



Client: The Home Depot

Project: Distribution center site selection and incentive negotiation

Location: Savannah, GA

Objective: Identify the optimal location for a 1.4 million square foot import distribution center, and negotiate a strong incentive package. Site selection objectives included:

- Close proximity to a major container port
- Rail-served site of at least 200 acres, capable of accommodating a 1.8 million square foot facility
- Excellent interstate highway access
- Low operating costs
- Strong non-union labor environment

Challenges: Large wetlands and poor soil conditions of coastal sites close to major container ports. Significant tax liability arising from high value inventory. Very heavy in-and-outbound truck volume dictating the need for excellent access/egress and road infrastructure.

Solution: Analysis of port operations and retail store locations identified all viable port options. The best site from a construction standpoint was most remote from an acceptable port, imposing a significant transportation cost penalty. In contrast, the best site relative to port access had poor soil conditions and large wetlands.

Walker structured a tax-exempt bond issue that reduced Home Depot's financing costs significantly. This freed funds to pay the higher development costs on the site, but allowed Home Depot to capture significant long term logistics cost savings.



Value Added: The financing structure had several benefits: LIBOR-based interest rate; off-balance sheet treatment; Home Depot was able to take the depreciation deduction for federal income tax purposes; and the company secured nearly \$2.5 million in sales tax abatements on equipment purchases.

Property tax abatements in excess of \$1 million annually were negotiated, along with nearly \$1 million to fund site development. Walker secured \$400,000 in rebates on port handling fees, and a 14-acre site on port grounds for the exclusive use of Home Depot at no cost. A 100% abatement of inventory taxes was accomplished through the establishment of a FTZ sub-zone for the facility.

The Walker Way works best