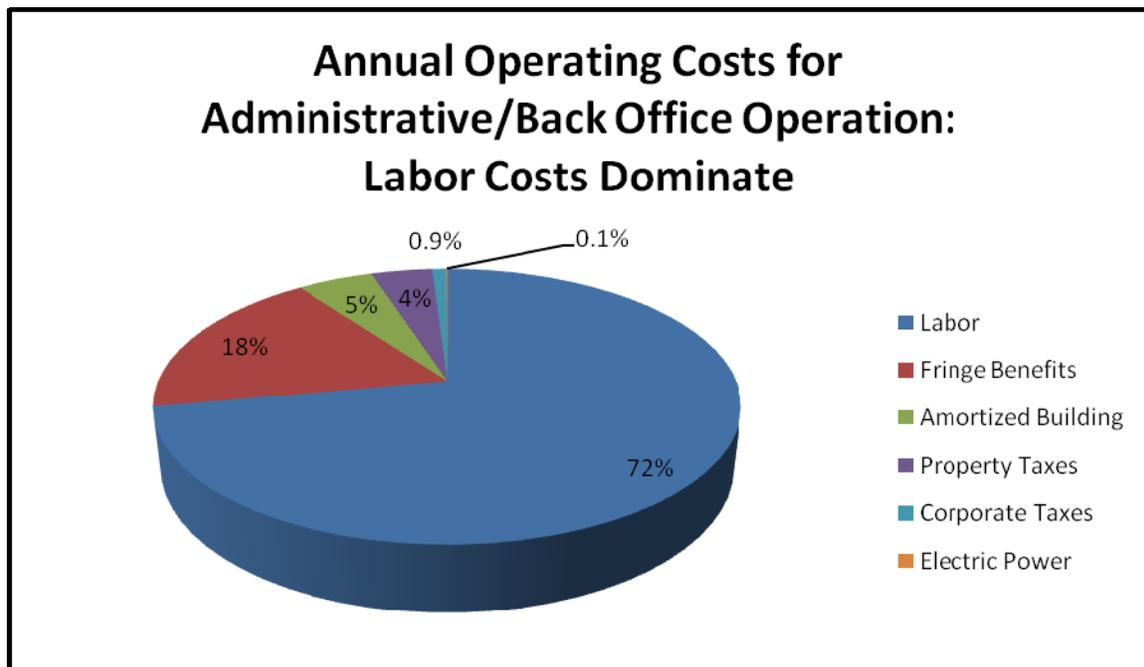
The most critical location factors, by priority, for a typical manufacturing project:

1. Market Access (Freight Costs)
2. Labor Skills and Quality
3. Labor Costs and Fringe Benefits

4. Unionization Trends
5. Available Buildings
6. Utility Costs and Local Services
7. Business Climate/Taxation

Administrative/Back office

Labor costs and conditions are even more important for an administrative back-office function. In the sample below, wages and fringe benefits represent 90% of annual operating costs. Back offices not only include call centers but also administrative centers that may be regional in nature. Information technology and accounting as well as accounts payable and receivable offices fall into this category of industry.

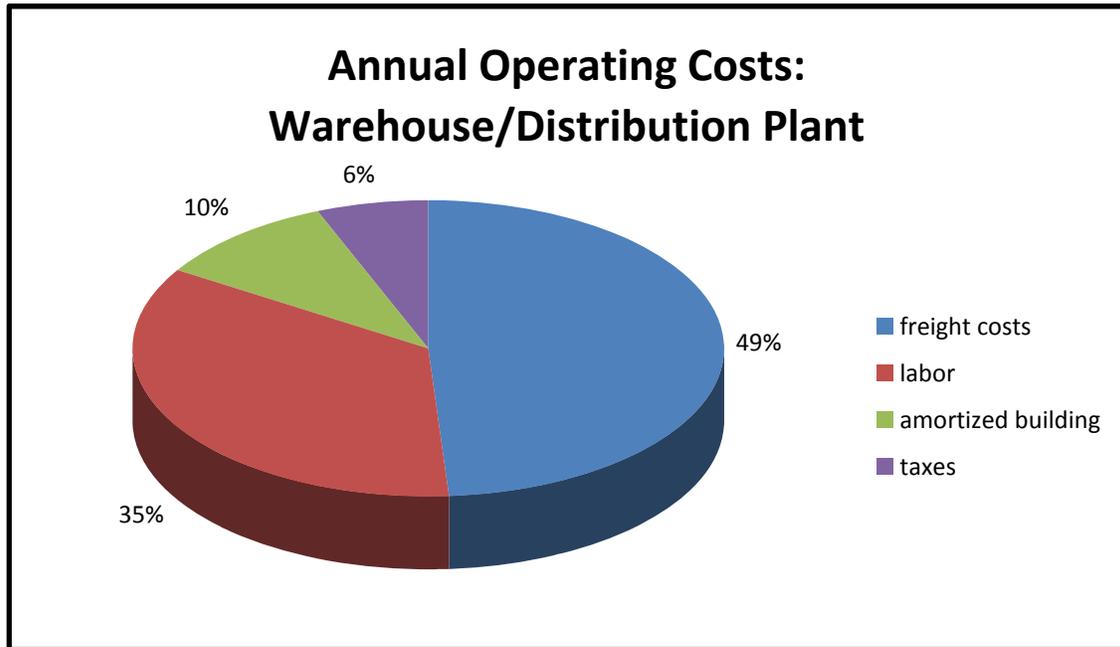


The most critical location factors, by priority, for a typical back-office project are:

1. Clerical Labor Costs
2. Clerical labor quality, availability
3. Turnover
4. Absenteeism
5. Occupancy costs (Class B buildings) 1
6. Training programs
7. Available buildings
8. Ability to recruit management labor (relocation & quality of life issues)
9. Proximity to commercial air service (especially for check processing centers)

Class B: which were the “A’s” of yesterday; now prone to some obsolescence but still utilitarian; i.e., older, slower elevators; large columns; older HVAC systems; smaller floor-plates; etc. (reference: SIOR) (K Mart buildings fit this category)

Warehouse/Distribution/Logistics



The most critical location factors, by priority, for a typical warehouse/distribution project are: Labor cost, quality & availability

1. Freight costs/market access
2. Service delivery time (access to market) ¹
3. Interstate highway access (four directions considered most desirable)
4. Available buildings (minimum 80,000 to 120,000 sq. ft; 20-24 foot ceilings)

¹ Especially seasonal workers for seasonal products which fluctuate in quantities.