

Recommendation Report on Company Relocation

For: SwitchServ Associates Stockholders

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At this time, ServSwitch Associates has outgrown our current building. With 60 new employees expected shortly, the company has to move. This report will analyze three different locations as well as a recommendation for the best choice.

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Executive Summary

SwitchServ Associates is about to hire 60 new employees shortly. Unfortunately, the current location on Church Street is not large enough with our current 34 employees. The best option for our company is to relocate to another location providing more room.

Locations were researched through a real-estate company which provided three possible locations in Williston, Colchester, and Milton. After conducting research on the three locations, one location was best suited for our company.

The location in Colchester is the best route to take. The company has plenty of money to put \$2 million dollars down and provide monthly payments for 8 years. The Colchester location has a cafeteria, plenty of parking, is fully furnished, and is situated in a good environment.

Introduction

SwitchServe Associates is an Information Technology organization that provides computer network solutions to small to large sized companies. The company generates revenue of \$10.35 million dollars a year selling custom made servers to clients.

SwitchServe Associates was established in 1998 in a renovated garage in downtown Burlington, Vermont. After a few years and ten new employees, SwitchServe Associates moved on Church Street. It uses the second and third stories of the building for seventeen hundred square feet space. Now that the company is growing rapidly and a need to hire 60 new employees with currently 34 employees, SwitchServe Associates has to move once again to accommodate the needs of the company.

The purpose of this report is to compare and contrast three different locations which were researched to find the best possible new location to move to. The three locations researched are buildings in Williston, Colchester, and Milton.

In comparing the three locations, specific criteria was used to compare the possible solutions which will be detailed further in the next section. The basic criteria used are location, cost and financing, space for further expansion, parking, places to eat, furnishings, and the environment.

Research Methods

In this study, a real-estate agency was contacted to provide three different locations that can be suitable for SwitchServ Associates. A week later, an on-site inspection was performed with key members of the SwitchServe Associates to the various locations.

The criteria for analysis are as follows:

- Location
- Cost – Financing
- Space for further expansion
- Parking
- Cafeteria
- Furnished
- Environment

Results

Williston

1. Location

The Williston location is 5 miles east of Burlington on Cypress Street. It is right next to Best Buy and has three stories. Two stories are free for SwitchServ Associates; however, the first floor is still being used by three companies.

2. Cost – Financing

It will cost \$9 million dollars, to purchase the entire building with \$1.8 million dollars down with an interest rate of 9.3% for 10 years. The three businesses occupying the first floor will pay a total of \$400,000 a year for leasing space.

3. Space for further expansion

The building cannot be renovated to produce more space as it is between a few other buildings. The only option for further expansion is to terminate further leases with the three businesses to occupy the first floor for an additional 4,000 square feet.

4. Parking

Parking is not reserved for the building; however, the building is located in a shopping center for Williston. Ample parking is available for a short walk.

5. Cafeteria

There is no cafeteria in the building, but it does have a small kitchen featuring a stove, microwave, sink, refrigerator, and dishwasher. Seating is limited to ten people at a time. There are many places to eat within walking distance including Shaws Supermarket.

6. Furnished

There are absolutely no furnishings in the entire building. It will cost roughly \$3 million dollars to furnish the building.

7. Environment

Williston is located in a busy environment. There are many restaurants and stores nearby as well as a movie theatre. The view is not scenic as it overlooks the buildings and parking lots.

Colchester

1. Location

The Colchester location is 3 miles north of Burlington next to a residential complex and a park on South Park Drive. The building is new and has two stories of roughly 8,000 square feet total.

2. Cost – Financing

It will cost \$14 million dollars with no money down at a rate of 11% for 8 years. The owner is willing to decrease the interest rate to 9% for 8 years if \$2 million dollars are put down.

3. Space for further expansion

The building can accommodate an additional 1,000 square feet by expansion, but that is it. There are many residential buildings and a park nearby which will limit the amount of expansion.

4. Parking

There is no assigned parking for the building. Parking is shared with the residential neighbors and the park. Parking can be created for only SwitchServ Associates as there is some land with 1,000 square feet which can be used to expand the building.

5. Cafeteria

A full cafeteria is on the first floor of the building. It can accommodate 150 people at a time. Neighboring residents and spectators for ball games usually come in to purchase a meal. Additionally, there are also other places to eat close by in Winooski.

6. Furnished

The building is fully furnished and will only require a few pieces of extra furniture.

7. Environment

The lot is situated on a plateau that overlooks Burlington and Winooski. There are excellent views of both the Green Mountains as well as the Adirondacks. The neighborhood is relatively quiet except for the ball games in the nearby park.

Milton

1. Location

Milton is located 22 miles north of Burlington. It is a new one story 11,000 square foot building situated on a large lot.

2. Cost – Financing

It will cost \$6.25 million dollars to purchase the building. The owners are not willing to provide financing options. SwitchServ Associates will have to research different financing options with different financing institutions. Wachovia Bank bases their rate depending on the company credit score. It will be between 2% above or below the current prime rate which is 7.75%. Financing is available for up to 30 years.

3. Space for further expansion

The lot is situated on 22 acres and has plenty of space for expansion. It can be expanded outwards towards the fields plus the building has a great structure for possibly a second story.

4. Parking

There is plenty of parking available as the office has a huge dedicated lot. Truck access is easy and convenient. A drop-off area is also available in front of the building.

5. Cafeteria

There currently is no cafeteria. The building is currently not zoned to have a cafeteria, but can possibly be zoned for a cafeteria in the future. There are no places to obtain food nearby in Milton.

6. Furnished

The office is not furnished at all. It will cost around \$3-\$3.5 million dollars to create offices and implement office furniture.

7. Environment

Milton has an amazing view. Three sides of the building overlook over 21 acres of woods and fields and the fourth side overlooks upscale housing. This side also overlooks a forest with hiking and skiing trails. There are many short hikes with great views great for lunch breaks.

Conclusions

All three locations can be feasible for relocation to accommodate new employees coming into the company. Although all three are good options, each one has advantages and disadvantages which are presented in Table 1.

Table 1. Location Advantages and Disadvantages

Location	Advantages	Disadvantages
Williston	<ul style="list-style-type: none"> • Close by • \$400,000 revenue each year from lease • Plenty of parking • Food options within walking distance 	<ul style="list-style-type: none"> • No cafeteria • No furniture • No room for expansion • Parking not reserved near building • Share building with 3 other businesses
Colchester	<ul style="list-style-type: none"> • Close by • New Building • Relatively quiet residential environment • Varied finance options • Full cafeteria • Fully furnished 	<ul style="list-style-type: none"> • Parking lot shared with residents • Noisy during ball games • No easy access for trucks • Limited space for expansion
Milton	<ul style="list-style-type: none"> • Great views • Plenty of room for expansion • Huge parking lot reserved for company • Ability to customize office more efficiently 	<ul style="list-style-type: none"> • Further away from Burlington • No finance options through owner • No cafeteria or nearby food options

The Williston location is close by to Burlington. It has plenty of parking and plenty of food options within a short walk. What Williston does not have however is a cafeteria. It is not furnished and does not incorporate room for expansion. Another negative aspect is how other businesses are sharing the first floor.

Colchester is also close by and is a brand new building. It is fully furnished and has a complete cafeteria. It does not have much room for expansion, the parking lot is shared with neighbors, and there is no easy way for trucks to deliver packages.

Milton has an amazing view but far away from Burlington. This building also is not furnished and does not have a cafeteria. It does however have plenty of parking and an environment best suited for work. No financing options are available from the owner.

Recommendations

The Colchester location is the recommended location to relocate. It is close to Burlington to accommodate the workers of the company who have relocated to Burlington to be closer to SwitchServ Associates. It is fully furnished with a full cafeteria, and has flexible financing options. The building is situated in mostly a quiet neighborhood and the building is new.

For financing, the company has \$3 million in reserve for use in future growth. If \$2 million dollars are put down, the interest will be reduced to 9% for 8 years. Monthly payments will be \$175,802.44 totaling up to \$2,109,629.28 a year.

More employees will be happy at Colchester than the other two locations. Williston does not have a cafeteria, there is no room for expansion, and the parking lot is not dedicated to the company. Milton is too far away and does not have any food options available.