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LASALLE®

Real value in a changing world

Creating a winning **Team**



Selecting a Consultant

Selecting the Consultant

Why use a consultant?

- Not the client's expertise – Consultant's core competency
 - Relationships
 - Benchmarking
 - Hurdles
 - Time saving
- Consulting firms have different layers of expertise
 - Logistics
 - Real estate
 - Tax
 - Labor and demographics
 - Construction



Selecting the Consultant

Request For Proposal to the Consultant

- What process does the consultant use?
- Prior successes - Consultant must have provided services of the same general type and scope that the company is considering
- Resources in each specific location and quality of relationships
- Documentation
- Fees
- References

Company Expectations

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The Company has hired the consultant to mitigate the risks associated with making new investment and new employment.

- 1) The Company expects that the consultant's efforts will result in a reduction in both upfront cost and on-going expenses.
- 2) The Company expects that the numbers that the financial analysis are "board saleable"
- 3) The Company expects that the consultant will ensure that there are no surprises after the company has selected their site.
- 4) The Company expects that the project will be completed on schedule

Risk

The Company has hired the consultant to mitigate the risks associated with making new investment and new employment.

There are two main types of risk that the consultant is working to minimize:

- Financial
- Timing

The site selection process is used to mitigate as much risk as possible. Which can only be achieved with a quality partnership which includes, but is not limited to:

- City
- County
- Utility
- State
- Landlord

Risk - Financial

Every time a company makes investment in a facility or hires new employees there is a financial risk.

- Cost of operations are highest at the point the assets come on-line
 - Capital investment
 - Start-up expenses
 - On-going operating expenses
- Investment is typically made ahead of demand
- Employees are the most expensive when they are hired
 - Hiring costs
 - Training costs
 - Underutilized resource



Risk - Time

Time kills all deals. Every time a company locates a new facility or relocates an existing facility there is always a requirement that the deal is executed by a certain date and is usually tied to a financial performance requirement for the company.

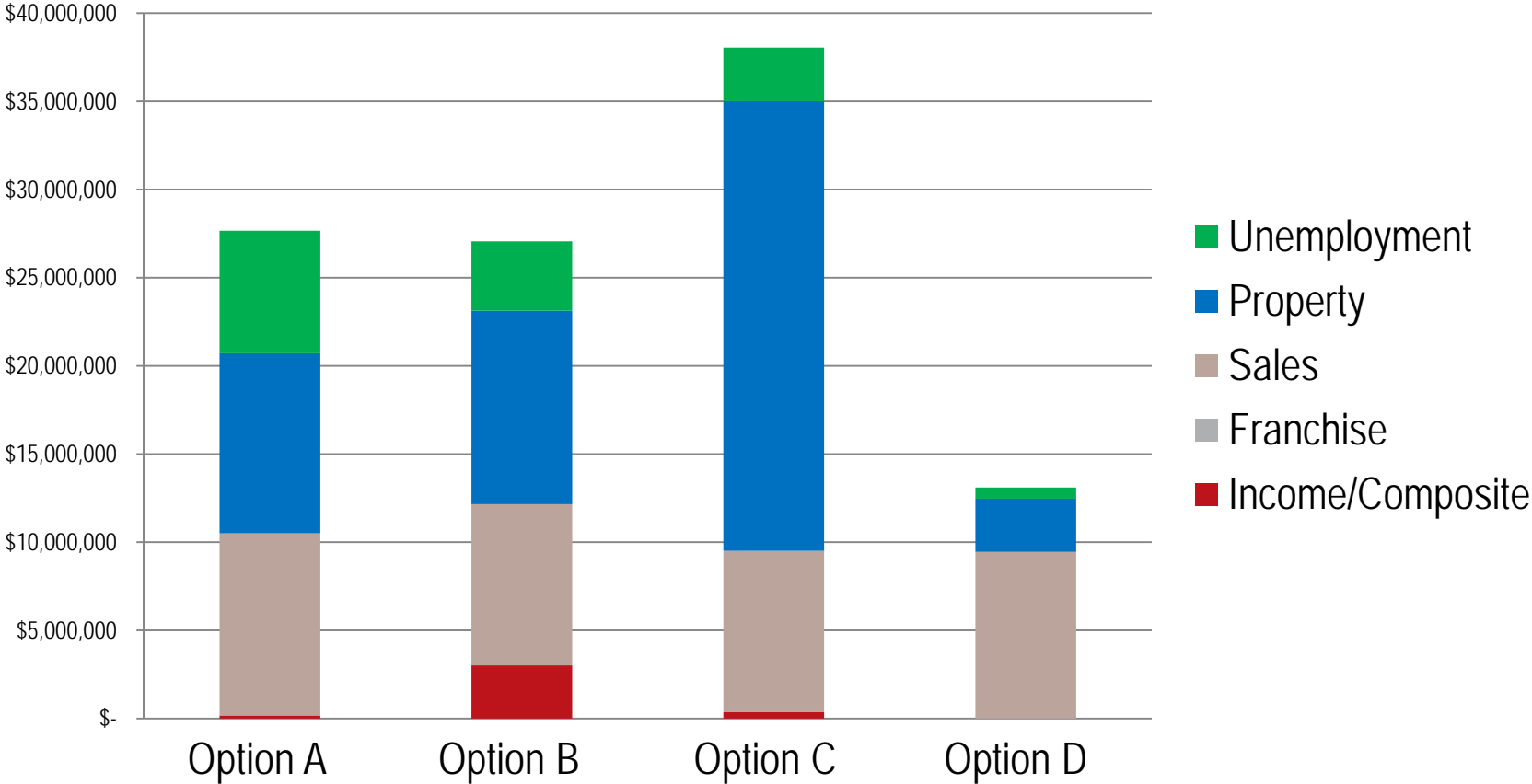
What causes timing risks?

- Utility requirements that have not been appropriately evaluated
 - Electric availability
 - Wastewater capacity
- Permits – building or environmental
- Zoning
- Employment – inadequate labor pool
- Approval process



Company Expectations

The Company expects that the consultant's efforts will result in a reduction in both upfront cost and on-going expenses.



Consultant expectations

Achieving Expectations

→ How does the consultant meet/exceed the company's expectations?

	2012 Year 0	2013 Year 1	2014 Year 2	2022 Year 10	Years 1-10 Total
Rail Extension	(1,000,000)				(1,000,000)
Utility Extension	(680,000)				(680,000)
Annual lease cost		(1,527,000)	(1,527,000)	(1,527,000)	(15,270,000)
Real property investment	(5,000,000)	-	-		(5,000,000)
Personal property investment	(73,500,000)	(136,500,000)	-		(210,000,000)
Total Costs	(80,180,000)	(138,027,000)	(1,527,000)	(1,527,000)	(231,950,000)
Sales/Use tax	(5,320,000)	(9,555,000)	-		(14,875,000)
Real Property Tax		(249,180)	(249,180)	(249,180)	(2,491,800)
Inventory Tax					
Personal Property Tax - 2012		(1,062,254)	(903,527)	(256,406)	(4,932,767)
Personal Property Tax - 2013			(1,972,758)	(476,183)	(8,684,671)
Total Tax	(5,320,000)	(\$10,898,564)	(\$3,286,115)	(\$1,142,419)	(\$32,462,218)
Electricity	(251,597)	(4,780,339)	(5,031,936)	(5,031,936)	(50,319,360)
Sales Tax on Electricity	(17,612)	(334,624)	(352,236)	(352,236)	(3,522,355)
Water	(33,124)	(629,351)	(662,475)	(662,475)	(6,624,750)
Total Utility Costs	(302,332)	(\$5,744,314)	(\$6,046,647)	(6,046,647)	(60,466,465)

→ Who do we need on our team to ensure we meet company's expectations?

Developing the Partnership

As previously stated, the best way to mitigate risk is to assemble the strongest team.

The team usually begins with a single point of contact and the ECG project managers fill the role for us.

To a consultant, the benefits the project manager brings includes:

- Knowledge of the multiple markets in Georgia that we are considering and may also be able to demonstrate benefits of markets we have not yet considered.
- Facilitates the site process as a single point of contact
- Facilitates the relationship between the state, local EDC, consultant and company

Maximizing the Partnership

The site selection process will produce a short-list of locations that have the following:

- Real estate option – Building or land
- Available labor pool
- Desirable quality of life
- Good schools

Every short-listed location will have a cost hurdle to overcome and it is the ability of the community to partner with their team members (real estate owners, utilities, state, etc.) that will give their location the best chance of landing the project.

Consultant's Expectations

Once the site selection process has narrowed us down to a particular building it is not uncommon for the local economic development representative to be the primary contact going forward.

The consultant expects that the local economic development team has:

- 1) A quality relationship with the real estate owner and their broker
 - Land transaction – need to assemble land from multiple owners or need flexibility on amount of land required
 - Existing building – willingness to lease only a portion of the building
 - Infrastructure – can county make improvements or help fund improvements to building that in turn create a lower rent constant for the tenant?

Consultant's Expectations

- 2) A strong relationship with and respect from their boards who will approve the incentive package
 - What are the board's goals and how the company's presence help board achieve those goals?
 - Understand the full impact of the project including third party impacts
 - Pre-meetings with board members
 - Ability to be aggressive
 - Community involvement by company

- 3) A strong relationship with and knowledge of the permitting and zoning process
 - What processes can be run concurrently?
 - Make the permitting team part of the negotiation early so that the decision makers are part of the team that wins the business.
 - What processes can be achieved prior to the company making a decision?

Consultant's Expectations

- 4) A solid understanding of the application and implementation process for non-community incentives (EDA, State grants, etc.)
 - Understand the timing and requirements
 - Nuances associated with federal funds
 - Set expectations
 - Be creative
 - What funds can be used for equipment vs. infrastructure?
 - Are there aspects of the project that the developer would need assistance with that the company would end up paying through a purchase price or lease rate?
- 5) Understand the cash flow of the project
 - What costs are in your control?
 - Creative ideas
- 6) Have a strong relationship with your "partners"

Q & A