



7 Critical Steps to Selecting an Ideal Location for Your Business





Searching for an industrial site to expand or relocate your business? Not sure where to start? This is our proven approach to reduce risk and select the optimal location for your business.

A Proven Approach to Site Selection

Whether you are searching locally or in an unfamiliar region, selecting a site for a new facility is challenging.

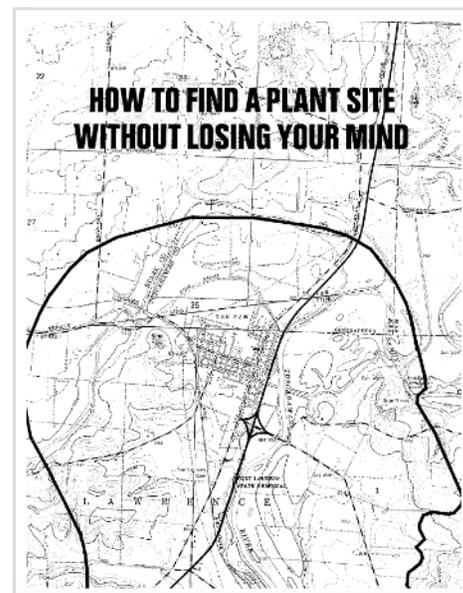
When launching a site selection process, you are likely asking yourself the following questions:

- Where should I start?
- What steps should I follow?
- What partners and resources are available to help me navigate the site selection process?
- How can I ensure I am making the best location decision for my business?

Our team has been advising businesses on the site selection process for decades – we even “wrote the book” on site selection in 1969. Over time and countless projects, we have developed a proven process that helps companies big and small maximize the return on investment of their location decisions.

To set you and your business up for site selection success, it is critical to follow a systematic process that considers your requirements against operating environments and cost factors to ensure a location can meet your current and future needs.

Site selection is maybe better termed as site “elimination.” Deliberate progression through a rigorous evaluation of high-level, broad geography requirements that evolves into site-specific considerations will allow your team to feel confident in the final location decision and avoid costly mistakes.



AEP published this guide in 1969 to help businesses navigate the site selection process.

SEVEN PROVEN STEPS TO SELECT AN OPTIMAL LOCATION

Step 1: Determine Location Parameters



A sound business plan should be the foundation of your site selection process. It should define your company's objectives for the new facility, such as the products and quantities to be produced and future growth expectations. Your plan also provides valuable direction for determining the location requirements of your new facility and outlines the benefits your management team can expect.

To identify the requirements for your new location, evaluate your company's broad wants vs. needs and rank them by importance. Location requirements could include:

- **Workforce** — Labor density, availability, trainability and productivity requirements, wages and labor/management relationships
- **Inbound/Outbound Logistics** — Raw material sources, customer locations and transportation
- **Site and Building** — Size, configuration and facility-specific requirements
- **Utilities** — Capacity and redundancy required for electric, natural gas, water, wastewater and telecommunications service
- **Community Characteristics** — Amenities, location, culture and other requirements
- Factors unique to your specific project

The location requirements should be defined — taking into consideration both present needs and future forecasts — in three categories: mandatory, desirable and optional.

For example, these requirements could apply to a metal fabricator:

- Mandatory: Ceiling height of 30 feet for overhead crane
- Desirable: Major interstate within 3 miles of location
- Optional: Access to rail (since main mode of current transport is by truck)

With your core business objectives and location requirements defined, you can begin the research phase to identify the ideal site.

Step 2: Identify and Evaluate Location Requirements



The next step is to narrow your field of options and define the outer geographic limits of your selection zone based on your key requirements. The focus should be on those factors that can be analyzed on a broad geographic scale — often logistics related factors — that quickly eliminate regions that don't meet your company's needs. Typically, at this stage, high-level operating cost estimates and business environments are considered to narrow the regions that make the most sense for your company.

Choosing the Right Development Partner

The reality is, regardless of the complexity of your location requirements, it is often economically impractical for your staff to complete the level of research needed to support your site selection project. This is especially true when working in an unfamiliar area. This is the right time to enlist the help of a trusted advisor.



Community & Site Key Factors Checklist

Community:

- Economy
- Workforce
- Regulations
- Permitting process
- General utility infrastructure
- Available sites
- Educational system
- Business support services
- Quality of life amenities
- Project support

Site:

- Property characteristics
- Current ownership
- Site preparedness
- Zoning
- Environmental hazards
- Transportation infrastructure
- Utility infrastructure

In addition to community and site factors, state-level taxes and incentives should be considered. Standardized data and statistics will allow you to quickly assess and compare communities. From this research, you can develop a short list of viable site options for further evaluation.

Look for an advisor with expertise in the geographic regions you are considering, as they already have the information and know-how you need to target the right area. Here are a few other factors to consider before hiring a site selection advisor:

- Experience, especially with firms in your industry
- Lack of conflict of interest for an unbiased search
- Ability to provide informed recommendations

Utility partners can be a valuable resource at this stage in the site search, and often provide complimentary, comprehensive and confidential services for businesses looking to expand or relocate.

Many utility companies have internal teams focused on economic and business development, who bring experience, connections and know-how to the site selection process and can assist clients with:

- Community and site knowledge
- Site preparation
- Site search assistance
- Site visit coordination
- Partnerships with local, regional and state officials
- Incentives and pricing assistance
- State and local tax rates
- Energy expertise
- Aftercare services and resources

Step 3: Review Alternative Locations



With a short list of potential geographic regions that meet your minimum search criteria, the hard work of identifying and evaluating suitable communities and available sites begins. This is often the most difficult and time-consuming phase of the site selection process.

One valuable way to narrow the list of viable communities in your target geographies is to develop a community and site checklist. This checklist should outline how each community and site competes against the key factors you identified as important.

Certified Sites

Some organizations assist businesses by offering certified sites that have undergone a thorough, third-party review to determine their readiness for industrial development. Certified properties minimize risk, reduce upfront costs and speed up operational timelines.

Among other criteria, certified site requirements include:

- Available developable acreage
- Minimum excess utility capacities
- Accessibility to major highways and interstates

These five due diligence studies are typically completed during site certification, and any issues have been mitigated:

- Phase 1 Environmental Site Assessment
- Wetlands Delineation
- Threatened and Endangered Species Report
- Archeological and Historical Investigation
- Geotechnical Assessment

We currently offer a portfolio of nearly 45 sites certified for industrial, data center and food processing use. Our rigid site certification standards take the legwork and risk out of due diligence and speeds up your timeline, giving you a competitive advantage.

Step 4: Conduct an In-depth Site Evaluation



With a short list of potential communities and sites defined, it's time to dig deeper into the data and evaluate your operating costs at each location. Here are key costs to consider:

- Real estate costs
- Labor costs
- Utility costs – electric, natural gas, water, wastewater and telecommunications
- Transportation costs
- State corporate tax rates
- Franchise, inventory, property, sales and payroll taxes
- Unemployment insurance and worker's compensation

Many cities, counties and states offer incentives for moving your business to their area and you should factor those benefits into your cost analysis and final decision. Negotiating incentives is a fine line to walk and it's best to begin the negotiation process once you've narrowed potential sites down to two or three finalists.

Step 5: Visit "Short List" Communities and Properties



After running the numbers, your list of prospects should be narrowed down to just a few. Now it's time to coordinate community and site visits for your internal decision-makers and site selection partners.

- Site, building and/or industrial park tours
- Touring the community, including housing, retail districts and local area attractions
- Discussion about relevant educational and training programs and tour of local universities, community colleges and/or high schools
- Presentations from local and state economic development organizations
- Overview of state and local incentives

During your visit, your site selection partner should be able to facilitate introductions and interactions with local, state and regional development partners, local officials, utilities, business leaders, and workforce development agencies.

Step 6: Final Selection and Project Completion



Following your community and site visits, you should have narrowed your prospect sites to the final two or three candidates. It's now time to make your final decision. Site due diligence, incentives negotiation and a final financial analysis are key to selecting the optimal site.

It is important to conduct the proper due diligence to reduce your risk exposure. Your electric and other utility partners can provide letters of commitment on your infrastructure needs so you have assurance they can be met.

You should also consider a technical review of the site's attributes. There are a number of site studies that outline conditions affecting the site's availability and suitability for industry.

- Phase 1 Environmental Site Assessment
- Wetlands Delineation
- Threatened and Endangered Species Report
- Archeological and Historical Investigation
- Geotechnical Assessment

If incentives haven't been negotiated, this is the critical time to do so. As each of your finalist sites should each be able to meet your operational requirements, you will now want to complete a detailed financial analysis that includes incentives to make your final site selection decision.

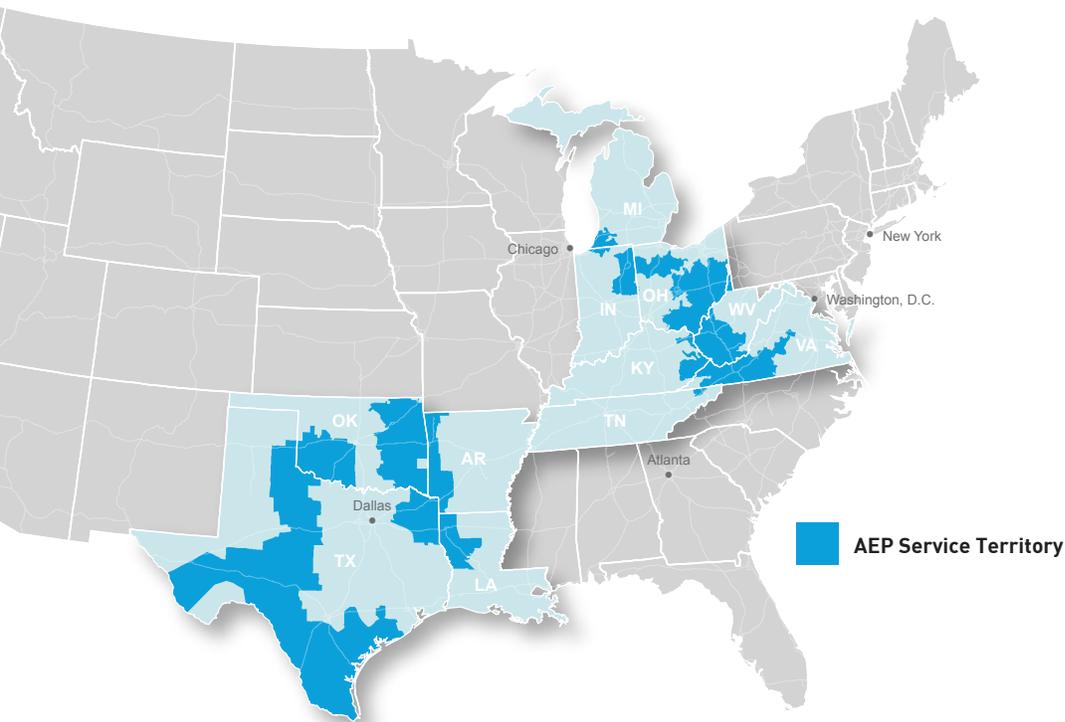
Step 7: Take Advantage of Utility Aftercare Service and Resources



During construction and once your new facility is up and running, your local utility can continue to be a valuable partner. It is important to engage closely with them before, during and after your location decision to ensure you receive the most value from their services.

In addition to unique market know-how and economic development experience, local utilities can offer ongoing benefits to site selection clients, including:

- Personalized energy-related account management services
- Tailored energy efficiency and management programs that support sustainability efforts and can save energy and money
- Design, construction and maintenance services for your electric infrastructure
- Expansion support
- Other resources and connections to help your business stay competitive and thrive in the community



WHY PARTNER WITH AEP?

American Electric Power (AEP) is one of the largest utilities in the U.S., serving electricity to over 5 million customers in 11 states. In addition to providing electric service, we also facilitate business location and expansion in our service territory. Our electric leadership, premier location advisory services and unmatched geographic scale delivers a powerful combination of resources to our clients across all industries.

AEP’s comprehensive economic and business development services are complimentary and our approach to site selection is simple. Our experienced team will assess your geographic needs, reduce your risks, save you time and help you identify the best location based upon the lowest costs to your business. And being a corporation ourselves, we understand the need to maintain strict confidentiality.

Ready to Get Started?

Whether you need assistance expanding or relocating your business or just have a question, contact the AEP Economic and Business Development team at **(800) 360-7483**. You can also visit www.aeped.com for more information.