

# Evaluating Facilities

## Determining if an Existing Building is Compatible for a Food Processing Operation

By Frank Spano, Managing Director and Susan Riffle, Communications Specialist of Austin Consulting

**F**ood processors planning to expand or construct new processing facilities do so for a variety of reasons, including:

- Increasing market share
- Penetrating new geographic areas
- Replacing outdated, inefficient operations
- Introducing new product lines

Once the decision is made to construct a facility, the company must determine the geography where operating costs are minimized for the new operation. Important considerations include labor and utility costs and availability, taxation policies, community characteristics, and potential assistance programs at the state and local level.

### Considering an Existing Building

Real estate, by nature, is equally important. Manufacturing operations, including food processors, are continually trying to overcome high start-up costs in new plant construction. Food processors are concerned with speed of entry to market and will explore opportunities to reduce time and transportation costs. One important variable to consider is utilizing

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**Adapting an existing building versus new construction is not a new approach. A company, early in the process, should determine if an existing building can be used for their new production operation.**



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an existing building versus constructing a new facility on a greenfield site.

Adapting an existing building versus new construction is not a new approach. A company, early in the process, should determine if an existing building can be used for their new production operation. If an existing building becomes a viable option on paper, the company should be prepared to alter their preferred production layout to work around existing buildings and their potential shortcomings.



Before



After

#### Understanding Facility Requirements

Many companies, early in the site location process, have an idea of the square footage required and even a



**In addition to square footage, a general plant layout is necessary to consider and promote efficient product movement.**



general layout, including space allotted for:

- Raw material receiving / staging
- Manufacturing / processing
- Product testing / quality control labs
- Packaging
- Refrigeration / freezer space (if necessary)
- Warehousing / distribution
- Product delivery / staging
- Maintenance
- Offices
- Employee amenities

In addition to square footage, a general plant layout is necessary to consider and promote efficient product movement. In addition to plant layout, it is advisable for the company to have an early understanding of important building considerations critical to the operation, including:

- Ceiling / building heights
- Floor loads, including floor drains
- Bay / column spacing
- Inbound raw material dock door
- Outbound finished product dock doors
- Restroom office / production areas
- Potential building expansion
- Outdoor storage, raw material containers / silos

Lastly, other important site-specific considerations include: proposed utility usage (electric power, natural gas, municipal water and wastewater), preferred zoning, surrounding environment and neighbors, and access to major four-lane highways.

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**While an existing building may save construction time and reduce building costs, there are several factors that must be reviewed and analyzed in detail during the building investigation phase, before a decision is made.**



These issues are important to understand up-front, especially when the company wants to consider existing buildings for the proposed operation. Once this information is known or agreed-upon, the next step is determining how much the company can deviate from their desired building attributes, to what is currently available on the industrial market.

#### Evaluating Existing Facility Types

The next step in the analysis is to conduct a thorough in-house screening evaluation to determine the best candidates for detailed field investigation. The following building types, along with their previous uses, are likely to emerge during the screening process:

- Former food processing buildings
- Existing industrial buildings

- Existing warehouse-distribution operations
- Speculative (spec) buildings, often unfinished and owned or controlled by local economic development organizations (EDO's)

Building conditions vary dramatically. A detailed checklist should be developed and include the following characteristics:

- Age and former use(s) of building
- Type of construction

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- Building additions by year
- Expandability of building (if necessary)
- Outdoor and raw materials storage (if necessary)
- Length of time vacant
- Number of acres / additional adjacent acres available
- Ceiling heights
- Overhead sprinkler system
- Zoning / height requirements
- Setting – stand-alone, versus industrial / business park
- Utility lines entering the building: natural gas, municipal water and waste water services, electric power capacity
- Price (sale or lease)
- Availability of recent Phase 1 environmental studies

Each building should be ranked based on the characteristics that best satisfy the company's location requirements. Those buildings should then undergo a field investigation, along with analysis of labor, utility availability and potential assistance programs.

#### Existing Building Concerns

While an existing building may save construction time and reduce building costs, there are several factors that must be reviewed and analyzed in detail during the building investigation phase, before a decision is made. There might also be compromises for the company to endure by selecting an existing building over one created for the company's needs.

A major concern with available buildings is the potential lack of acreage if a company is considering future building expansion. Since most available properties are located in existing or mature industrial districts, the probability of available land directly adjacent to an existing building is low. Companies seriously considering future expansion should weigh this potential drawback accordingly.

#### Former Food Processing or Industrial Building

While retrofitting a former food processing or industrial building initially appears to be a feasible solution, shortcomings often develop during the due diligence process – the first is due to building age. Typically, buildings 30+ years old possess lower ceiling heights (22 feet or lower), making modern

improvements, such as updated lighting and sprinkler systems, more challenging during a retrofit.

These facilities, also due to age, could require more cosmetic and structural improvements to satisfy the intended use. Also, a thorough environmental Phase 1 study on the building, especially for buildings not used in the past by a food processor, must be conducted. These



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### Warehouse-Distribution Facilities

Current and former warehouse-distribution properties are typically newer structures. As such, ceiling heights typically contain the desired requirement (24+ feet). Warehouse structures typically consist of one large open area plus limited office space, resulting in a good space for food processors to retrofit for their desired use.

Warehouse-distribution operations contain potential disadvantages, such as:


- Inadequate utility availability, including smaller water and

wastewater lines (under 2 inches):

- No direct service by natural gas, since heating a warehouse is not always necessary;
- Inadequate electric power service – warehouses are never intended to be used for manufacturing purposes and may require service upgrades;
- Lacking adequate parking, since warehouse employment is typically less than that of a manufacturing operation;
- More truck doors and docks than are necessary for a food processor; and
- Buildings are not designed with floor drains, something most food processors require.

Also consider that if the process requires roof-mounted mechanical equipment for exhaust and ventilation, it is important to assess the roof load capacity to understand the cost of reinforcement. Finally, developers or building owners may be more concerned with leasing only and not about selling the building or assisting in expensive building retrofit costs for a food processor.

These potential disadvantages can increase the cost of building retrofit and cause a warehouse facility to not be a viable alternative, especially for a unique food processor.



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### Speculative Buildings

A speculative (spec) building is another property a company may encounter during the building screening or field investigation phase. A spec building is typically an unfinished industrial building that is purposely in that state and awaiting for final build-out by a prospective occupant. Spec buildings are often commissioned by an economic development organization (EDO's) to market their communities to companies interested in securing a building that can be finalized to the company's specific needs.

Advantages of a spec building include:

- Opportunity to complete building construction to the company's specific build-out needs
- Utility needs, including water and wastewater line sizes, can be more easily altered based on anticipated volumes
- Since floors are typically left unfinished, placement of floor drains in the production area can be optimized for the exact space needed
- Constructed in newer or start-up industrial parks with adjacent acreage often available for proposed expansion
- Favorable purchase or lease rate if owned by a local EDO

In contrast, a spec building may not work for all food processors. Major concerns could include:

- Generic building layout
- Building not expandable to the desired need
- Building construction may lack the insulation, cleanability and durability required in food processing facilities

### Due Diligence for the Best Fit

An existing building can be a viable option for a food processor seeking a new location, provided the structure is in the right geographic area and is the best

fit for the proposed operation. Existing building options are usually available in the market, with spec buildings often offering the best advantage of an unfinished interior that could be designed specifically to meet the company's objectives.

The company must conduct a comprehensive due diligence analysis during field investigation before the

final decision is made. The costs and advantages of a greenfield site and new construction versus available existing buildings and estimated retrofit costs, must be weighed. Understanding these differences allows the company to evaluate and select the best candidates for their operation. 🏠

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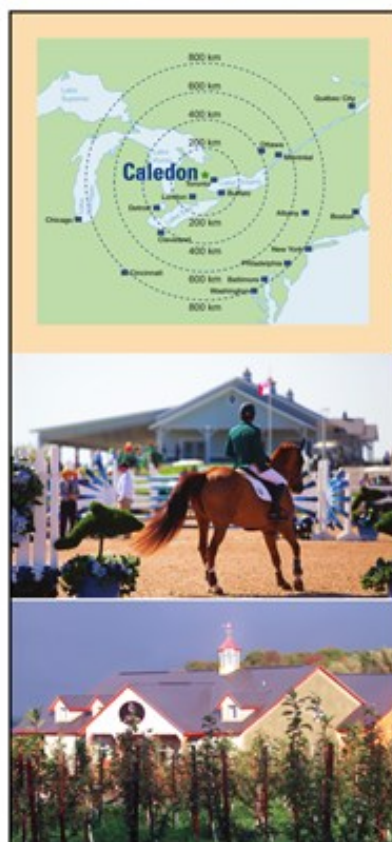
As managing director of Austin Consulting, Frank develops and leads new strategies to increase The Austin Company's leadership in aerospace, food and beverage and other manufacturing sectors. Frank also serves as a senior project manager, directs site location studies, and conducts detailed field investigation analyses for clients.

Frank's areas of expertise include the aerospace and aviation, automotive, food and beverage, general manufacturing and consumer products industries, in addition to pharmaceuticals, publishing and alternative energy. Frank.Spano@theaustin.com



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