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Shovel-Ready Sites

If you need a site and you need it yesterday, take a look at shovel-ready site programs.

By Jeannette Goldsmith , Principal, McCallum Sweeney Consulting

Your boss—the CEO of your company—has just gone home and has left you with an important assignment. It appears that your company's new product line is a tremendous success, and your existing manufacturing capacity cannot keep up with current demand, let alone forecast growth. The company has determined that the only way to meet demand and continue to capture market share is to build a new facility—and to build it fast. The CEO has just charged you with the responsibility of finding a competitive location, identifying an appropriate site, and building the new facility.

There are just a couple of small problems: first, you still have your regular job to do and cannot devote full-time attention to this task. Second, the deadline the boss has presented to you does not give you nearly enough time to be absolutely certain that the most competitive and successful site is selected. There is certainly no room for surprises or setbacks.

So, what is the best way to ensure that you find the most appropriate site, one that is ready for development and presents the least amount of risk to your schedule and your bottom line?

Once you have identified the region or communities you're comfortable locating within, ask the local economic development officials to show you their “certified” or “shovel-ready” sites. If they look at you with a big question mark in their eyes, move on to the next community. On the other hand, if they smile and pull out an impressive array of data and information on their certified sites, you know that you have a well-prepared candidate for your future operations.

What is a certified or shovel-ready site? Many states, regions, and communities have established programs to help them identify and certify sites as “ready for development.” Of course, the devil is in the details, and every program has a different definition of “ready,” but at the very least, all of these programs have a common goal: they are designed to help companies looking to build new facilities by doing some of their homework for them. It's to the community's advantage to understanding more about their own available sites before companies come knocking on their door. For your company it eliminates some of the risks associated with building that new facility.

Why are Certified Sites Important?

One of the fastest growing trends in the site location business is the demand for certified industrial sites. The reason for this is simple: the location decision process demands available sites, and those sites need to be ready for development (i.e., shovel-ready). Companies looking to build new facilities want sites that are ready-to-go and relatively risk-free.

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Intensifying the demand for certified sites is the fact that companies' decision-making time frames are getting shorter. Companies are not willing to wait for a community to find an appropriate site and determine its suitability for development—that due diligence needs to be done before a prospect comes calling.

What is a Shovel-Ready Site?

Unfortunately, there is no single definition of a shovel-ready site. For every program that exists, there are probably just as many different definitions. And, of course, there are varying degrees of “readiness.” In addition, what one industry may require in a site might not be relevant for another industry. Generally speaking, however, a shovel-ready site should have all of the characteristics described below.

1: The Site is Available

While this statement may seem straightforward, it is in fact the most difficult hurdle for most communities to overcome. Simply put, a shovel-ready site must be truly for sale, preferably with established terms and conditions. This does not mean that somebody knows somebody that has talked to the owner (or, in most cases, owners) and they have said that they are willing to sell.

I have seen and read about many communities that have determined that their 100 acres with interstate frontage is an ideal piece of property for industrial development—but don't know that there are five owners of that 100 acres, and two of the owners have no intention of selling. Or, the owners have told the economic development officials that they are willing to sell the property, but when your company comes calling, they either change their mind or set an unrealistic price.

The ideal shovel-ready situation would be to have parcels owned by the economic development entity. However, it is often times not feasible for communities to expend their capital buying pieces of property. An acceptable alternative is a long-term, renewable, assignable option agreement with land owners on key parcels. These options would lock in the terms and conditions of the sale, thereby reducing the risk that a landowner changes his or her mind on the price once they realize there is a prospect in town.

2: The Site is Fully Served

This is another critically important component of the definition of shovel-ready. It is also another area where there are lots of shades of gray between a community's definition and a company's definition of “fully-served.” In an ideal situation, all of the utilities (water, sewer, electric, natural gas, etc.) are already at the site and the systems have adequate excess capacities to meet potential demand.

Again, it is not always economically feasible for a community or a utility to extend service to a potential site without an existing customer to serve at that site. Therefore, an acceptable alternative is to develop detailed plans with the service providers to extend and/or upgrade utilities. These plans should include appropriate rights-of-way studies as well as detailed cost and schedule estimates. If there are extensive rights-of-way to be obtained before utilities can be extended, then letters of commitment from the land owners should be obtained in advance, as part of the shovel-ready certification.

3: The Site is Developable

This is one of the most significant ways that a community can reduce the risks associated with developing a new site. A shovel-ready site should have all necessary due diligence (i.e. environmental assessments, wetlands delineations, etc.) completed. Ideally, any necessary mitigation would also be completed. If it is not feasible to have the mitigation completed, then the community should have a plan in place to mitigate whatever issues have arisen once a prospect has committed to the site.

The other aspect of site “developability” is the presence of easements and rights-of-way. A shovel-ready site should be free of any utility easements or rights-of-way. If there are such easements on site, the community should be able to present detailed plans (prepared with the involvement of the owner of the easement) on the ability and willingness to move those utilities, providing complete details on cost and schedule.

What Should You Look for in a Certified Site Program?

Now you know what a shovel-ready site is, but how do you know if the community’s “certified site” program will produce appropriate and valuable shovel-ready sites? Here are a few things to look for:

A SHOVEL-READY SITE SHOULD BE:

1. Available—property owners should be ready to sell at agreed-upon terms.
2. Fully Served—utilities (water, sewer, electric, natural gas, etc.) should be in place, or at minimum approved plans for their placement should be available.
3. Developable—no outstanding mitigation, easement, or right-of-way issues should be able to interfere with immediate construction.
4. Certified to Stringent Terms—if the criteria for “readiness” are too loose, then you should assume that there will be greater risk associated with development of the site. Look specifically for comprehensive information collection, and third-party assessment and verification.

Stringent evaluation and decision criteria. Did the state, region, or community establish stringent criteria against which the sites would be evaluated before they were certified or deemed shovel-ready? If the criteria are too loose (e.g. they do not require sites to have specific plans to provide all utilities to the site, or they identify land owners but do not require options or letters of commitment from those land owners), then you should assume that there will be greater risk associated with development of that site.

Comprehensive information collection. Did the program’s sponsors require extensive data collection on the site? The philosophy here is simple: the more you know about the site, the better. Information or data requirements can include things like requiring title searches to be complete; you can also ask for all endangered species and archeological studies to be complete as part of certification. This type of information collection is another level of risk mitigation for potential prospects.

Third-party assessment and verification. The mere act of collecting the information about potential sites is not enough for a site to be certified or considered shovel-ready. That information needs to be reviewed and verified, and the site should be independently verified.

Unfortunately there is no Consumer Product Safety commission or Food and Drug administration in the real estate world, so there is no single standard against which all sites can be evaluated. Nor is there a single organization that can provide third-party assessments and verifications that would provide consistent evaluations across all sites. However, if the program sponsors do hire a third party (a site location or engineering firm), there is at least some level of assurance that the information has been evaluated and an expert’s opinion has been rendered on the site.

The presence of shovel-ready sites will (if the program has been well designed) help companies make better location decisions faster. And the recent popularity of certified site programs increases the likelihood that the community you are evaluating has a shovel-ready site waiting just for you.

Do you have questions for Jeannette about shovel-ready sites? E-mail them to feedback@groupc.com and we'll publish her response.