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Famous Footwear Finds Logistics Solutions at Tejon

Facility good for shoe company's supply chain and Kern County economy

BY KARI HAMANAKA
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The Central Valley has long marketed to companies the merits of its proximity to the ports, cheap land and strong labor force. And few developers have as aggressively stressed the importance of those factors in trying to bring more users to its facility at its industrial complex in Lebec as much as the **Tejon Ranch Co.**

The June completion of the 350,000-square-foot Famous Footwear distribution facility at Tejon not only exemplified real estate's increasing significance in helping businesses realize supply chain efficiencies, but also it was another step forward for a region that would like to see more companies dot its landscape.

"This is a very important addition to add to the economy of Kern County," said Ray Watson, fourth district supervisor of Kern County, during an event commemorating the facility's opening.

Two years ago, St. Louis-based **Clayco Inc.**, the developer of the facility, completed its site search, ultimately yielding to a Central Valley location along Interstate 5 at the base of the grapevine. The company acquired 23.8 acres to build the facility and provide enough space for a possible expansion.

Brown Shoe Co. Inc., the parent company of Famous Footwear, now leases the distribution center from Clayco.

"The [Tejon] location really set itself apart from a lot of the other areas because this [facility] serves all of their stores west of the Rockies," said Melinda Brown, director of business development at the Kern Economic Development Corp. "Timewise, product is getting to their stores much quicker. They found the labor they needed and the cost to do business was within reason of what they were hoping to find. It's all about location and labor."

Tejon Ranch Co. is working on several infrastructure improvements near the Famous Footwear facility. Just across from Famous Footwear, the company would like to build an \$18 million truck stop facility.

"Tejon has \$27 million worth of construction improvements," said Bob Stine, president and chief executive officer of Tejon Ranch, at a June 4 ceremony commemorating the distribution center's opening. "It's our own little stimulus for Kern County here."

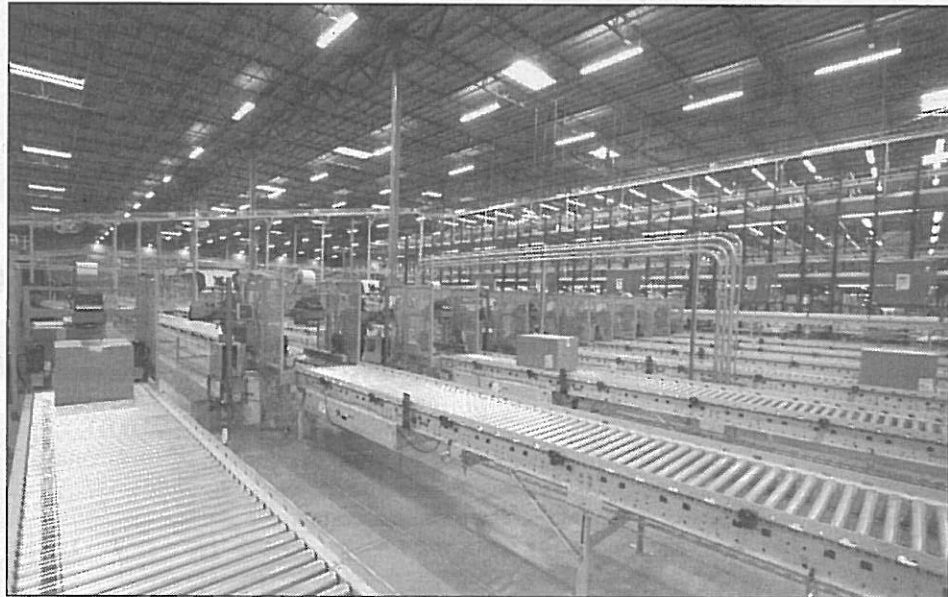
Jerry Essex, vice president of retail logistics at Famous Footwear, said development of the new distribution center was prompted by the company's desire for greater efficiency in its supply chain.

Before the Tejon facility's opening, product moved from the ports of Los Angeles and Long Beach to the company's two Midwest facilities. From there, shoes were sorted and then brought back to the West.

"We did complete a real estate search two years ago," Essex said. "We knew we wanted to get to the West to eliminate the old model of bringing product from the ports to the Midwest and then back here."

Smaller than the company's Midwest facilities, Famous Footwear's Tejon distribution center has technology upgrades in the way of an automated sorting system, meaning product gets shipped to stores faster and shoe styles are available to customers earlier in the season.

Shoebboxes are unloaded and moved on a



Famous Footwear's new distribution center at Tejon Ranch will service nearly 300 retail stores as well as online orders. The facility houses more than five miles of conveyor belts and 275 chutes that function as part of the company's sortation system.

conveyor belt to employees who scan each box. The shoebboxes are then placed back on the conveyor belt where boxes drop down various chutes into packing boxes destined for specific Famous Footwear stores.

"This is pretty much a paperless system," Essex said.

It is a system that represents significant timesavings from the company's former way of moving goods. But it also represents real estate's increasingly important role in companies' quests to be as efficient as possible in the movement of product.

For some time, location had been of utmost importance to many companies and brokers during the site-selection process. But today, because there is increasing pressure to cut costs throughout the system, location is only part of the equation.

Long thought of as another version of the Inland Empire, the Central Valley is distinguishing itself from the Riverside and San Bernardino county submarkets.

In fact, Famous Footwear had looked at sites in the Inland Empire and other states before ultimately deciding on Tejon.

"We did look in the Inland Empire, and Tejon was more attractive price-wise with land that was ready to build upon," Essex said, citing basic infrastructure, such as water, that was already in place at the site.

According to Tom Schroyer, principal at Clayco, the company viewed more than 60 facilities in more than 30 industrial parks throughout Nevada, Utah, Arizona and California before joining companies such as Ikea and Oneida at Tejon.

The main factors driving the company's site selection came down to location, logistics and proximity to major arterials.

"Logistics really runs the show," Schroyer said during a speech for the distribution center's opening.

Paradigm Shift

And if logistics runs the show, it would mean a shift from the "location, location, location" mantra that normally dominates commercial real estate discussions. The focus on not just location but also the labor pool and arterial systems to support efficient goods movement increasingly is becoming important in the

Central Valley's drive to market itself as a good place for logistics and manufacturing companies.

"Logistically speaking, Kern County is the central population point from California," said Chad Brock, senior associate in the Valencia office of **NAI Capital Inc.** "It's two hours from the ports of Los Angeles and Long Beach and has access to I-5 [which runs] north and south and Highway 58 going east and west. You have a four-way central point for California, and it is very strategically situated within the state. It's a smart alternative to the Inland Empire."

Comparisons between the Central Valley and Inland Empire have often been made because both areas contain cheap dirt to accommodate big box users.

"The cost of land and the cost of construction, which has gone down, makes it [Kern County] a very attractive option, and a lot of companies are taking advantage of that," Brock said.

According to the Kern Economic Development Corp., industrial vacancy for Kern County averages 7.5 percent, and Brown said the rate is around 4 percent if product under 100,000 square feet is not counted. Meanwhile, rental rates for the county range from \$3 to \$4 per square foot for bulk warehouse product and \$5 to \$7 for manufacturing facilities.

The Inland Empire industrial market recorded an 11.8 percent vacancy rate for first-quarter 2009, according to **Grubb & Ellis**. Average rental rates for warehouse and distribution space are \$4.41 per square foot and \$7.11 per square foot for research-and-development and flex space.

Brock said it is only a matter of time before more companies follow suit with the likes of Famous Footwear, Target, Ikea and other large companies that have made the decision

to move to Kern.

"We're going to see a continued trend in increased distribution centers at the Tejon Industrial Complex," Brock said. "The most important trend I see affecting Kern County will be increased demand for big box distribution centers and warehousing facilities that will supplement ones that exist today, be it Ikea, Oneida, Target or Wal-Mart that all saw the value in Kern County."

Most recently, the Kern Economic Development Corp. assisted Men's Wearhouse in its decision to lease a 237,000-square-foot facility formerly occupied by Dopaco Inc.

Dopaco, a plastics manufacturing company, consolidated production into its Stockton location.

Brown said Men's Wearhouse originally looked at building its own facility in the area because of the company's distribution and manufacturing needs, but found what they were looking for in the former Dopaco facility.

Railex LLC is another company that made a recent move into Kern County.

The New York-based company provides distribution solutions to customers with cold storage needs by promising a five-day turnaround from the West Coast to the East Coast via Union Pacific rail.

A 200,000-square-foot cold storage produce distribution facility in Delano was built within a year from the time the company selected the site, a quick turnaround that Brown said is similar to what happened with the Famous Footwear facility.

"That's one of our primary marketing tools," said Richard Chapman, president and chief executive officer of the Kern EDC. "We're pro-business. We work closely with companies and

the county to try to expedite as much as possible. We try to market that we're just as much a part of Southern California even though we're in the Central Valley."

Currently, Brown said most of the calls she receives from firms interested in Kern County are larger manufacturing companies, which she said is interesting given that at one point interest

from logistics companies made up the majority of calls.

"It goes back and forth," she said. "But projects are still looking. They're just trying to make sure they're finding the right spot."

Chapman said it also helps that the employee turnover rate for Kern is low at around 5 percent. The labor pool is another factor that Essex cited for moving to Kern.

For the county, the subtle shifts in more industrial users gravitating to Kern also has meant changes in jobs for an economy dominated by oil and agriculture.

"We're moving from an agrarian state to higher-value-type jobs and we need those," Chapman said. "Those are good jobs for us."

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(L to R) Robb Fromm, chairman and chief executive officer of Brown Shoe, which operates Famous Footwear, and Barry Hibbard, vice president of commercial and industrial marketing for Tejon Ranch.