

DISTRIBUTION CENTER (DC) ASSESSMENT

PREPARED FOR:

Green River Futures, Inc.
(Green River, Wyoming)

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Introduction

Green River Futures, Inc. has identified the warehouse/distribution (DC for distribution center) sector as one of their target industries. They have commissioned Carter & Burgess to conduct a site assessment related to the DC sector and determine if they should proceed with industrial site development. Carter & Burgess conducted fieldwork in Green River the week of March 28, 2005.

Carter & Burgess is rated as one of top designers of DC space in the world according to *Engineering News Record (ENR) Magazine*. They have sited and designed over 100,000,000 square feet of space over the last seven years.

Understanding the DC Sector

Trends

The DC sector has had an excellent run of expansion in recent years. Well over 400 major locations/expansions occurred nationally in 2004. This sector was one of the few bright spots during the past recession. Locations/expansions have been driven in part by consumer demand for retail products, which has remained very strong.

We expect this rapid DC growth trend to continue. Siting trends include:

- Larger DCs (over a million square feet) on even larger sites (200 acres plus).
- Many DC providers will seek more remote exurban and rural areas that are still within a reasonable distance to major metro markets in order to reduce labor costs and increase labor availability.
- Mega-growth housing markets such as Western markets of Phoenix, Las Vegas, Salt Lake City and others, will attract more building supply related DC's.
- National trucking companies (i.e. Conway & Yellow Freight) will seek "LTL shipping centers" along major cross-country Interstates. These are break-in-bulk transfer operations where Less Than Truckloads (LTL) drop and/or pick-up goods. The building is usually a small (25,000 square foot) cross-dock facility.

Warehouse/distribution falls under a number of NAICS¹ codes, including 421 & 422 wholesale distribution, 484 truck transportation, 488 transportation support, 492 couriers and 493 warehouse/distribution.

Key Site Selection Needs (by priority)

1. Access to market/transportation costs
2. Labor costs/availability (key positions: material handlers, forklift drivers; truck drivers)
3. Electric power costs
4. Access to Interstate highways (within 15 miles)

¹ North American Industry Classification System

5. Large sites (50 to 250 acres) or large buildings (40,000 square foot plus)
6. Rail service for select operations
7. Good labor/management relations.

The Green River Market

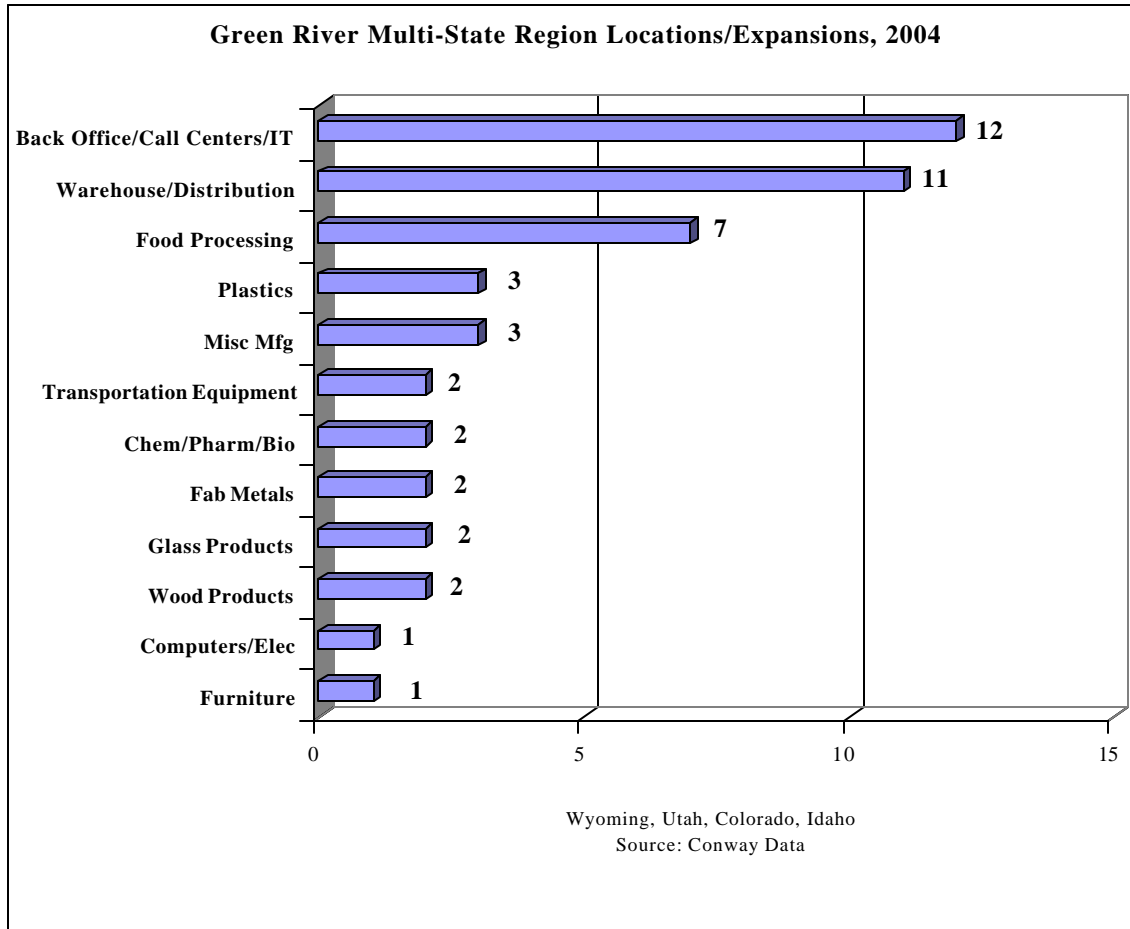
The Multi-State Region

Carter & Burgess maintains a comprehensive database of recent expansions and locations. We use this data with our site selection clients in order to identify communities that have experienced similar locations/expansions to their project. This tells us that a positive development environment exists here.

This database assists us in predicting growth trends and we utilize this data for selecting the best initial communities for our site location clients. The methodology is sound and proven for the following reasons:

- Locations/expansions are driven by recent market conditions and these conditions will generally continue into the near future (one to five years).
- Companies (and site selection consultants) select regions first and then communities within these regions with the best business climates. This may mean, for example, a good labor climate, good market proximity, good transportation, the availability of incentives; all positive business conditions. This will result in *clustering*, a concentration of like companies due to favorable business conditions.
- Clustering is a “green light” for other similar companies to take a look. But they will only locate if the good business conditions remain. For example, they may find the labor market for select skills depleted due to too much location/expansion activity. This is why we conduct careful fieldwork interviews with local companies for our site location clients, in order to help them to thoroughly understand the local business conditions.

The multi-state region of Wyoming, Colorado, Idaho and Utah saw a modest number of new locations/expansions in 2004 (see below).



DC was the second most active sector, however, these numbers are small compared against other parts of the country. For example the Illinois, Indiana, Kentucky, Missouri and Tennessee region experienced over 130 DC locations/expansions in 2004.

Several sizable new DC locations occurred in relatively remote areas of the four-state region. These areas are in some ways similar to Green River.

WOW Logistics (Jerome, ID) – This third-party provider added 75,000 square foot to their 200,000 dry and refrigerated DC in the Twin Falls area along I-84. This is a third party warehousing operation serving regional users.

Dean Foods (LaJunta, CO) – This food giant added a new 200,000 square foot warehouse at their existing pickle/relish plant that supplies Wal-Mart (including the new Pueblo DC when completed). This is a plant-driven distributor.

Nagel Beverages (Nampa, ID) – This Pepsi supplier located a new 111,000 square foot DC to serve Boise market. This is a local market distributor.

Orgill, Inc. (Hurricane, UT) – This hardware and home improvement distributor located their 520,000 square foot DC in this remote area between Salt Lake City and Las Vegas to serve hardware/home improvement stores in the west. This is a major regional consumer market DC.

Everett Graphics (Evanston, WY) – This Oakland-based container company just announced plans to build a 60,000 square foot manufacturing and distribution operation to serve western markets in a city-owned business park. This is a small western market distributor.

All of these recent projects are examples for potential DC project types for Green River.

Other recent major Wyoming DC's include Wal-Mart in Laramie County and Lowe's in the City of Cheyenne. These will both serve the Cheyenne and Denver market areas.

Local Market Analysis

We are concerned with Green River's ability to attract a traditional retail DC because of the distance to major markets. These DCs are typically set in locations where the inbound materials equal the costs of the outbound materials, or at least as close as possible. This means supplier locations are key. Green River is two and half hours (175 miles) from the ONLY major market, Salt Lake City.

However, the recent Orgill, Inc. proves that remote DC locations can serve western markets. This is an example where the entire west is being served from this relatively remote location (121 miles from Las Vegas and 296 miles from Salt Lake City). This company's logistics model pointed to this remote community and the community is providing a good labor supply, a good site and good quality of life.

We are also concerned with labor availability and related salaries in Green River. We heard "all day" about the labor shortage. The current unemployment rate is only a little over 2%. It is likely only a short lived situation since an expected population boom will bring spouse and families, but this still needs to be taken into consideration. Salaries are also significantly higher in the oil, gas, and mining fields. It will be hard for a new DC to compete with labor and with related salaries.

Western markets are being served via the I-80 corridor. Truck traffic is growing along this corridor through Green River. 2003 estimates show almost 13,500 commercial vehicles a day traveling this corridor.

Finally, we are concerned about DC site available. The Green River area is in desperate need of fully improved industrial and DC sites. There simply is a not a class A or B industrial park in the entire region.

Green River has two excellent potential sites.

- Site #1 - Covered Wagon Rd./Exit 85 – South side of ST 374, west of Exit 85; 92 level acres; currently unimproved; privately held. Excellent small industrial park site once area is improved.
- Site #2 – LaBarge Rd./Exit 82. – Northwest corner of I-80/LaGrange Rd. at Exit 82; approximately 640 acres; front half is level; privately held. Excellent DC site with terrific access. Only DC will work here (septic and well with water storage tanks) until utilities can be run out this far.

Recommendations

We recommend that Green River Futures, Inc. proceed with site development (a “GO”). Select project opportunities are possible with the development of your sites.

We strongly support the City of Green River's recent engagement of Horrocks Engineers, to perform the West Feasibility Study to determine preliminary infrastructure and design costs associated with potential industrial/commercial development between the Covered Wagon and LaBarge Road exits off I-80. This starts the process of gathering as much information as possible to enable the political leadership of the community to make informed decisions about the opportunities and challenges associated with development to the west.

Site #1 - Covered Wagon Rd./Exit 85 – Futures has identified an assembled site of approximately 100 acres on the south side of Interstate 80 adjacent to the Covered Wagon interchange as a potential location for an industrial park targeted to distribution projects. We strongly recommend that Futures or the City of Green River secure site control as soon as possible and to start the planning process associated with infrastructure design and budgeting as outlined in Appendix A, Phase II.

- Proceed with further project planning (see Appendix A).
- Upgrade the visual appearance on State Highway 374 from the City limits to the interchange.
- This park will accommodate small DCs and light manufacturing uses.
- Target the suppliers or related services to the oil, gas, and mining industries. This location is a little farther away from the oil and gas fields but closer to the minefields, so go after them first. Conduct interviews and ask them what they need. Can a park like this be a benefit to them, etc?

Site #2 – LaBarge Rd./Exit 82 – Identify owners of large parcels on the north and south side of the interchange, and commence a dialogue about their potential desire to sell or develop their sites into large DC parks. We have identified several large sites of more than 200 acres that may be ideal for the large distribution projects as discussed earlier in the report. The topography of this area is suitable for projects of upwards of one million square feet.

- Proceed with further project planning (see Appendix A).
- Investigate the ease of permitting wells and septic and have that knowledge readily available.
- Invest in a high-level traffic and interchange analysis to assure that a heavy truck volume can be accommodated.
- Target northwestern/western market home-building and related retailers and wholesalers (i.e. home improvement, windows, doors, hardware).
- Target “LTL shipping centers” (i.e. Conway Trucking, Yellow Freight, Overnight Trucking, etc.). This may not be very employee intensive, but it would be a good fit.
- Target the local oil, gas and mining operations that may have expanding warehouse needs.

Other Recommendations

- Conduct a thorough community assessment with labor and logistics analysis components (See Appendix A).
- Develop a DC marketing plan which will include research, direct mail/telemarketing and direct call/trade show components (Carter & Burgess regularly attends a number of DC/logistics shows).
- Develop a “spec building” plan for Site #1. Most projects begin with a building search, therefore a spec building will generate more prospects.

Appendix A – Future Steps

FUTURE PHASE II: COMMUNITY ASSESSMENT

Goal: To provide a detailed community assessment of Green River from a professional site selector's viewpoint.

Approach: We will do a detailed assessment of the economic development characteristics, most needed to compete for new jobs, capital investment and new tax base. We will use past reports, published data, our internal data, our “hands-on” knowledge of industry trends and select on-site fieldwork interviews to complete this assessment.

With your assistance in setting appointments, we will conduct detailed interviews with major employers, developers and other key economic development officials in order to better understand current and future economic conditions. We will conduct this fieldwork much like we would do for an actual corporate site seeker.

The analysis will also benchmark select site selection criteria in the Green River against competitor and/or “source city”² markets. The analysis will include but not be limited to the following categories:

Freight Costs

DC-type companies will seek the right logistics location. We will build a freight model, based on the one that we developed for our DC clients, which will calculate freight costs in the Green River area versus other regional locales. We will provide information on how to best use this model in marketing to DC clients.

Other Sites & Buildings

Locations cannot happen unless quality products are available at a fair price. We will tour and assess your other existing development sites and existing buildings. We will evaluate land uses and marketability of your properties from a site selector’s viewpoint. We will compare local prices to other markets. Finally, we will develop a list of key points and conclusions regarding the real estate market.

Wages & Salaries

Wages are the most important component of any new project, comprising up to 80% of the annual operating costs. We will compare select wages with those in the other markets. We will derive local information from the local fieldwork and from our national wage database.

² Large metro areas where prospects will be present.

Finally, we will develop a list of key points and conclusions associated with industry wage rates in the area.

Workforce Availability & Quality

The availability of good quality workers is essential to a project's success. We will carry out a labor availability and quality characteristics assessment, much the way we do for corporate clients seeking new locations. We will focus on availability and quality of key skills for each potential target industries.

We have developed a unique index designed to compare availability and quality issues on an “apples to apples” basis across the country. The index measures key characteristics on a one (“very poor”) to ten (“excellent”) scale (5 is “average”). We will measure the following characteristics industry-wide and by key industry segments:

- Skills availability
- Turnover & absenteeism
- Attitudes – on-the-job
- Trainability – employees response to training
- Basic skills – math, English, grammar, etc. of new hires
- Communications – Employer/employee and employee/employee on-the-job
- Alcohol/drugs – Perceived situation
- Productivity – Employer's measure

Finally, we will develop a list of key points and conclusions associated with availability/quality in the area.

Incentives

Incentives are often the “icing on the cake” in site selection deals. We will assess your available incentives and compare them versus those that we are seeing today in other locales. We will develop a list of key points and conclusions especially as they relate to the new industrial area.

Quality of Life/Housing /Cost of Living

If key employees will not relocate to the new location than the project may not be successful. Quality of life items dictate the desirability of a community. We will compare housing and cost of living data in your area versus those in the other markets. We will develop a list of key points and conclusions.

The estimated cost of Phase II is \$30,000.

FUTURE PHASE III: INDUSTRIAL PARK PLANNING

Goal: To help guide the design of the new industrial area so that it will attract the attention of select target companies that will provide good paying jobs, new capital investment and taxes for Green River.

Approach: One of Carter & Burgess' core strengths is the design of industrial buildings and property. We have designed over 100,000,000 square feet of industrial space in recent years on some of the finest industrial sites in the country.

We will have completed the industrial area assessment (Phase I) and community assessment (Phase II).

We will schedule meetings with the appropriate economic development individuals in order to establish the criteria for the industrial park. The purpose of this meeting will be to define all of the criteria that impact the site development.

We will prepare a development Work Plan. The plan will include:

Key elements of the Assessment Report (Phase I)

- Renderings and schematic layouts that will reflect our assessment and the guidelines,
- Site layout options and alternatives
- Phase I environmental study and a wetlands study.
- Pricing procedures and ideas
- Detailed cost estimates, procedures and timetables for future purchase and development of the industrial park.

The estimated cost of Phase II is \$50,000.