



Fancy Footwork Lands Contract

Local Angle Puts Developer Paces Ahead of the Competition

By Leslie Clark

When Evansville, Ind.-based Shoe Carnival announced its plans to relocate its headquarters, Woodward Development and Construction Inc., Newburgh, Ind., faced tough competition from other states to land the project. At stake were the shoe retailer's new 60,000-square-foot (5,574-m²) Class A headquarters building, a 410,000-square-foot (38,089-m²) distribution center and 120 new jobs.

Shoe Carnival started in 1978 with one store on the east side of Evansville. By the start of negotiations for this job, it had nearly 300 stores in 27 states. The retailer has stated goals to operate 700 stores eventually, which meant likely future expansion for both proposed buildings. This project

represented a "clean" enterprise that would be welcome almost anywhere in the United States though, and other locales were willing to pay handsomely to lure it to a new location.

"Shoe Carnival had become like all big companies that wanted to explore every avenue of funding," said Evan Beck, a principal with Woodward. "As another local company, we could make a strong case for working with us because our attention to portfolio management has earned us an excellent reputation. We take pride in the quality of every project we build because our company operates as a Build, Lease & Hold investor instead of just earning a development fee and then flipping a property to different ownership."

Other Woodward principals further emphasized the advantages of working with a developer that had in-house construction services and a financial statement strong enough to secure long-term financing for the entire \$30 million commitment. Equally important, site consultants had emphasized that staying in the Evansville area would preserve the shoe retailer's experienced work force. Finally, the community offered efficient logistics and distribution advantages.

Woodward had secured the inside track on the distribution center contract when it offered to restructure the original program to involve build-to-lease agreements on both facilities instead of the retailer's original plan to own only



the distribution center. Beck also convinced Shoe Carnival's CEO that leasing the two facilities offered greater return on investment for a company with growth plans.

"We've found that most companies put millions into a building simply for the pride of ownership but only generate a 10 to 15 percent annual return, mostly in appreciation," Beck said. "That direct investment as an operational cost also shows as a significant debt on the balance sheet. Most astute companies today, like General Electric, will lease all their facilities and earn twice that amount by expensing the cost of the lease and investing those resources in their business cycle."

The shoe retailer also received economic

development incentives to stay in the Evansville area, including 10-year personal and property tax abatements; \$2 million in tax credits based on job creation and capital investment; \$20,000 in training grants; and \$200,000 in infrastructure assistance for the municipality.

The distribution center was built on a distressed site that formerly housed mining operations, which presented its own set of challenges.

"We had acquired the 130 acres [52 hectares] at auction, but most of it was essentially worthless," said Steve Kahre, who runs Woodward's construction operations. "It took a lot of work before it was ready to accept a building."

That preliminary effort included an environ-

mental study and mitigation plan that had to receive approvals by both the Indiana Department of Environmental Management and the Louisville District of the U.S. Army Corps of Engineers, Kahre said.

To keep pace with the demanding schedule and achieve the desired quality in construction, Woodward management had Indianapolis-based American Structurepoint Inc. design the distribution center, along with the two-story corporate offices, around building systems supplied by Kansas City, Mo.-based Butler Manufacturing Co. Kahre favors the Butler MR-24 standing-seam metal roof system because of its long-term weathertightness and minimal maintenance. A building roof as expansive as that on the distribution center is inevitably

product spotlight



subjected to thermal expansion and contraction induced by temperature changes. The patented Butler standing-seam metal roof is engineered specifically to accept roof movement and wind uplift without compromising the weathertightness.

Kahre's partner discovered the project qualified for a lower interest rate on the loan by combining abuse-resistant concrete block construction for an 8-foot- (2-m-) perimeter wainscot beneath metal wall panels used up to the eave of the large project. Completed in just eight months, the 500- by 800- by 34-foot (152- by 244- by 10-m) distribution building has 60 dock doors and employs 160 workers.

The contract for the 60,000-square-foot (5,574

m²) headquarters office building was inked while the distribution center was under construction. Groundbreaking occurred in August 2006 for the two-story building within the 142-acre (57-hectare) mixed-use Cross Pointe Commerce Center and was completed in June 2007, following a fast track construction schedule.

With a full-height atrium encased in blue-tinted glass and 24,000 square feet (2,230 m²) of expandable space that can accommodate 300 additional employees, Shoe Carnival got its wish for a distinctive office facility. The lower floor is defined by that two-story atrium, meeting rooms with mock-up retail displays and an employee break room with

an outside patio overlooking a retention pond that includes a water feature. The upper level subdivides into areas for finance, accounting and executive offices with outside balconies overlooking the pond. The building has high-efficiency heating, air-conditioning and variable-air-volume air distribution.

The two contracts for the Shoe Carnival facilities represented Woodward's largest development and clearly position it as a leading factor in the Evansville and surrounding market. **MBD**

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