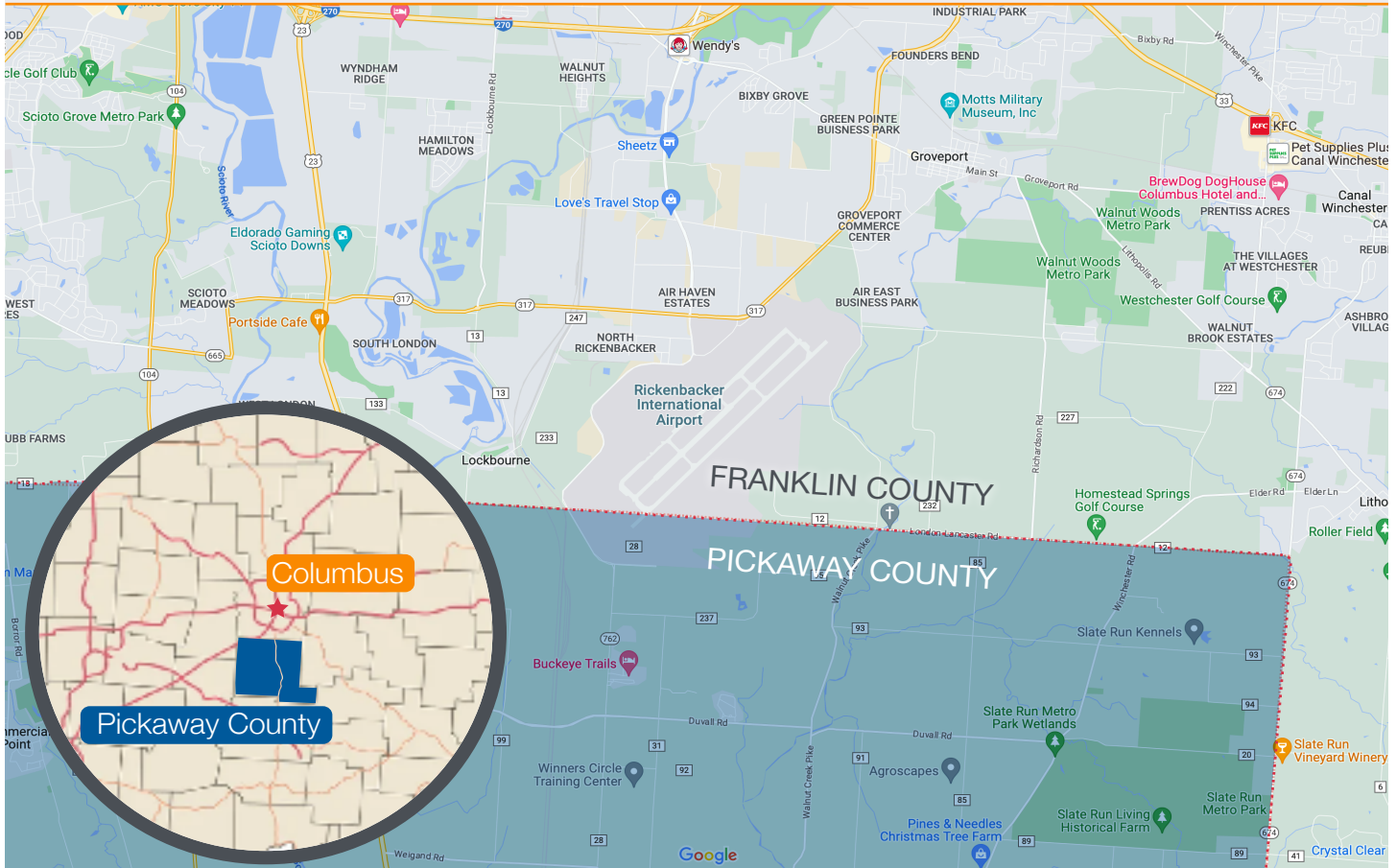


## OHIO'S ELECTRIC COOPERATIVES CURRENT



## 6 Red-hot Industrial Trends and How Central Ohio is Leading the Charge

The same convergence of intermodal, rail, highway and air assets that make the Rickenbacker International Airport region a highly desirable location for distribution facilities are also sought by manufacturers.

The Columbus Region, long recognized as a premier Midwest logistics hub, recently landed two once-in-a-generation mega manufacturing projects: Intel's fabrication facility and Honda's EV battery plant are currently under construction in central Ohio.

While demand for manufacturing and e-commerce sites is soaring, the communities surrounding Rickenbacker have spent decades cooperatively preparing for and nurturing growth, building out massive sewer, water, power and transportation infrastructure investments, and preparing ready-to-build sites and spec buildings.

Here's how central Ohio is poised to respond to these top six trends currently shaping U.S. industrial development.

## Trend #1: Multi-national corporations are locating production closer to their U.S. customers.

Supply chains snarled by geopolitical factors, the Russia-Ukraine war, trade tensions and climate-related disruptions are just some of the reasons that reshoring and nearshoring are gaining momentum.

- ♦ The share of companies making moves to nearshore, or move production closer to the end consumer, leaped from 17% in 2022 to 42% in 2023, according to McKinsey's annual survey of supply chain leaders.
- ♦ Ohio ranked #2 in the U.S. for total job announcements from reshoring + FDI in 2022, totaling 29,561, representing 8% of the U.S. job announcements in 2022. Reshoring is the practice of bringing manufacturing jobs back to the country where a company is based.

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“For One Columbus, our projects are not so much U.S. companies coming back, it’s multi-national corporations that have operations all over the world choosing to invest closer to U.S. customers,” says Rich Fletcher, senior vice president of business development for the Columbus Region’s economic development organization. “Supply chain is also a factor. Some projects are in a new industry that wasn’t around five years ago. Plus, to earn the electric vehicle (EV) tax credits, manufacturers’ products need to be made in the U.S.”

## Trend #2: The U.S. is in the early stages of a manufacturing supercycle and much of the investment is happening in exurban and rural areas.

“No country in the world attracts as much foreign direct investment (FDI) as the U.S. With just 4.5% of the population, America accounts for a staggering 30% of global personal consumption, based on figures from the U.N.,” notes Joseph P. Quinlan, Merrill’s Managing Director and Head of CIO Market Strategy, in the bank’s June 12, 2023, Capital Market Outlook.

- In 2021, the latest available figures from the U.N., the U.S. alone accounted for nearly one-quarter (23.2%) of total global FDI inflows, up from 15.7% the year before.
- Hundreds of billions of dollars from the Biden administration’s mega-legislation packages are fueling massive new investment in U.S. manufacturing:
  - a. The **Infrastructure and Investment Jobs Act** entails roughly \$1 trillion in infrastructure spending over the next decade.
  - b. **CHIPS and Science Act** includes \$39 billion in funds to underwrite more semiconductor manufacturing and another \$24 billion in manufacturing tax credits.
  - c. **Inflation Reduction Act** comes with some \$369 billion in tax credits and other incentives for clean technologies.

“While rural and exurban areas may not compete for large office space projects, everyone is going to compete for manufacturing provided you can get the employees and infrastructure,” Fletcher says.

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Director of Economic Development

“Rickenbacker has grown like crazy, but adjacent Pickaway County is still rural,” says Ryan Scribner, director of economic development for Montrose Group. “Some key critical infrastructure investments have opened up Pickaway County for future projects of significant scale. The east-west roadway connector was a huge, huge step forward. Columbus invested in a 60-inch sanitary sewer that goes through unincorporated rural northern Pickaway County.”

Tim Colburn, executive director of Pickaway Progress Partnership, says, “We’re now seeing a melding of logistics and manufacturing. While the warehousing and logistics has slowed a bit, the manufacturing interest for EV, Intel related suppliers, and other new uses have grown.”

“CT Realty is one of the real estate developers we’re very proud to have in Pickaway County,” Colburn says. “They came here to build spec warehouses in their Rickenbacker Logistics Park, a 5.7M SF, eight-building industrial development with an exceptional location less than one mile from Rickenbacker’s intermodal rail yard and air cargo facility. A number of their warehouses have light assembly or light industrial uses, warehousing and fulfillment and collectively employ some 2,000 workers. Now we’re seeing companies looking for large parcels, with large utilities, with stable power, to deliver manufacturing jobs in this area.”

Ohio was recently ranked number one by Site Selection magazine in its inaugural Global Groundwork Index based on an analysis of job creation, capital expenditures, and strategic infrastructure development from 2019 through July 2023. The announcement notes that Ohio has committed \$1.5 billion in its operating budget for new investments in industrial sites, water infrastructure, brownfield redevelopment, building demolition and site revitalization, and rural industrial parks and has deployed a strategy to improve infrastructure, including roads and bridges, broadband and 5G, water and sewer, and other targeted investments to support the growth of new and existing businesses.

## Trend #3: More manufacturers prefer spec buildings instead of build-to-suit, adding increased competition for e-commerce users.

“It’s very hard to predict where manufacturing projects are going to land,” says Brian Marsh, Senior Managing Director for JLL’s Columbus office. “But having spec product gets you in the game and enables you to land the manufacturer.”

It’s all about time, Marsh explains. “To procure a site from scratch is a two- to three-year process. The quickest path for manufacturers to become operational is to modify a spec building. Most of the requirements we see are ASAP. What would have been build-to-suit is now going spec. When a spec building is leased, modifications can start immediately.”

- ◆ “When it comes to distribution, we’re seeing sustained interest from across the board,” Marsh says. “The vast majority of products are still delivered through brick and mortar stores. We’re still pivoting to e-commerce which is still less than 20% of all retail sales in the US.”
- ◆ “We’re seeing a lot of inquiries from manufacturers of solar panels, EV batteries, pharma, food and beverage, and anything related to technology and life sciences.” Marsh notes. “Ohio is #2 in getting reshoring manufacturing jobs, so we’ll continue to see this strong demand.”

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Inventory is currently leasing faster than new space is coming online. Developers slowed construction as interest rates escalated but demand hasn’t stopped. Industrial brokers expect increasing competition for spec space from both distribution and manufacturing users.

Fletcher and Marsh concur that logistics and manufacturing have very different water, sewer and power requirements.

Nate Green, managing director of economic development for Montrose Group, which consults with private developers and communities, says that much of the sewer and other infrastructure was sized for the industrial warehouse and assembly uses. “We’re engaged in conversations right now about increasing infrastructure capacity if new users have higher requirements.”

“Over the past 5-6 years the exceptionally strong demand at Rickenbacker bled into Commercial Point and northern Pickaway County,” says Green. “Development spiked from approximately 6 million SF annually from 2008-19 to over 12 million SF annually in the past 4-5 years.”

When we talk to the brokerage community, they say there's still a lot of demand Green says. But for developers, access to capital is tighter, it's still hard to get materials and it's expensive to build.

"Over last 18-24 months, there's been some cooling in that million-square-foot product, but at the same time, there's been a proliferation of data centers and EV and Intel related projects," Green says. "Rickenbacker and northern Pickaway County have been a hot bed for industrial, now all of a sudden, we're in deep conversations about all different kinds of uses which are much more energy intensive."

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## Trend #4: Demand for power is soaring with the electrification of everything.

Assistive robotics, automation, charging batteries and the surge in manufacturing operations nationwide are putting a lot of pressure on our infrastructure, says Fletcher. "We're seeing a huge pipeline of manufacturing projects. We need to continue planning for growth of infrastructure and on having sites ready."

South Central Power Company is the largest member-owned electric cooperative in Ohio serving more than 125,000 residential, commercial, and industrial customers in 24 Ohio counties. South Central serves Rickenbacker International Airport and much of the surrounding area including Pickaway County.

"The existing infrastructure is what's driving the growth. The reason we're able to pitch these large projects is because the communities are preparing sites. South Central is continually increasing capacity with new substations, upgrades to existing substations and improvements to circuits. We're willing and able to serve whatever they bring."

— David Glass, South Central Power Company Business Development Manager

- “South Central Power and the local investor owned electric utility have amazing assets in the ground,” says Scribner. “To be able to have them at the table and on the phone and to say they’ll be able to deliver megawatts of power for a new use is a tremendous advantage.”
- “What sets South Central Power Company apart from our competitors is that we are active participants, investors and leaders in economic development in the communities we serve,” says Business Development Manager David Glass. “As an electric cooperative, our rates are not regulated by PUCO the same way that investor owned utilities are. Each co-op sets their own rates.”
- “We’ve seen good competitive rates from South Central Power,” says Pickaway Progress Partnership’s Tim Colburn. “They’re responsive, they’re agile, they provide dedicated staff to lead economic development. It’s rather impressive.”

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Glass provides some perspective on the megawatt (MG) power requirements of large users:

- ♦ A typical 1 million-square-foot warehouse would have an 800 amp service, depending on AC and automation. A smaller warehouse could have 400 amp service.
- ♦ A manufacturing supplier facility needs quite a bit more power, starting in the 8-10 MW range.
- ♦ The Honda battery plant and Intel fabrication plant require 300-400 MW.
- ♦ Data centers are in the 100-300 MW range and require 50-100 acres. Some data centers are considering going vertical with a smaller footprint.

Users requiring more than 10 MW are served at the transmission level, Glass notes. In those cases, South Central Power works with the electric transmission provider to run dedicated lines and connection points.

#### **Larger projects need to start conversations with utility providers earlier.**

The entire utility industry has been significantly impacted by manufacturing lead time for electrical equipment, says Glass. “That’s an actual concern that could slow down growth. There’s only one U.S. manufacturer of electrical quality steel and with the increasing electrification of everything, there’s a shortage of so many components.”

## **Trend #5: Cooperation is essential to competitiveness.**

“Economic development is a team sport,” says One Columbus’ Fletcher. “Cooperation is so important.” Rickenbacker is a special place in that it brings a lot of assets: rail, runway, highway all converge, says Scribner. “There are very collaborative and creative partnerships in this region that can provide high volumes of water and sewer capacity. The JEDDs created around Rickenbacker are a really powerful economic development tool that allows us to fund public-private partnerships that help us afford new infrastructure and development.”

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**JEDD agreements are unique to Ohio.** A joint economic development district (JEDD) is a special-purpose territorial district created by contract between municipal corporations and townships for the purpose of encouraging economic development, creating jobs, and improving the economic welfare of citizens.

- ◆ A JEDD agreement enables townships, cities and villages to cooperatively address concerns associated with economic development, diminishing local revenues, growth, and annexation pressures.
- ◆ A JEDD allows local governments to enter into legal agreements that have the potential to increase revenues and create jobs.
- ◆ JEDD contractual agreements, which vary by jurisdiction, serve as a significant economic development tool for local communities.

“It’s important to recognize the work done years ago by our local townships, municipalities and Pickaway County commissioners whose cooperative approach and multiple JEDD agreements brought utilities to northern Pickaway county, allowing us to control our development,” says Colburn of Pickaway Progress Partnership. “All have worked cooperatively to plan for utilities and power to serve manufacturing facilities.”

## Trend #6: **Workforce readiness is being tackled from all angles.**

Record low unemployment rates coupled with successful reshoring and FDI attraction efforts means expanded workforce development programs are needed.

According to the U.S. Bureau of Labor Statistics, Ohio gained about 30,800 manufacturing jobs from Jan 2021 to May 2023, ranking the state fourth highest in terms of the number of manufacturing jobs added.

In May, the Biden-Harris Administration named Columbus as one of five Workforce Hubs to further catalyze private and public investments to create good-paying jobs. The Administration is working alongside Columbus Mayor Andrew Ginther and Columbus State Community College (CSCC) to bring together other institutions of higher education, employers, unions, high schools, and other stakeholders to ensure a diverse and skilled workforce that can meet the demand for labor driven by investments in and around Columbus.

Columbus is one of five Workforce Hubs created to further catalyze private and public investments to create good-paying jobs and to ensure a diverse and skilled workforce that can meet the demand for labor driven by investments in and around Columbus.

Columbus Workforce Hub partners have committed to the following workforce readiness programs:

- ◆ CSCC will work with partners across the state to quadruple the number of students trained for engineering technology jobs over the next five years.
- ◆ CSCC launched a new certificate program for semiconductor technician roles that was developed in partnership with Intel through the Ohio Semiconductor Collaboration Network.
- ◆ Partners will prepare at least 10,000 skilled construction trades workers to meet the demand of announced expansion projects in the region. To help get there, the Columbus/Central Ohio Building and Construction Trades Council will expand the pipeline into critical Investing in America occupations:
  - IBEW 683 Columbus will expand its Registered Apprenticeship program from 600 to 1,000 over the next four years.
  - Ironworkers 172 Columbus will increase their Registered Apprenticeship program from 150 to 250 in the next two years.
  - Plumbers and Pipefitters 189 Columbus, Sheet Metal Workers 24 Columbus, and Roofers 86 Columbus are all expanding their training facilities to meet the demand driven by these investments.

While demand for manufacturing and e-commerce sites is soaring, the communities surrounding Rickenbacker have spent decades cooperatively preparing for this moment by building sewer, water, power and transportation infrastructure to support users of the region's ready-to-build sites and spec buildings.

Ohio's manufacturing sector employs over 600,000 skilled individuals, the third-largest manufacturing workforce in the U.S. This surplus means there are more dedicated, well-trained workers in Ohio prepared for the opportunities created by reshoring, nearshoring and the investments of multi-national corporations.

## Look for Us:

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**Site Selectors Guild 2023  
Fall Forum**

October 16-18, 2023  
New Orleans, Louisiana

**National Rural Economic  
Developers Association (NREDA)**

**2023 Annual Conference**  
November 8-10, 2023  
Myrtle Beach, South Carolina

### **Buckeye Power and Ohio's Electric Cooperatives can help with:**

- Comprehensive site and building portfolios
- Preliminary site studies
- Site search tours
- Assistance in identifying financial incentives
- Electric rate analyses
- Community profiles
- State and local government contacts
- Contractor introductions

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