



AREA DEVELOPMENT

SITE AND FACILITY PLANNING

Reprint – July 2000

METHODS & PLANNING

When in Doubt, Ask the Expert

The relocation of a corporate facility is an unquestionably complex process that can benefit greatly from seeking the advice of experts in the field.

By Barry Saywitz, President, The Saywitz Company

RELOCATING A CORPORATE facility can be a time-consuming, exhaustive, and expensive project. Not only does this process include the identification of the ideal site or building, but it requires a detailed strategic plan to implement all of the ancillary aspects of the relocation itself once the negotiation of the transaction is complete.

Contrary to many approaches, the proper planning should begin well in advance of site identification and/or consummation of the transaction. It is imperative that all of the ancillary items relating to the relocation be addressed in advance and incorporated into the overall relocation process. These items then become part of the relocation process and are addressed one at a time to comprise the entire time line. Companies that recognize and identify these items in advance and take the appropriate steps to address lead times, outsourcing, vendor contracts, and engaging subcontractors will undoubtedly have greater success in coordinating a smooth transition for the relocation and decrease their odds of additional expense and business disruption.

The following will discuss some of the aspects that are typically involved in the physical relocation of a facility, as well as those items that are integral to the overall process.

Project coordinators must utilize peers, staff, and vendor relationships to address each of these items.

Strategic Planning

Prior to the physical construction of the facility or its improvements, considerable planning must take place. Special power requirements for equipment; distribution lines for electric, gas, water, and other special features; as well as the flow of the office area and/or manufacturing areas of the facility to create optimal productivity must be determined. Strategic planning and programming must be completed prior to the drafting of any architectural drawings and/or commencement of any physical construction. Vendor outsourcing to professionals such as architects, space planners, industrial engineers, and real estate consultants can assist with this aspect of the process.

This stage of the process will undoubtedly determine the layout and flow of the facility, and will also allow the user to accurately estimate the overall costs of the construction to be incorporated into the final transaction. This preliminary process will also unveil any issues with regards to city permits, parking, or restricted uses for the facility. Input by the city planning department or building department should be included in the process to avoid any future issues or modifications to plans that may add costs to the project. Once again, the use of a space planner or architect would be highly advisable in coordinating these discussions with the city to develop any final plans for construction.

Governmental Incentives

Coordination with local municipalities and/or the economic development department as well as any county or state agencies may enhance the transaction. Many companies fail to negotiate to the fullest extent potential incentives that could be made available by economic concessions from these governmental entities. These concessions typically take the form of business or wage tax credits, employee training, and/or discounts on utilities.

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Other municipalities offer industrial development bonds, which are a low-cost alternative to conventional financing for new construction. These discussions and due diligence should be completed prior to selecting the site. Negotiating with several municipalities and/or government entities simultaneously will create leverage for the user and can ultimately result in increased economic incentives.

There are specific consulting firms that will negotiate these types of incentives on your behalf. They will do so either for a fixed fee, an hourly rate, or a percentage of the savings resulting from their negotiations. These consulting firms are either real estate companies, accounting firms, or specialty consulting firms. They will typically have access to general economic incentives and will negotiate with the different governmental agencies on your behalf.

Specific incentives granted may make the difference in choosing one site over the other. This is an integral portion of the relocation process and should be completed in the beginning phases of your search. Additionally, assistance from any government entities in the permitting and/or construction process will expedite the overall time lines for your relocation. Coordination with these governmental entities will also give you detailed information on labor statistics, available labor pools, transportation issues, and local amenities available to you in a particular area. These factors should all be weighed appropriately before making any final decisions.

Bid Package

It is important in negotiating any transaction to completely understand all of the costs involved. This will undoubtedly give you a better ability to negotiate the overall most advantageous transaction. The preparation of a bid package prior to the construction process will allow the landlord, contractor, or developer to specifically identify your requirements and make accurate assessments of the costs involved in the



project. Your space planner, architect, and/or industrial engineer can assist you in compiling this bid package.

The package will outline all of the specific criteria for each piece of equipment as well as telecommunications, requirements, data, phone, fax, copier. This bid package will also delineate exact office size requirements for various positions; specs on air conditioning requirements; electrical load factors; and allowances for specialty items such as cabinetry, wall covering, and flooring. If your facility contains a manufacturing or distribution component, the specifics regarding ceiling height, dock requirements, dock levelers, loading and staging, racking systems, and any necessary outside storage areas will also be enumerated.

The more detail that is incorporated into the bid package the better the construction bid will be. Taking the time and effort to develop a complete bid package on the front end of the project will eliminate changes in the future as well as cost overruns as a result of incomplete data or change orders. The package will also be your guide for designing the drawings and the layout of the facility. Moreover, it can be utilized with the governmental entities in negotiating incentives for your company.

Once the transaction is complete, the physical aspects of the relocation begin to take center stage. This is not to say that they should not be dealt with prior to the completion of the transaction. However, when the transaction is completed and the construction process begins, it becomes imperative to focus on the physical aspects of the move.

Physical Relocation

The physical relocation entails a number of issues that involve vendors and subcontractors. It is here that the most visible signs of an inefficient process can present themselves. These issues pertain to the movers, telephone and telecommunications vendors, furniture, and the disassembling and reassembling of plant equipment.

It is important to secure competitive bids from vendors, and/or to be confident that your existing vendor has the capability and manpower to accommodate your relocation or expansion. Your existing vendor may be adequate to service a maintenance program once you are set up, but the physical relocation involves entirely different criteria. All vendors and subcontractors must have a firm understanding of their scope of work and the time frames required to perform it. A specific time line for each of them should be established and incorporated into the overall model for the relocation.

The physical move will require the integration skills of your moving company. This may necessitate separate moving companies to relocate equipment versus office area furniture. An organized game plan to coordinate each department's furniture, fixtures, and equipment if applicable, from various locations is essential to the success of the physical move.

The telecommunications aspects of your move are critical as well. If you are relocating existing systems, your vendors must have the capability to break down the existing system and reassemble it with minimal disruption to the operation. A phased relocation also requires that telecommunications infrastructure be considered to ensure a smooth transition.

The relocation or refurbishment of existing furniture, or the delivery of new furniture to the facility, will not only need to be coordinated by the movers but predesigned in the architectural drawings. In this scenario, the need for additional furniture or the lack of compatibility due to the relocation or redesign can be eliminated. Many companies consider hiring professional relocation coordinators to deal with these particular vendors and the physical relocation itself. It is certainly advisable if you do not have the necessary internal staff or the time to devote such staff to this specific project to explore this option. Coordinators are available on either an hourly or a fixed-fee basis, depending on the scope of work.

Permitting Process

The permitting process constitutes several steps in the relocation process. Not only does it involve the permitting process through the city in which the facility is located, but also any environmental issues, use of hazardous materials, transportation, or use of special equipment. In certain parts of the country the permitting process can be cumbersome at best and may require extremely detailed applications for approvals. This can ultimately delay occupancy in the building and result in additional costs for the project as a whole.

It is important to understand the types of permits that will be required and the various entities that you will be dealing with to obtain the necessary approvals. Either your architect, relocation coordinator, or professional expediter can assist in this aspect of the process. It is also important to identify all of the potential permitting issues well in advance of the construction to ensure that the permitting process does not affect the timing or the cost.

A time line for these approvals must be developed and incorporated into the entire process. This aspect of the relocation is especially critical for manufacturing facilities, which may ultimately impact the very success or failure of a relocation.

One software company in Southern California recently signed a long-term lease to occupy an entire building. It developed plans for the facility, which was to be used as a research-and-development/sales-and-marketing operation. Unfortunately, after the lease was executed, the plans had been drawn, and construction bids received, it submitted the plans to the city for approval, only to find that the building is not permitted to be used for research and development. The building was located in an industrial area and could only be used for distribution purposes. This simple due diligence with regards to specific use restrictions on the building itself could have avoided the complications that ensued as a result of incomplete information.

A case study of successful outsourcing involves a financial institution that did not have the staff available internally to deal with the relocation of its branch facilities as well as its corporate offices. It elected to outsource the entire process by hiring a real estate consultant to develop the strategic plan and perform the due diligence prior to executing any agreements. Once the agreements were executed, the bank hired an expediter to deal with the city permitting process and a relocation coordinator to handle telecommunications, movers, and furniture. This team ultimately reported to senior management at the bank and provided a complete outsourcing of the relocation process. The overall time line was developed by the tenant, and each of the individual consultants and subcontractors were incorporated into the time line.

Whether you elect to control the relocation internally, by outsourcing, or through any combination of the two.

"The golden rule of relocation is planning"

Make sure that you identify all the milestones within the project and develop a specific time line for each phase of the process. If you are not able to complete a specific task, surround yourself with vendors and other individuals who have the specific expertise to ensure the success of your project. Although projects seem to take extensive periods of time, the critical dates for deadlines arrive rapidly and you must be poised to deal with any modifications to the process as a whole.

There will undoubtedly be additional costs, delays, and unexpected occurrences in any process. Those companies that make adjustments to accommodate for the unexpected will have a greater likelihood of success and will be better suited to minimize any disruption that results from unforeseen events.

Barry Saywitz is president of The Saywitz Company, a national commercial real estate brokerage and consulting firm that assists corporations with relocations throughout the country. Mr. Saywitz is also chairman of The CORE Network, a worldwide organization of real estate companies.