



WAYNE COUNTY (IN) AS A LOCATION FOR A RETAIL PRODUCTS DISTRIBUTION CENTER (DC)

Prepared for the
EDC of WAYNE COUNTY (IN)



Prepared by:



**WAYNE COUNTY (IN)
AS A LOCATION FOR A
RETAIL PRODUCTS DISTRIBUTION CENTER (DC)**

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Introduction

This report, **Wayne County (IN) as a Location for a Retail Products Distribution Center (DC)**, identifies business costs (pre-incentive) and conditions associated with the development of a new DC operation in Wayne County Area. The warehouse/distribution industry has had, by far, the largest number of new locations of any industry in recent years in the Midwest region of the U.S.

The report compares costs in the Wayne County Area versus:

- Davenport, IA (Iowa-Illinois Quad Cities)
- Dayton, OH
- St. Louis, MO.

Costs are drawn from a hypothetical DC project (see model description on page 4), which was based on our actual site selection experience. Key site location cost factors are examined in this report including:

- Freight
- Salary and wages
- Fringe benefits
- Build-to-suit costs
- Select taxes
- Electric power
- Cost of living.

The cost comparison spreadsheet follows on pages 6-8. Costs were derived from actual field research in the Wayne County Area as a part of the recent target industry analysis and research on competitor communities. The latest available data was used for all cost comparisons. In addition, other regional conditions related to the DC industry are examined.

Foote Consulting Group, LLC (FCG) is a global site selection and economic development firm based in the Phoenix area. Our partner, TranSystems, is an expert in freight/logistics modeling and analysis.

Project Model

Retail Product Distribution Center (DC)

Purpose: Distribution of consumer goods to retail stores in major markets of the Midwest.

Hours of Operation: 3 shifts; 7 days per week

Labor: **444 total**
7 – managerial/engineering
20 – clerical/sales
15 – maintenance mechanics
200 – material handlers
100 – warehouse laborers
100 – semi-truck drivers

Utilities: Electric Power – Demand: 1,000 KW;
Energy: 400,000 Kwh/month (average)

Building: 750,000 square feet – 725,000 warehouse; 25,000 square feet of office/shop space.

Land: 75 level acres in a fully improved industrial area with rail service.

Investment: machinery and equipment (M&E) – \$18,750,000; inventory – \$37,500,000; land & building – \$30,000,000.

Freight: Inbound: Based on average miles and rates from suppliers via 54% TL, 10% LTL, 30% rail, and 6% small parcel.
Outbound: Product classification – 85; 12,000,000 units/year; weight per unit – 10 lbs.; 70% TL, 20% LTL, 5% rail, and 5% small parcel.

Other Critical Factors: Good access to reasonably priced workforce; reliable and economic electric power supply; good flexible training programs, and good quality of life.

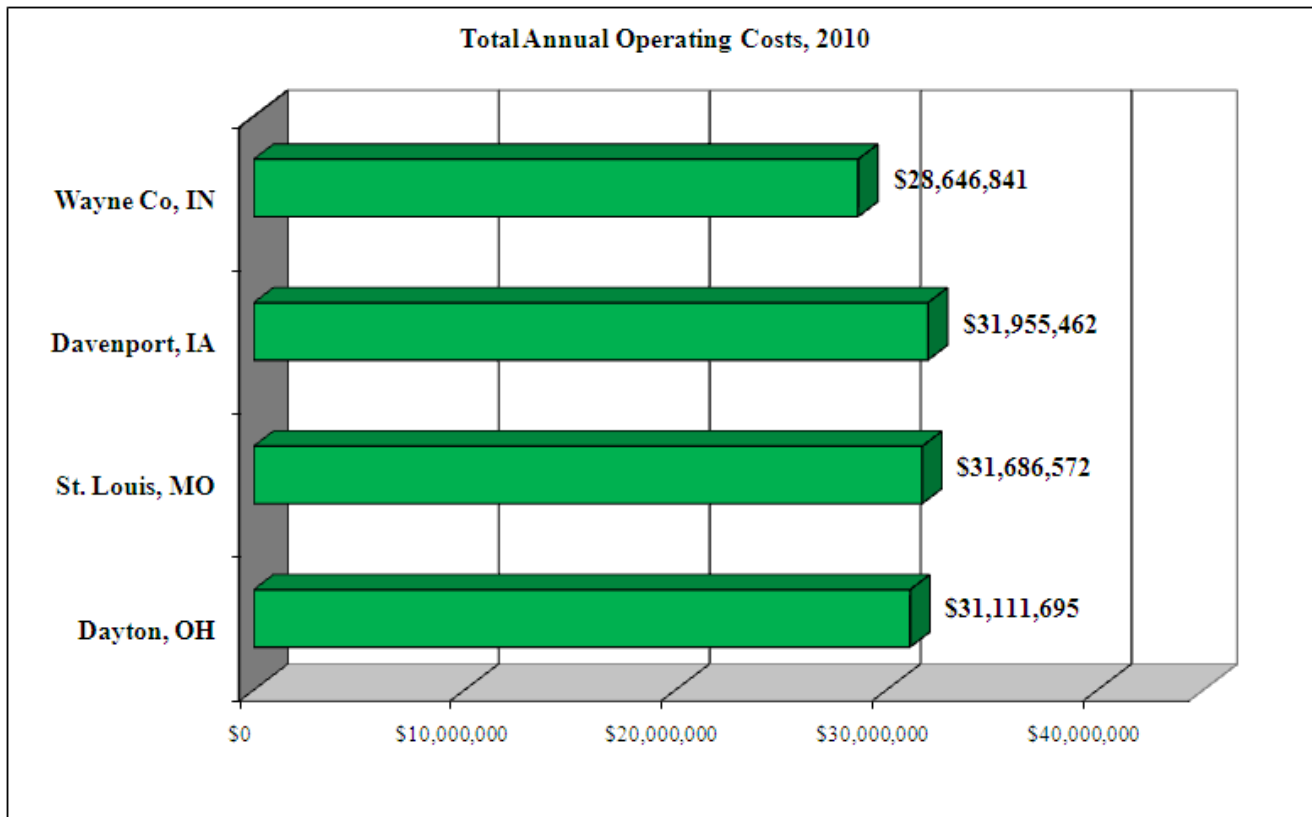
DISTRIBUTION CENTER (DC) PROJECT				
FIRST YEAR OPERATING COSTS				
Labor Costs (444 total jobs)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
<i>Managers</i>				
<i>Number</i>	2	2	2	2
<i>Annual Salary</i>	\$48,391	\$50,322	\$55,364	\$54,769
<i>Quality Control Engineers</i>				
<i>Number</i>	7	7	7	7
<i>Annual Salary</i>	\$49,787	\$53,741	\$55,853	\$54,678
<i>Total Managerial/Engineering Salary</i>	\$445,291	\$476,831	\$501,699	\$492,284
<i>Clerical Shipping and Receiving</i>				
<i>Number</i>	20	20	20	20
<i>Annual Salary</i>	\$25,163	\$26,323	\$28,340	\$27,561
<i>Total Management/Clerical Salary</i>	\$948,551	\$1,003,291	\$1,068,499	\$1,043,504
<i>Maintenance Mechanics</i>				
<i>Number</i>	15	15	15	15
<i>Annual Salary</i>	\$32,732	\$34,451	\$36,664	\$35,302
<i>Material Handlers</i>				
<i>Number</i>	200	200	200	200
<i>Annual Salary</i>	\$24,132	\$24,309	\$26,037	\$25,391
<i>Total MM/MH Salary</i>	\$5,317,380	\$5,378,565	\$5,757,360	\$5,607,730
<i>Truck Drivers</i>				
<i>Number</i>	100	100	100	100
<i>Annual Salary</i>	\$21,674	\$26,306	\$28,154	\$27,472
<i>Total Salary</i>	\$2,167,400	\$2,630,600	\$2,815,400	\$2,747,200
<i>Unskilled Laborers/Warehouse</i>				
<i>Number</i>	100	100	100	100
<i>Annual Salary</i>	\$20,930	\$20,989	\$22,542	\$21,949
<i>Total Salary</i>	\$2,093,000	\$2,098,900	\$2,254,200	\$2,194,900
<i>Total Annual Salary Costs</i>	\$10,971,622	\$11,588,187	\$12,397,158	\$12,085,618
Fringe Benefits	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
<i>Medical/Dental/Vision @ 25%</i>	\$2,742,906	\$2,897,047	\$3,099,290	\$3,021,405
<i>Disability @ .15 %</i>	\$16,457	\$17,382	\$18,596	\$18,128
<i>FICA @ 7.5 %</i>	\$822,872	\$869,114	\$929,787	\$906,421
<i>Life @ .5 %</i>	\$54,858	\$57,941	\$61,986	\$60,428
<i>Unemployment Ins. Rate</i>	2.70%	1.50%	3.51%	2.70%
<i>UI Cost</i>	\$83,916	\$46,620	\$109,091	\$83,916
<i>Workers Comp Rate-Plant (per \$100)</i>	\$7.24	\$10.53	\$4.77	\$5.57
<i>Workers Comp-Office (per \$100)</i>	\$0.19	\$0.29	\$0.15	\$0.55
<i>Workers Compensation Cost</i>	\$697,603	\$1,070,916	\$519,798	\$595,331
<i>Fringe Benefit Load Factor</i>	39.51%	42.39%	37.34%	38.08%
<i>Total Annual Fringe Benefits Costs</i>	\$4,334,696	\$4,912,400	\$4,629,455	\$4,601,713

DISTRIBUTION CENTER (DC) PROJECT (continued)				
Build to Suit Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Square Feet Office	25,000	25,000	25,000	25,000
Total Square Feet Required	750,000	750,000	750,000	750,000
Cost per Square Foot of Office	\$60.00	\$75.00	\$85.00	\$50.00
Cost per Square Foot of WH	\$40.00	\$45.00	\$32.00	\$32.50
Total Building Cost	\$31,500,000	\$35,625,000	\$26,125,000	\$25,625,000
Land Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Cost per Acre	\$11,550	\$44,889	\$62,000	\$45,000
Acres Required	75	75	75	75
Total Land Cost	\$866,250	\$3,366,675	\$4,650,000	\$3,375,000
Total Building & Land Cost	\$32,366,250	\$38,991,675	\$30,775,000	\$29,000,000
Annual Payment (@ 5%, 15 yrs)	<u>\$3,118,239</u>	<u>\$3,756,547</u>	<u>\$2,964,934</u>	<u>\$2,793,926</u>
Property Tax Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Value of Real Estate	\$31,366,250	\$37,866,675	\$29,975,000	\$28,187,500
Assessment Ratio	100%	100%	100%	100%
Property Tax Rate	2.65	38.33	2.48	82.48
Real Estate Taxes	\$831,206	\$1,451,430	\$743,380	\$2,324,905
Machinery & Equipment Value	\$18,750,000	\$18,750,000	\$18,750,000	\$18,750,000
Personal Property Tax Rate	0	0	2.41	\$0.00
Personal Property Tax	\$0	\$0	\$722,398	\$0
Value of Inventory	\$37,500,000	\$37,500,000	\$37,500,000	\$37,500,000
Inventory Tax Rate	0	0	0	0
Inventory Tax	\$0	\$0	\$0	\$0
Total Annual Property Taxes	<u>\$831,206</u>	<u>\$1,451,430</u>	<u>\$1,465,778</u>	<u>\$2,324,905</u>
Corporate Income Taxes	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Adjusted State Taxable Income	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Tax Rate (Federal)	34.00%	34.00%	34.00%	34.00%
Tax Rate (State)	8.50%	0.05%	5.20%	0.26%
Total Federal and State taxes	<u>\$2,125,000</u>	<u>\$1,702,500</u>	<u>\$1,960,000</u>	<u>\$1,713,000</u>
Electric Power Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
KW Demand	1000	1000	1000	1000
KwH/Month Usage	400000	400000	400000	400000
Cost/KwH	\$0.0660	\$0.0559	\$0.0610	\$0.0850
Total Annual Electric Power Cost	<u>\$316,800</u>	<u>\$268,320</u>	<u>\$292,800</u>	<u>\$408,000</u>

DISTRIBUTION CENTER (DC) PROJECT (continued)				
Freight Costs (see freight model)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Inbound	\$1,209,600	\$1,209,600	\$1,209,600	\$1,209,600
Outbound	\$5,739,679	\$7,066,478	\$6,766,847	\$5,974,932
Total	<u>\$6,949,279</u>	<u>\$8,276,078</u>	<u>\$7,976,447</u>	<u>\$7,184,532</u>
TOTALS				
	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Annual Operating Costs	\$28,646,841	\$31,955,462	\$31,686,572	\$31,111,695
<i>Costs greater than Wayne Co., IN</i>		\$3,308,621	\$3,039,731	\$2,464,854
<i>% greater than Wayne Co., IN</i>		12%	11%	8.6%

Total Project Operating Costs

Wayne County is the lowest cost locale for this DC project. More than \$3.3 million per year could be saved by locating this project in Wayne County versus the highest cost area, Davenport.



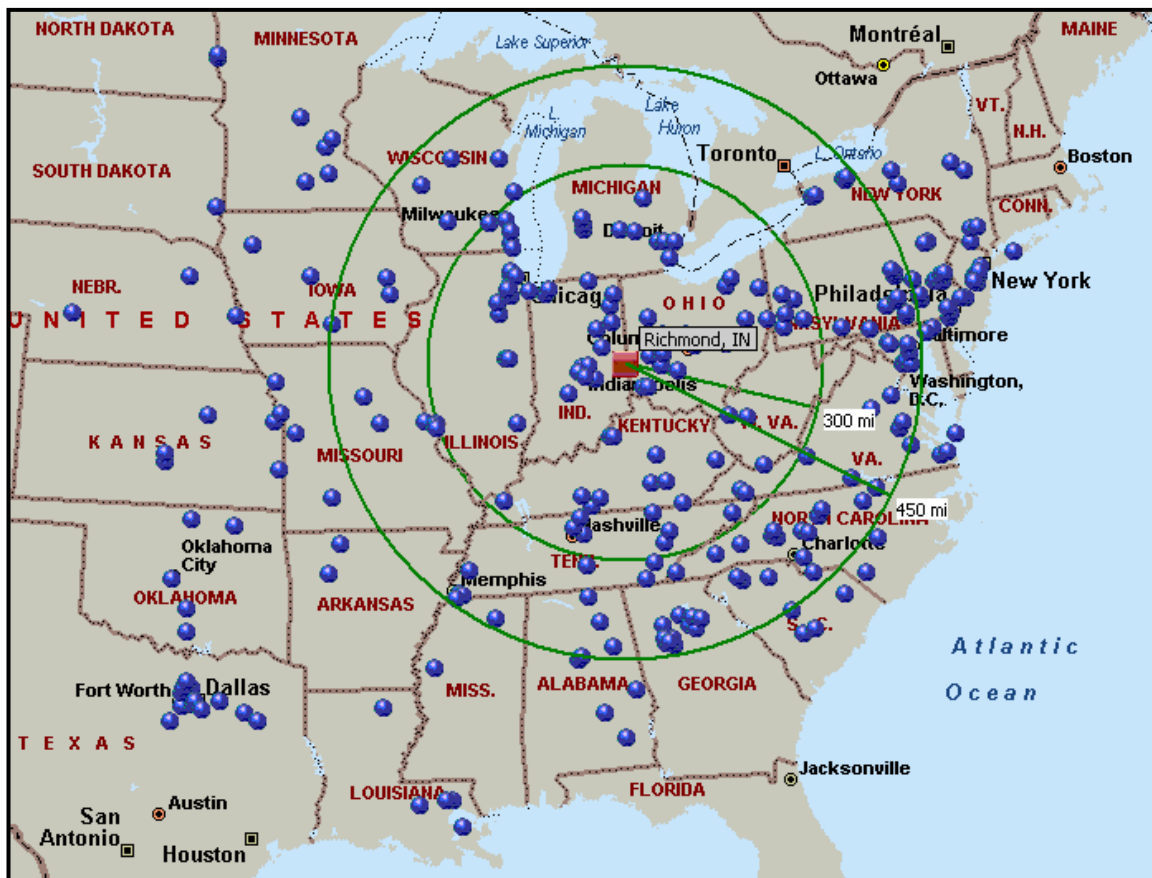
Freight

Freight costs represent the second largest annual operating cost item for this project, approximately 25%. A separate, detailed freight model is available and can be used as a reference.

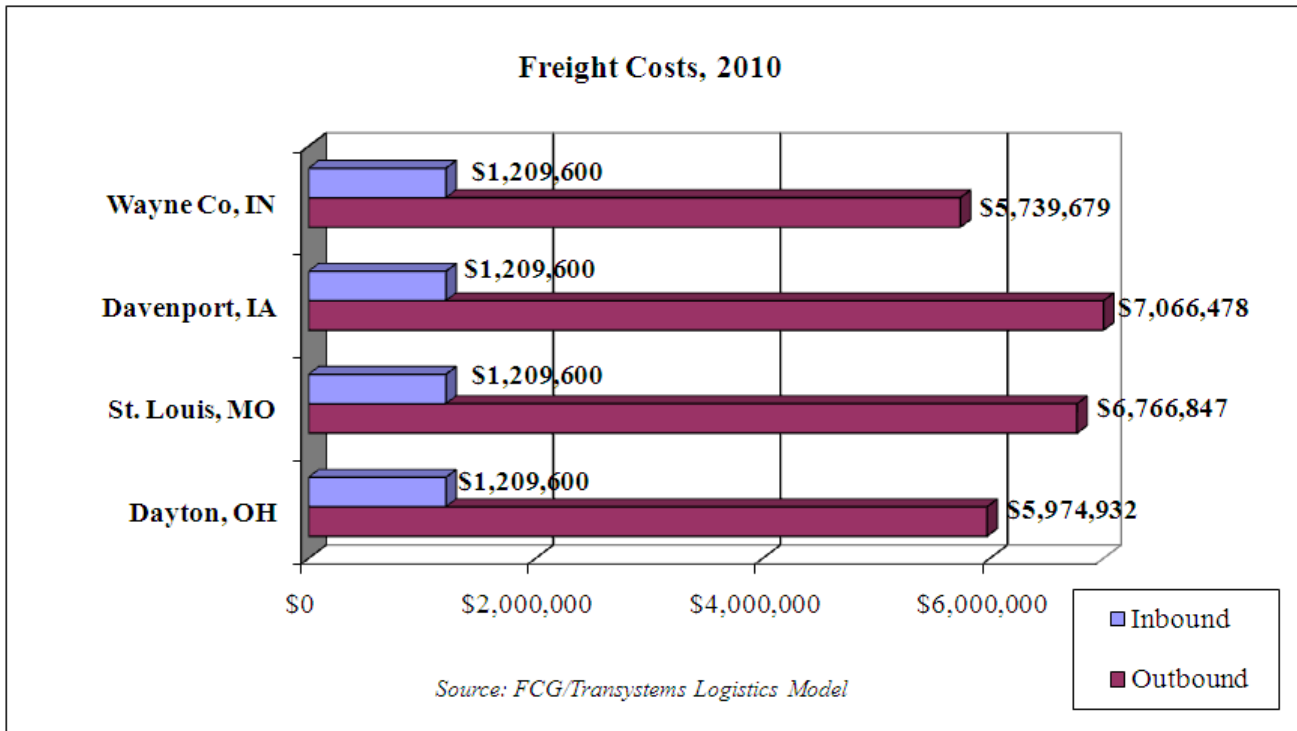
Consumer products will be shipped outbound from the DC to major consumer centers and third-party distribution points within a 450-mile radius of the DC site via a combination of full truckload trailers (TL), less than truckload trailers (LTL), and small parcel resources. The key markets are Chicago, Detroit, Nashville, Indianapolis, Atlanta, Pittsburgh and Charlotte. Inbound freight is based on the average miles from suppliers and is assumed to be equal to each location.

The following map depicts the desired distribution area up to a 450 radius and covers the major markets of Midwest, Mid-Atlantic and Mid-South. The blue dots depict TranSystems client base and the locations of their DCs which serve all major markets. A sample of TranSystems clients:

- Kroger
- SuperValu
- Wal-Mart
- Meijer
- Spartan Stores
- Aldi
- 7-Eleven
- Trader Joe's
- Costco
- Dollar General
- HT Hackney



Wayne County is the lowest cost outbound freight location. Over \$1.3 million can be saved over a location in Davenport, IA.



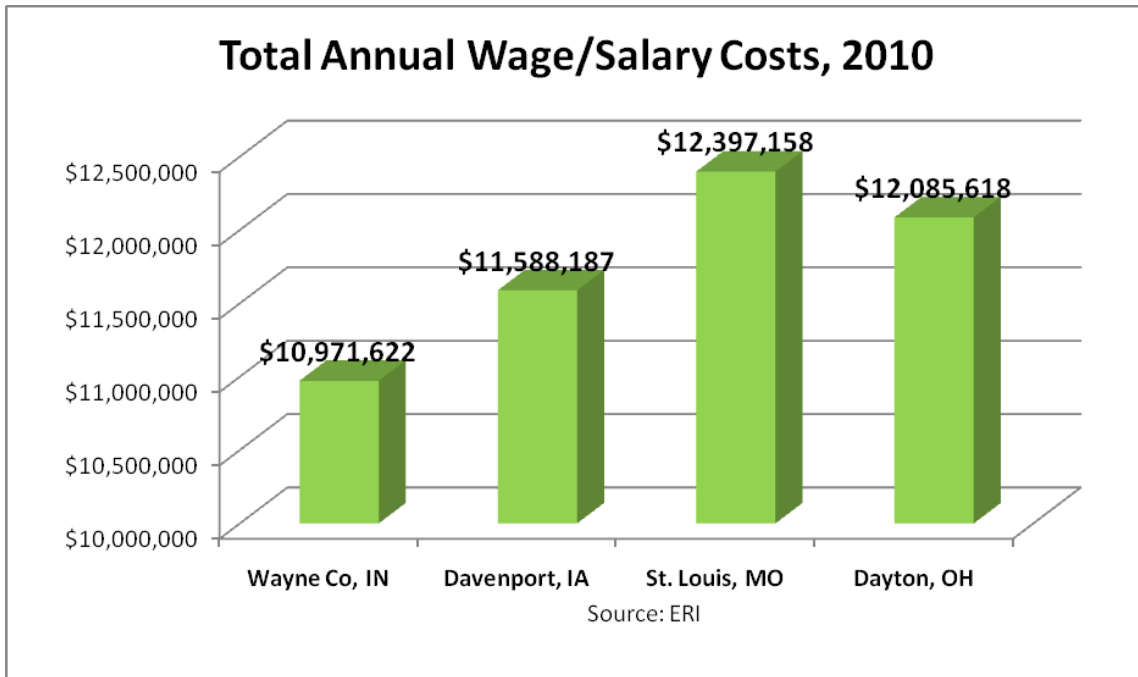
Labor

Wages/Salaries and Fringe Benefits

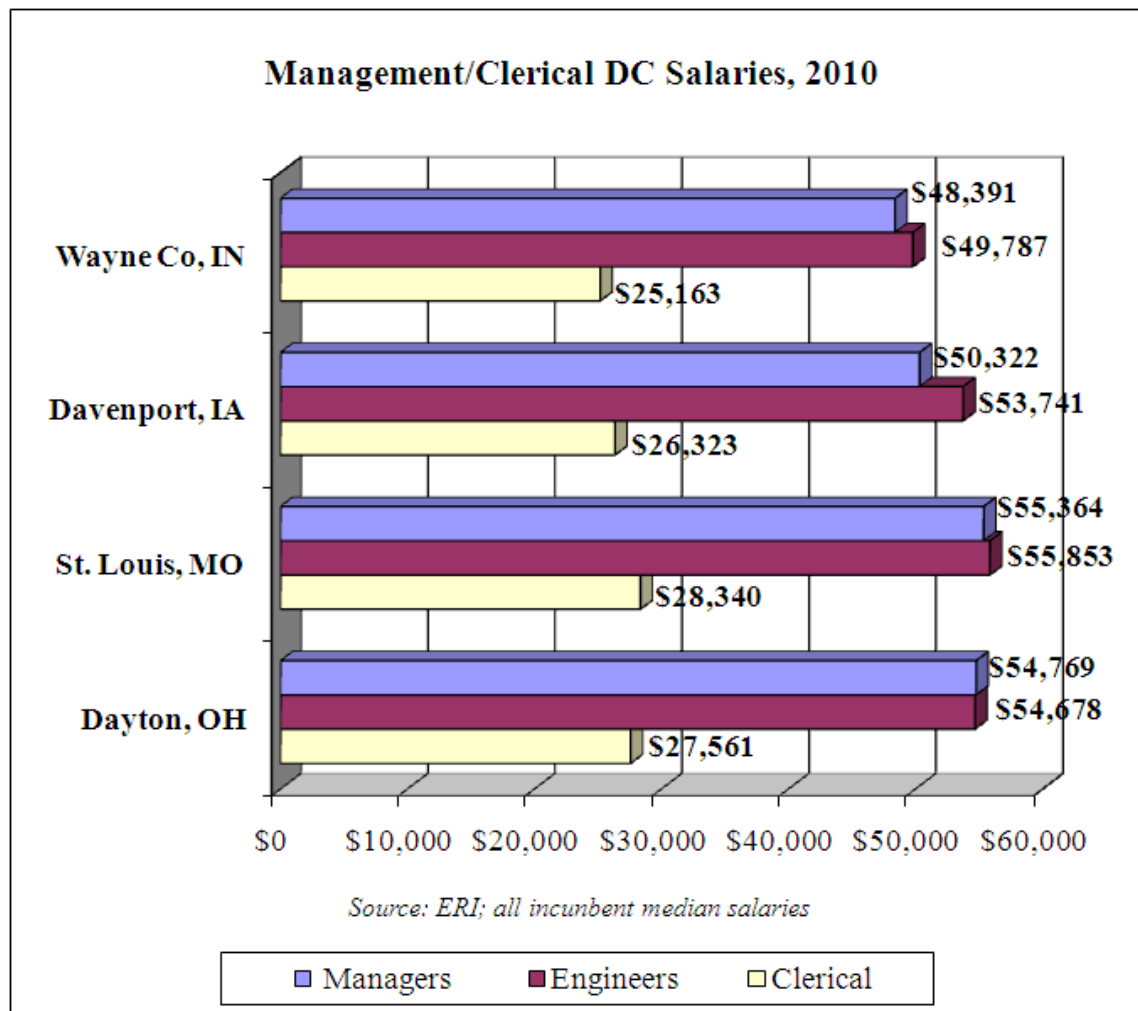
Labor costs (wage/salary/fringe benefits) represent over 50% of the total operating costs for this project. This is the largest single annual cost factor.

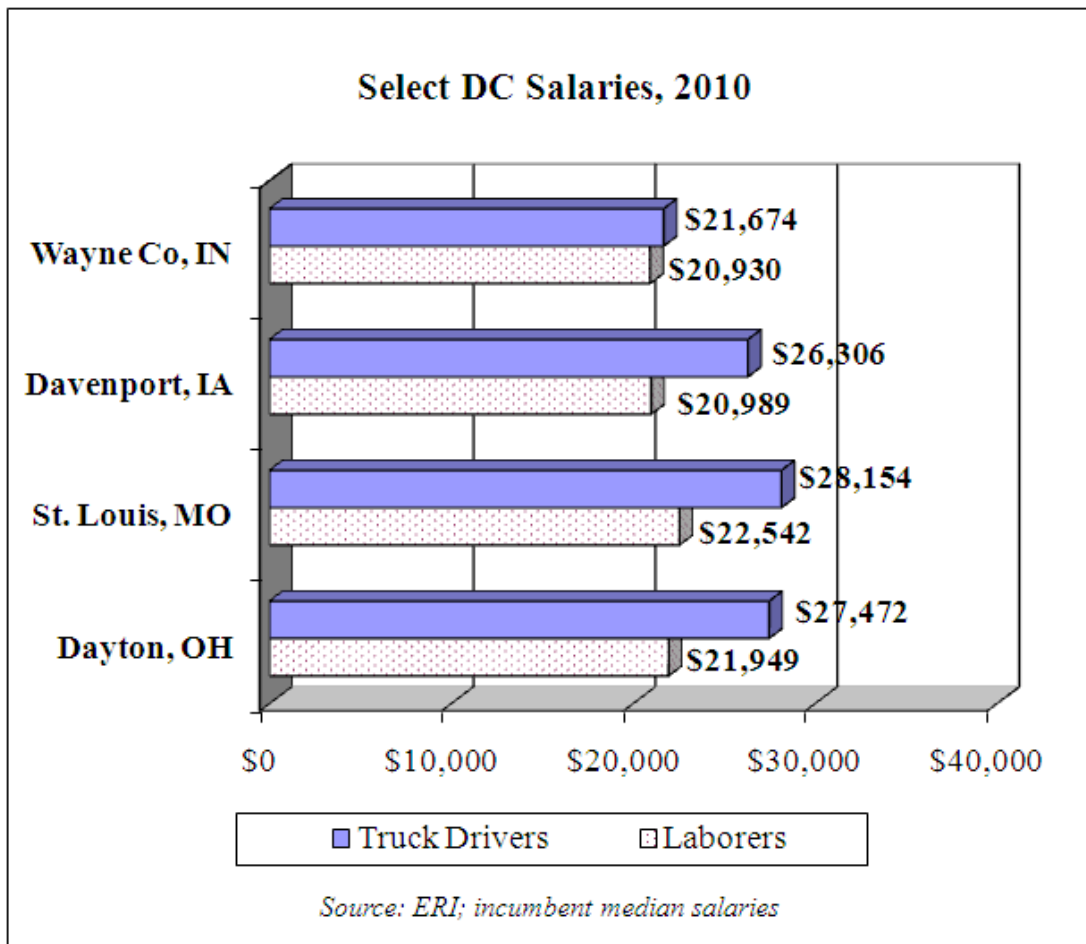
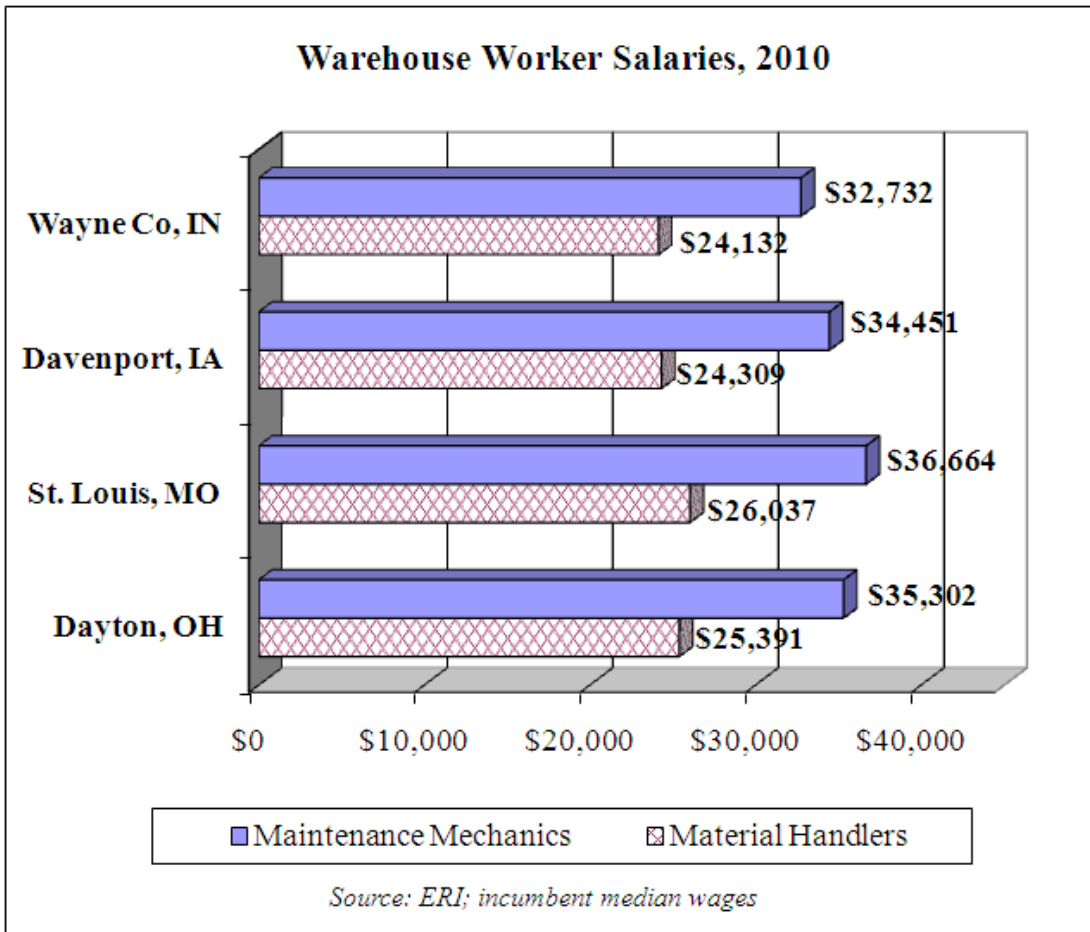
Wages and salaries used in the model are for incumbent worker median salary range positions. All wages come from our national data resource, Economic Research Institute (ERI).

Wayne County has the lowest overall wage/salary costs. Over \$1.4 million would be saved annually by locating this project in Wayne County instead of the highest cost locale, St. Louis. *Please see the chart on the following page.*



Following are specific salary comparisons:

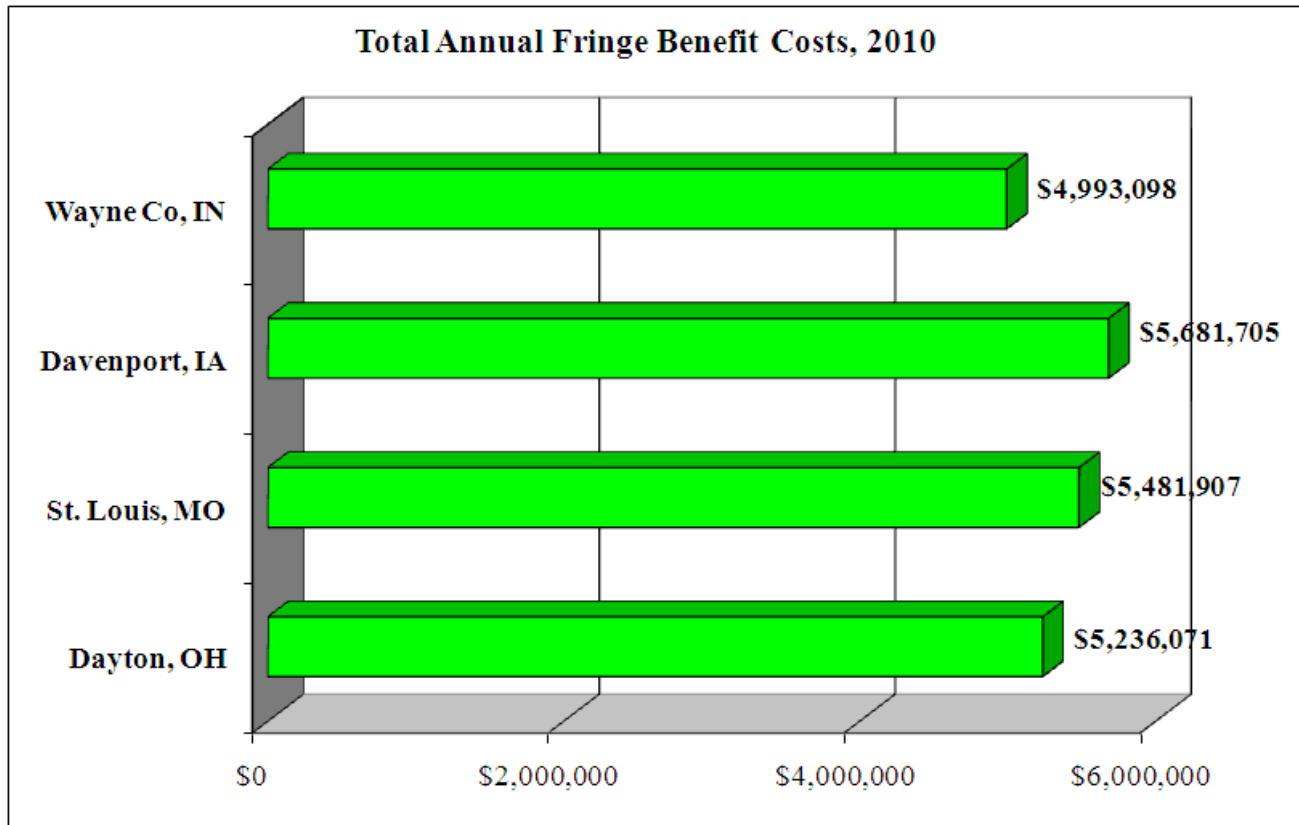




The following is an employer quote regarding wages:

- “DC wages are stable with downward pressure here (Wayne Co, IN).”

Wayne County has the lowest fringe benefit load. This was due to lower overall wages which translates into lower FICA, health care, disability and life insurance costs; and lower unemployment insurance costs.

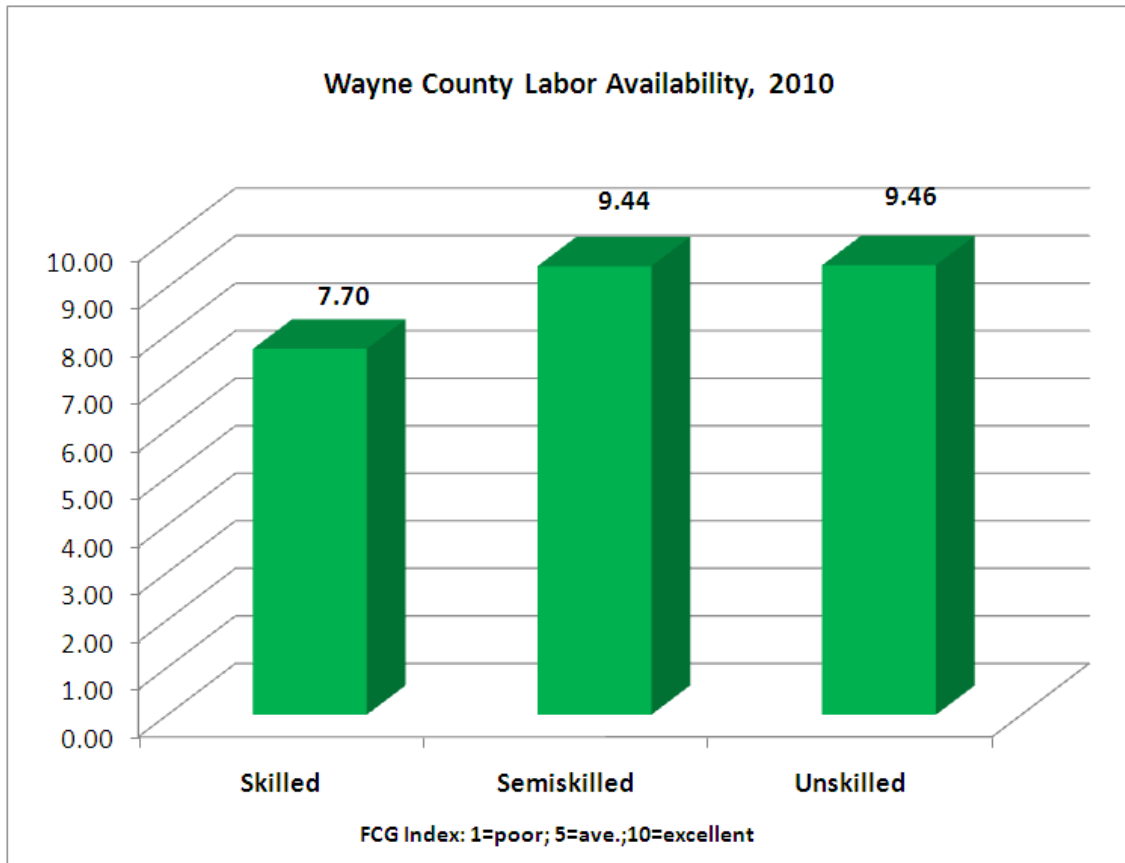


Labor Availability & Quality in the Wayne County Area

Good labor availability and quality are critically important to the success of this project. We have compared both availability and quality in the region using our unique *FCG Index*. The index factors on a 1 (very poor) to 10 (excellent) point scale (5 is average). The index takes the results of our fieldwork interviews conducted during the recent target industry analysis and measures the combined opinions of company decision-makers. The resulting index is a very realistic way of comparing communities on an “apples-to-apples” basis.

Availability

- **The availability of skilled manufacturing workers is good.**
- **Semi-skilled and unskilled availability is excellent.**
- Management talent is more difficult to recruit, hire and relocate (rated 5.25 – or average).

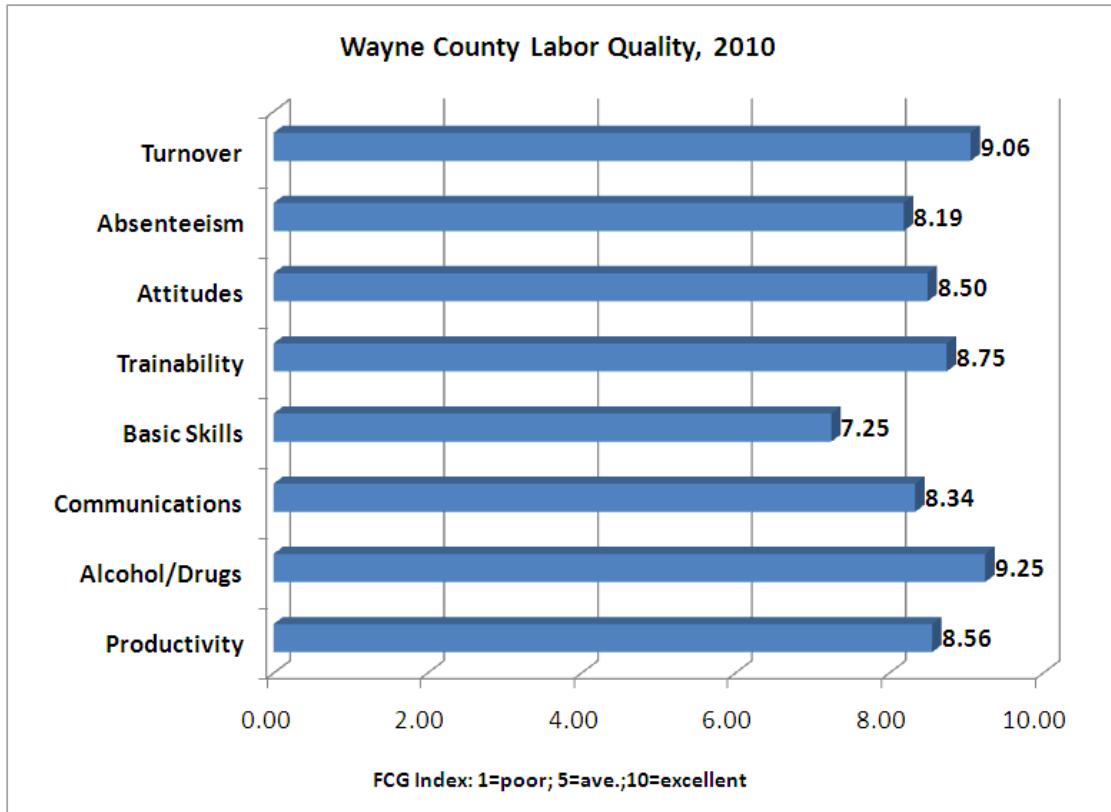


The following are employer quotes regarding availability:

- *“Good skills and manufacturing culture here”*
- *“It is a challenge to retain some workers...grass is always greener elsewhere. However, more are realizing that they are fortunate to work for a safe, dependable and supportive company, especially during this tough economy.”*
- *“It is a great area to set up a plant because of the skilled workforce and the great cooperation and assistance of the college.”*
- *“Richmond has provided this firm with a great workforce for years and years.”*
- *“Skills are here due to closures.”*
- *“The greatest strength in the area is the skills of the workforce and the relationships between employers and employees.”*
- *“There are now an overwhelming number of good candidates for positions in our plant because of all the closures and layoffs in the area.”*
- *“Unskilled workers are readily available.”*

Quality

- **Overall labor quality is rated very good (8.49), with no weak spots.**
- **All sectors, except basic skills, are rated very good to excellent.**
 - Basic skills (rated “good”) are better here than most other places in the country right now.



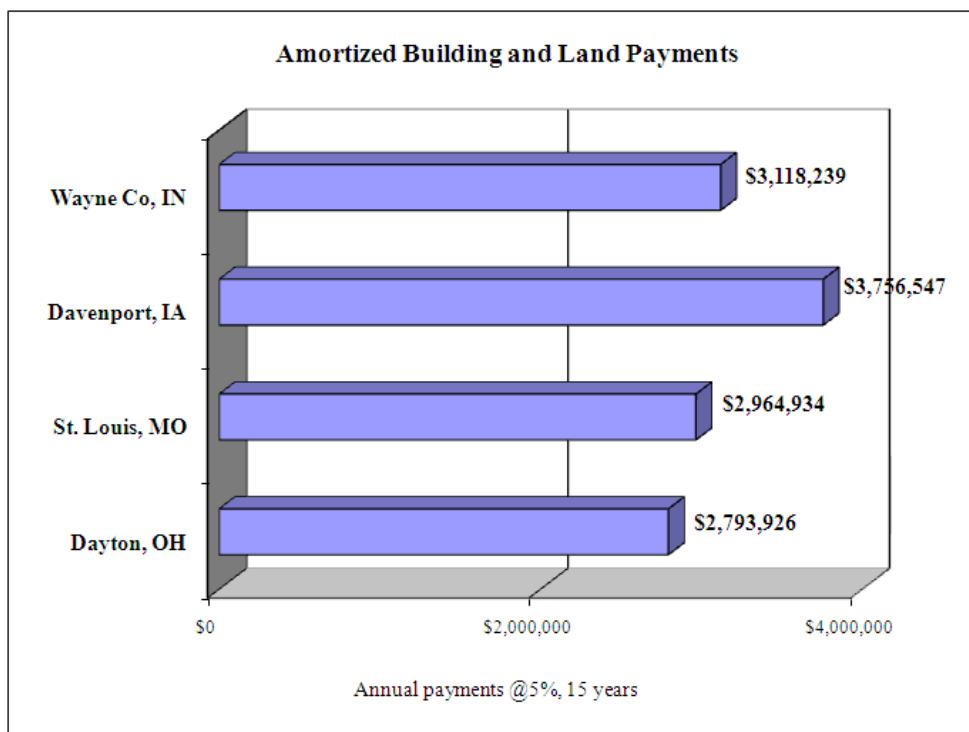
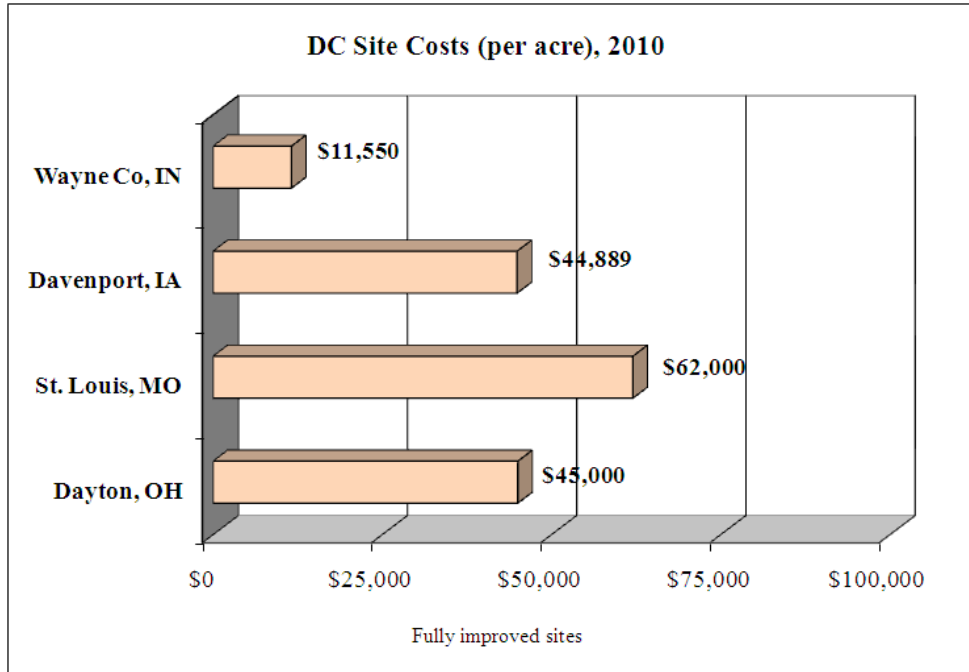
Employers tell us:

- *“All labor quality characteristics are high, but there are concerns over recent attitudes because of the economy.”*
- *“Area is innovative and entrepreneurial and employees have a great work ethic”*
- *“Attitudes are fantastic and morale is high, especially after we passed out those bonus checks!”*
- *“Good labor-management relations”*
- *“Good skills and manufacturing culture here”*
- *“Good work ethic!”*
- *“No union noise due to proactive management...we would be crippled with a union”*
- *“Productivity has been so good that we have laid off people.”*
- *“Quality is excellent (plant tour showed positive attitudes and communications)”*
- *“Rate quality characteristics high except basic skills”*
- *“The greatest strength in the area is the skills of the workforce and the relationships between employers and employees.”*

Build-to-Suit Costs

Annual building and site costs represent approximately 11% of total annual operating costs in the model (this cost is amortized).

Wayne County annual building costs are second highest primarily due to higher construction costs. However, industrial site costs are the lowest and there is good availability of fully improved sites, except large (100+) acre sites with rail.



Taxes

Property Taxes

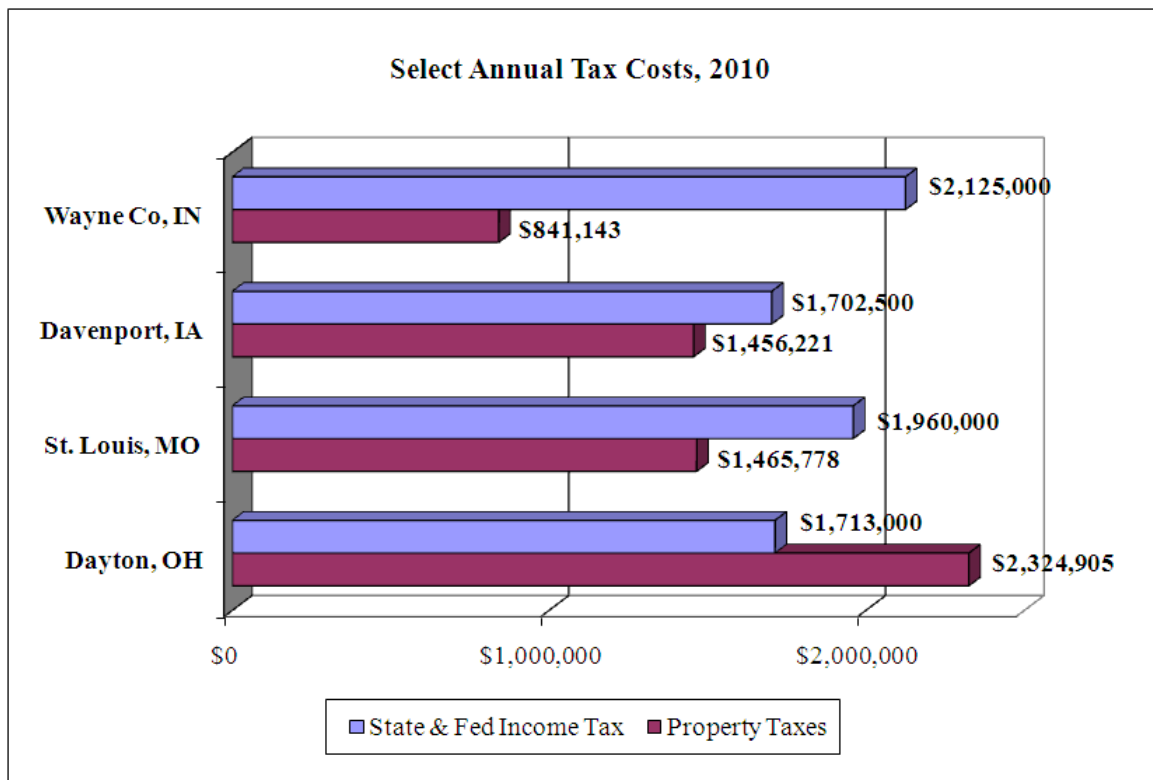
Property taxes consist of real estate and personal property taxes, which may include taxes on machinery and equipment (M&E). They represent approximately 5% of the annual operating costs.

Wayne County property taxes¹ are modest compared to the other cities since there is no tax assessed on M&E (assume abated²) or inventories. Missouri still taxes personal property.

Corporate Income Taxes

Corporate income taxes were examined at a high level. They represent approximately 5% of the annual operating costs. Corporate income taxes were figured on an adjusted taxable income of \$5,000,000.

Wayne County had the lowest combined tax burden for this project due to much lower property taxes.



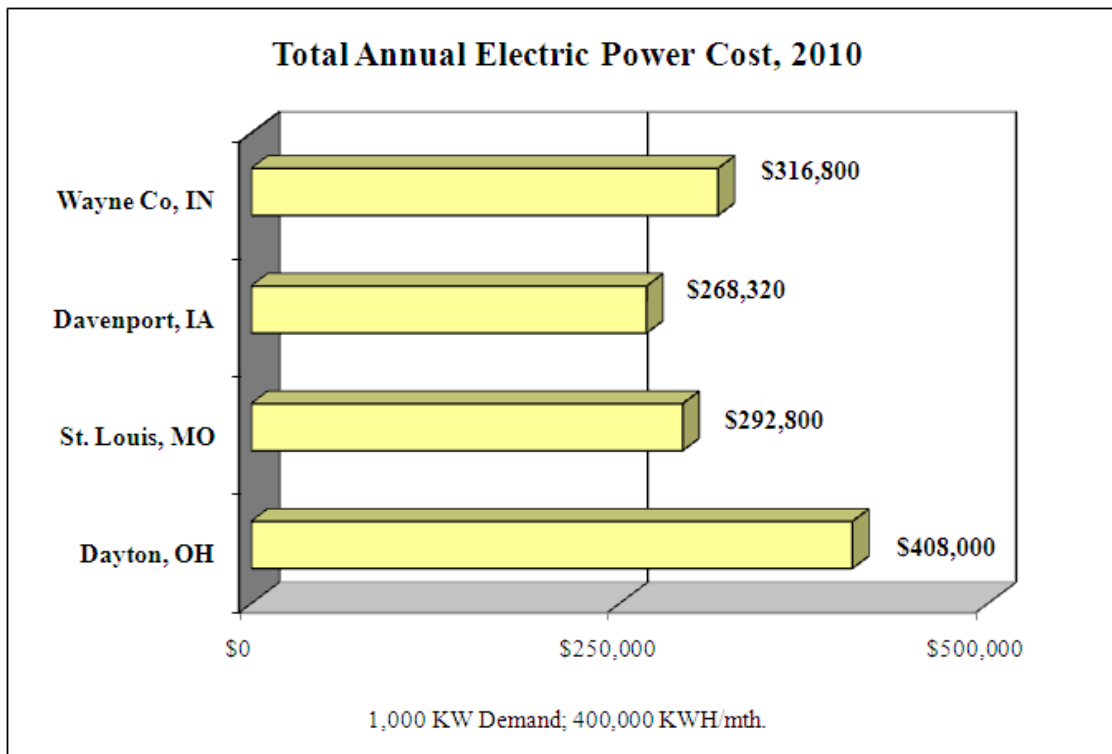
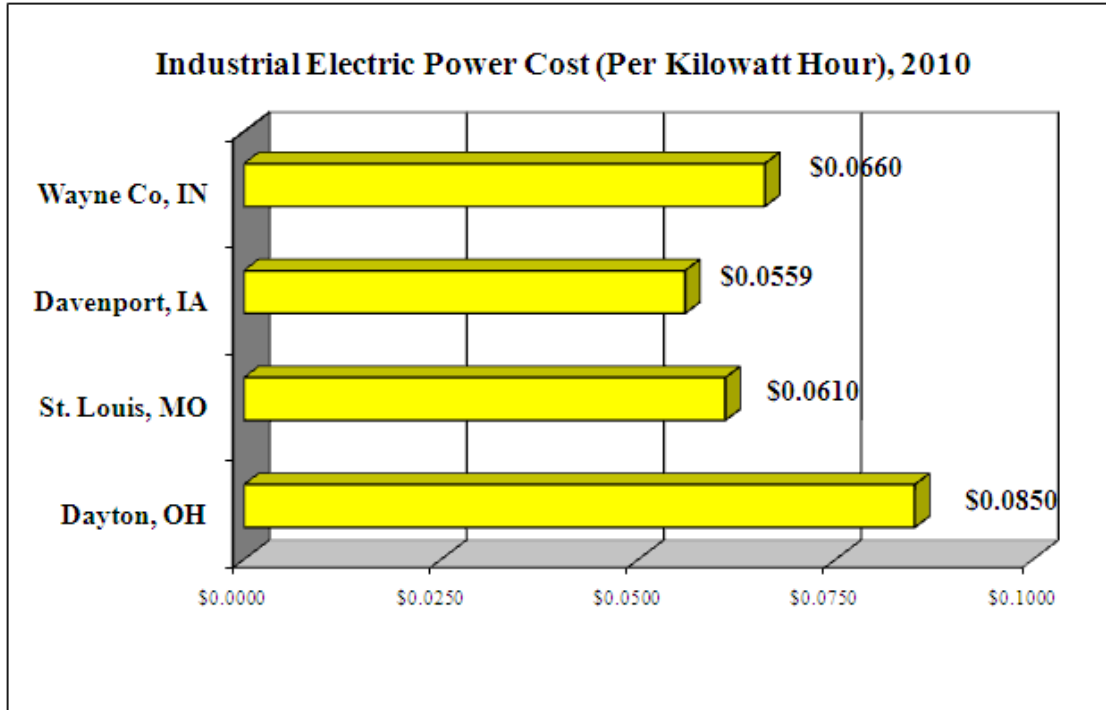
¹ Property tax caps - 1% of a homestead property's gross assessed value, 2% on investor owned residential properties and on agricultural land's gross assessed value and 3% cap of the gross assessed value on all other real and personal properties.

² Property tax on M&E would be phased in over a period of 10 years if the full 10 year abatement was awarded to the company.

Utilities

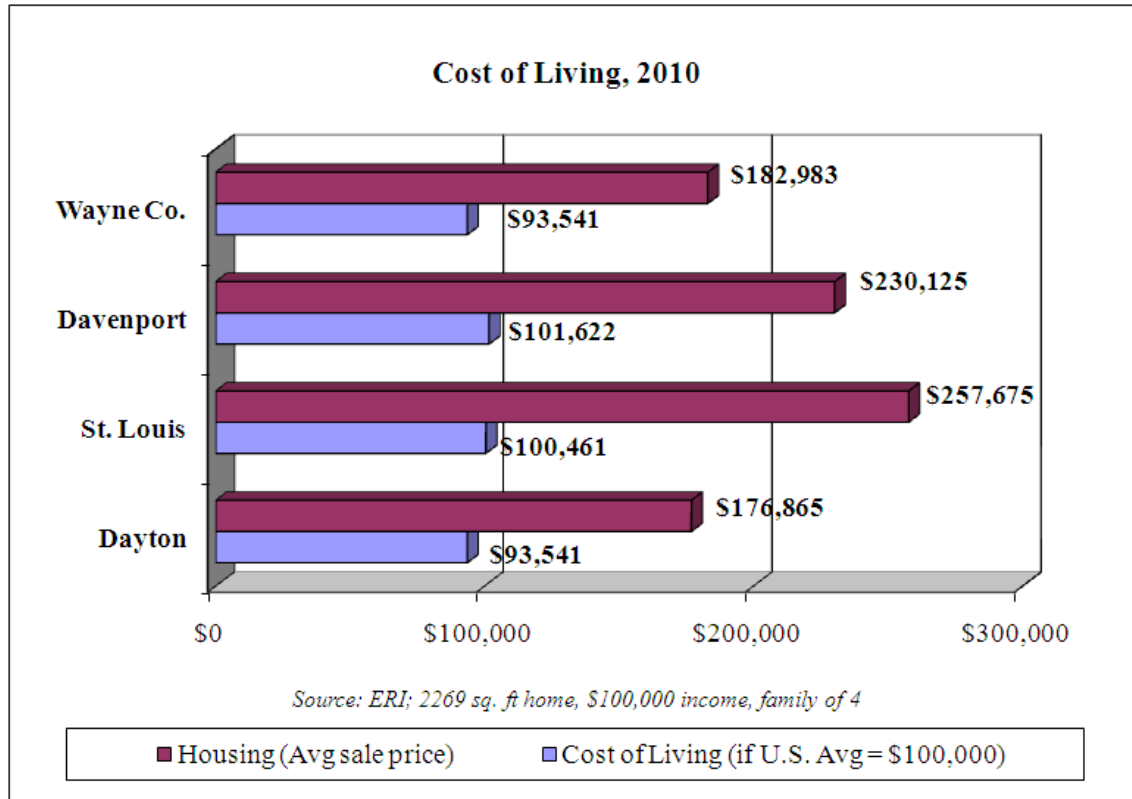
Electric Power

Power costs represent only about 1% of total operating costs. Wayne County has the second highest electric power rates.



Cost of Living

The cost of living will influence the relocation of key personnel to the project city. It should be relatively easy to sell employees on Wayne County's low costs. One company executive said: *"I have moved six times around the globe and after moving here I felt that I had died and gone to heaven."*



Incentives

Wayne County and Indiana have a number of attractive incentives available. The programs that can best assist a DC project include:

- **EDIT** – Flexibility to assist both labor intensive operations such as call centers and capital intensive projects such as food processing, industrial machinery, and renewable energy. \$1 million plus local fund.
- **EDGE** – Provides valuable tax credits for any locating or expanding target creating new jobs for up to 10 years
- **Indiana Training Grant Program** – One of the best training programs in the country, it offers grants that can cover up to 50% of the total training budget up to \$200,000 for projects that create new jobs.

The DC Industry in the Wayne County Area

The warehouse/distribution (DC for distribution center) sector has suffered during the current recession as locations/expansions have been slowed by lower consumer demand for retail products. This is evidenced by the decline in the number of Midwest DC projects (12 states) from 399 in 2003 to 255 in 2008.

We expect growth to pick up considerably in 2011 as retail sales begin to rebound.

Two major DC companies reside in Wayne County:

- DOT Foods, Inc. – supply restaurants and food companies in a six-state region
- TSN East, LLC – supply consumer dry goods to third party DCs in a wide Midwest region.

Recent regional (IN, KY, OH) location types included general merchandise (i.e. Home Depot, Macy's, & FedEx); pharmaceuticals/medical supplies (i.e. Medline & Cardinal Health); automotive supplies (i.e. CAT); foods/beverages (i.e. Kraft Foods); boxes/containers (i.e. Biologics); and educational supplies/books.

The sector had a total of 103 locations/expansions in the three-state region in 2009. This number is actually much larger as most manufacturing locations/expansions also included a warehousing function. Major projects included:

City	State	Company	Sq.Ft.	Jobs	Type	NAICS
Clayton	OH	CAT Logistics	1,500,000	500	DC	484121
Columbus	OH	Kraft	1,000,000		Food	42449
Forest Park	OH	Berkeley		500	Nutraceuticals	43411
Glenwillow	OH	Superior Beverage	450,000	300	Beverages	42481
Hebron	KY	DHL	320,000	830	Shipping services	492210
Monroe	OH	Home Depot	657,000	500	Hardware	423390
Obetz	OH	Kenco Logistics	1,170,000	150	DC	484121
Plainfield	IN	Prime Distribution	1,200,000	236	DC	423910
Richwood	KY	L'Oreal	678,000		Cosmetics	424210
Whitehall	OH	FedEx	216,000	354	DC	49221

In a recent target industry analysis, we assessed the Wayne County Area’s strengths and weaknesses for DCs.

Wayne County DC Strengths & Weaknesses

<i>Wayne County Area Strength</i>	<i>Wayne County Area Weakness</i>
<ul style="list-style-type: none"> • Access to Midwest markets/I-70 access • Labor costs • Electric power cost & reliability • Labor availability/quality (strong occupational projections) • Improved sites with rail • Incentives (training) • No inventory tax • Labor/management relations • Regional location activity • Presence of other local operations 	<ul style="list-style-type: none"> • Large (100-plus-acre) sites with rail • Electric power cost is not as low as some competitors

The Wayne County Area’s Strengths for DC Firms - Summary

- Very competitive overall costs
- Excellent proximity and accessibility to regional consumer markets
- Lowest wage rates and good availability of labor
- Good site and build-to-suit opportunities
- Reliable electric power
- No state inventory or personnel property taxes
- Attractive incentives could reduce costs even more
- Low cost of living.

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