

Site Selection and Location

Notes:

Determining Factors in Location Selection

There are various factors that should be considered in deciding on a location for an ice cream shop or, indeed, any retail or foodservice business, which facilitate the decision of where to actually locate the shop at.

The decision about location can be divided into two broad dimensions:

- 1.) Geographic location
- 2.) Site location

And each dimension comes with its own set of independent criteria.

Any retail and food service business depends more heavily on location than other businesses in other industries because these types of operations must be both visible and accessible to the general public both in terms of vehicular traffic to get there and in terms of actual foot traffic to and from convenient parking and other shopping locations.

Typically, the type of background research in identifying an ideal location for a retail or foodservice operation is referred to as due diligence and it must be done during the site location process. Due diligence involves either purchasing the data oneself and performing traffic analysis, demographic analysis, and a review of existing businesses in the targeted area or just purchasing or commissioning the analyses outright.

Business owners look for locations with high traffic, defined as cars and people, generators such as existing large retailing operations, industrial or office complexes, or colleges and hospitals, for example.

Although opening a retail or foodservice operation in less densely trafficked and populated areas may be a legitimate consideration for many businesses, the retail and foodservice business owner must also recognize in advance that marketing spend will increase in order to attract customers to such locations that are, for whatever reason, in low traffic areas.

Traditional business wisdom has always proposed that a new

business should enter an area where it has no existing competition but this, in fact, may not be the best approach. There is a school of thought that says a potential retail or foodservice business owner should find the location of its largest potential competitor and locate a site as close as possible to that competitor. The advantage is that because this large competitor has most certainly spent vast financial resources on developing its own market-based research relative to location and site analysis, then the new retail or foodservice operator can benefit in a sense on this competitor's extensive market analysis and investment.

Also, because the competitor is committing vast sums towards generating its foot-traffic, the new business owner or ice cream shop entrepreneur benefits indirectly from this advertising as well.

The other dimension for determination of location is the actual location site analysis. If an area and building has been located for the potential ice cream shop business then it must also be examined according to certain criteria.

The first and most important question to ask is, of course, if the building is in an area appropriately zoned for a retail food business. Following this, it must be determined if the building can meet the ice cream shop layout requirements both in terms of current business projections as well as future growth.

Also, do the building's utilities meet the business' requirements such as heating, cooling, and plumbing needs to operate an ice cream shop where most if not all of the product is going to be produced onsite?

And finally, another important consideration is determining if the location is accessible not only to customers but also to employees who might not otherwise visit the area where the business owner may want to be in.

This site selection and site location strategy is extremely important for long-term growth and viability. Select wrong and the business may thrive initially just on the new buzz created but, after awhile, the new buzz will evaporate and customers may realize that although they enjoy the establishment or the products, the location is hard to get to or perhaps the parking is inadequate. Slowly, customers will go back to their previous favorite retail locations not out of any sense of brand loyalty but just on convenience and ease of access.

Common Mistakes to Avoid

One of the most common errors made in site location is to fail to make an adequate evaluation of the local market in terms of demographics and traffic patterns. You do not need to be a statistician with access to a super computer to make some of these basic market analyses yourself. A simple review of the local business and residential population data available at the U.S. Census Bureau and the local chamber of commerce provides most of this information by zip code or township.

Additionally, make a survey of the potential site during regular shopping hours and high traffic hours such as evening rush hour over a 7 day period. Get an estimate of how many cars stop at each red light and then determine how long the red light lasts and then factor this by the hour times the number of cars and you can arrive at a very useful estimate of traffic flow. Gauge how busy the local shopping parking lots are during the day and evening hours. If they are fairly empty even during rush hour then this may not be a great location despite being in a high traffic area.

Another mistake to avoid is to rush into a lease agreement based on the assumption that that site location is certainly the last one in the city and it is a must have. This type of reasoning is certain to end in failure or at best, lower operating margins because of an unreasonable lease payment over the life of the lease. While the location might be ideal it, more than likely, is not the only ideal location available and it is best to shop around and to spend an adequate amount of time performing market research around each possible location.

Furthermore, if time and resources are an issue but financial capital is not, then there are professional research companies that collect the necessary data to perform these types of site location analyses and, for a fee, they can shorten the due diligence phase considerably.

Although the potential list of mistakes relative to site location is lengthy, another important one that is fairly significant is related to the requisite permits and licensure. It is paramount that all permits and licenses should be obtained prior to signing a lease or, at the least, the lease agreement should have an out-clause that stipulates that if the lessee cannot obtain the necessary licenses and/or permits then the lease becomes null and void. This is a detail that is best left to your lawyer should you decide to go this route but, in

all instances, protect yourself from possible litigation or loss of investment capital due to a lack of foresight.

Assistance in Site Location

There are several reliable sources of information and assistance when attempting to determine the best site location for your business enterprise. Every state typically operates an online business resource center and these are excellent sources of information as well as offering a healthy list of professional services and resources.

For example, the state of Florida's online business resource center can be found at the www.myflorida.com web portal where the business category can be entered. Within this web space there are many sources of information and assistance offered to the small business owner that can assist him or her in all aspects of business planning and startup in addition to site location.

There exists on this website an actual site location option which addresses such topics as economic highlights by region, transportation characteristics by area and region, demographic data for all markets, and contact information for further resources. While this is but one state, most other states in the nation operate similar online resources because they actively encourage investment and business startup activity within their borders and this is one way in which they facilitate this need.

Other useful and readily accessible resources in determining site location are the local chambers of commerce in your given market. Almost every city in the nation has a local chamber of commerce, which offers a full spectrum of business services to one degree or another. Most chambers of commerce offer basic information such as county and city listing for their areas, relocation assistance for business owners, utility related information and data, state and local community vital links, education information, local and state licensing requirements as well as existing business profiles within the target market.

A good example of the types of site location assistance that can be found at most chambers of commerce can be seen at the Greater Tampa Chamber of Commerce at: www.tampachamber.com. Keep in mind that most cities offer very similar types of services through their local chambers of commerce and these should be one of the first places a would-be entrepreneur visits relative to both business

startup and site location.

What Does a Lease Look Like?

Well, you asked! The following commercial lease agreement is a generic lease agreement that is would be altered in certain ways depending on the type of business as well as the individual leasehold agreements arranged between the lessor and the lessee. However, the generic lease agreement (on the following pages) is useful in becoming familiar with the type of language and the provisions that are common to all commercial leases.

COMMERCIAL LEASE

This lease is made between _____, herein called Lessor, and _____, herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situated in the City of _____, County of _____, State of _____, described as _____ upon the following TERMS and CONDITIONS.

1. Term and Rent. Lessor demises the above premises for a term of ____ years, commencing on _____, 19__ and terminating on _____, 19__, or sooner as provided herein at the annual rental of _____ Dollars (\$ _____) payable in equal installments in advance on the first day of each month for that month's rental, during the term of this lease. All rental payments shall be made to Lessor, at the address specified above.

2. Use. Lessee shall use and occupy the premise for the purpose of _____

_____ The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.

3. Care and Maintenance of Premises. Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Lessee shall, at his own expense and at all times, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and heating installations and any other system or equipment upon the premises, and shall surrender the same at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, excepting the roof, exterior walls, structural foundations, and: _____

4. Alterations. Lessees shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.

5. Ordinances and Statutes. Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.

6. Assignment and Subletting. Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, at the option of the Lessor, may terminate this lease.

7. Utilities. All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for sewer, water, gas, electricity, and telephone

services.

8. Entry and Inspection. Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purposes of inspecting the same, and will permit Lessor at any time within sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

9. Possession. If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any rent until possession is delivered. Lessee may terminated this lease if possession is not delivered within days of the commencement of the term hereof.

10. Indemnification of Lessor. Lessor shall not be liable for any damage or injury to Lessee, or any other person, or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claim for damages, no matter how caused.

11. Insurance. Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of cancellation or material change of coverage. To the maximum extent permitted by insurance policies which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation which might otherwise exist.

12. Eminent Domain. If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premise, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for and period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expenses.

13. Destruction of Premises. In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which making the repairs cannot be made within sixty (60) days, Lessor, at his option, may make the same within a reasonable time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement cost, Lessor may elect to terminate this lease whether the demised

premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

14. Lessor's Remedies on Default. If Lessee defaults in the payment of rent, or any additional rent, or defaults in the performance of any of the other covenants or conditions hereof, Lessor may give Lessee notice of such default and if Lessee does not cure any such default within _____ days, after the giving of such notice (or if such other default is of such nature that it cannot be completely cured within such period, if Lessee does not commence such curing within such _____ days and thereafter proceed with reasonable diligence and in good faith to cure such default), then Lessor may terminate this lease on not less than _____ days' notice to Lessee. On the date specified in such notice the term of this lease shall terminate, and Lessee shall then quit and surrender the premises to Lessor, but Lessee shall remain liable as hereinafter provided. If this lease shall have been so terminated by Lessor, Lessor may at any time thereafter resume possession of the premises by any lawful means and remove Lessee or other occupants and their effects. No failure to enforce any term shall be deemed a waiver.

15. Security Deposit. Lessee shall deposit with Lessor on the signing of this lease the sum of _____ Dollars (\$ _____) as security deposit for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease.

16. Tax Increase. In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to _____% of the increase in taxes upon the land and building in which the leased premises are situated. In the event that such taxes are assessed for a tax year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

17. Common Area Expenses. In the event the demised premises are situated in a shopping center or in a commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area.

18. Attorney's Fees. In case suit should be brought for recovery of the premises or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including reasonable attorney's fee.

19. Notices. Any notice which wither party may, or is required to give, shall be given mailing same, postage prepaid, to Lessee at the premises, or Lessor at the address shown below, or at such other places as may be designated by the parties from time to time.

20. Heirs, Assigns, Successors. This lease is binding upon and inures to the benefit of the heirs,

successors in interest to the parties.

21. Option to renew. Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for an additional term of _____ months commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term except that the monthly rent shall be the sum of \$ _____. The option shall be exercised by written notice given to Lessor not less than _____ days prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

22. Subordination. This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

23. Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only in a writing signed by both parties. The following Exhibits, if any, have been made a part of this lease before the parties' execution hereof:

Signed this day of _____, 19____ .

Lessor: _____

Lessee: _____

Have You Considered?

End of Lesson Checklist

- Contacting the local chamber of commerce and state governments for site location and general business information and assistance
- Verified that the site location is properly zoned for your business
- Performed or purchased site analysis data relative to demographics and traffic patterns
- Obtained the services of a real estate lawyer to assist with lease negotiation
- Have every agreement discussed placed in writing within the lease agreement
- Ensure that no similar business be allowed in the shopping are (if applicable)
- Take your time locating and signing a lease for a location
- Do not sign a lease without having it reviewed by your lawyer
- Ensure the first location is profitable prior to opening a second one
- Ensure that all permits/license are obtained prior to signing the lease or include a clause canceling the lease if they cannot be obtained