

From the Desk of...

Judge/Executive Kris Knochelmann



To start, I want to thank you for the opportunity to continue in the role of Judge/Executive. My commitment to you, as it has always been, is that I will fight every day on behalf of Kenton County to make it the best place to live, work, and raise a family, now and for generations to come.

As I wrote in my last What's Happening column, our regional economic development agency, Northern Kentucky Tri-County Economic Development ("NKY Tri-ED"), and our county planning agency, Planning & Development Services of Kenton County ("PDS"), are working together better now than at any time in their organizations' histories.

Lee Crume, President & CEO of NKY Tri-ED, and Sharmili Reddy, Executive Director of PDS, are not only elevating the performance of their respective agencies, but they, and their staffs, are seamlessly working to chart our future path in Kenton County.

Sometimes, though, cooperation like this, fueling the production of better data and analytics, identifies truths that would be more convenient if left unknown. In the three-page letter accompanying this column, Lee Crume articulates to the Fiscal Court two facts about the future of Kenton County that demand attention sooner than later.

First, acreage available for additional manufacturing in Kenton County is on pace to be completely developed in as little as ten years, ending the his-

toric economic cycle that characterized life in our community since the establishment of the airport and the inception of the interstate highways.

Second, the incredibly hot market for warehousing and distribution facilities, with generally lower-paying jobs and heavier truck-traffic, is squeezing advanced manufacturing, with higher-paying jobs, out of the Northern Kentucky market.

In Kenton County, we want a balanced economy, with jobs of all types, from entry-level to skilled, that offer opportunities for every individual and family to move up the economic ladder. While warehousing and distribution have a place in our larger economy, it cannot dominate our future development to the exclusion of all else.

Lee Crume concludes that unless our community activates some of the tools available to it, new advanced manufacturing development in Kenton County will be increasingly difficult. Instead, development during the next decade will be mostly large warehouses, with generally lower-paying jobs and heavier truck traffic.

We will study NKY Tri-ED's recommendations and act on those that provide the clearest path forward to economic prosperity and a better quality of life for every Kenton County resident.

Our efforts will not be limited to encouraging advanced manufacturing, though. We will work diligently to

support the entrepreneurs in our community who are creating new companies and jobs. We will also work collaboratively with our post-secondary education institutions and life sciences partners to grow our knowledge-based economy.

We will tackle the issue of workforce development, because skilled individuals have clear opportunities to move up the economic ladder and improve their lives and the lives of their families.

The lasting importance of these issues, though, goes far beyond my expected time serving the community as Judge/Executive. The Kenton County that our children and grandchildren grow up in will be very different from that of our parents and grandparents, and we must be up to the challenge of assuring it is a better community for future generations.

I know we can succeed at accomplishing this, and we need you to be involved if we are to reach our goal. If you would like to be a part of this effort, email Future@KentonCounty.org with your name, mailing address, and email address. We will keep you connected as our work progresses.

In the meantime, God bless our country and Kenton County!



June 8, 2022

Judge/Executive Kris Knochelmann
 Commissioner Jon Draud
 Commissioner Joe Nienaber
 Commissioner Beth Sewell
 1840 Simon Kenton Way, Suite 5200
 Covington, Kentucky 41011

Dear Judge and Commissioners:

As you are aware, Northern Kentucky Tri-County Economic Development Corporation (Tri-ED) serves as the economic development leader for Boone, Kenton, and Campbell Counties. We appreciate your ongoing support of our work, and especially our collaboration with Planning and Development Services of Kenton County (PDS) to incorporate market data into planning and policy decision making.

In this capacity as economic development leaders, we work with a variety of companies; in the industrial market these primarily fall in the advanced manufacturing and distribution sectors. Since 2019 we completed over 300 projects with industrial companies and the analysis and recommendations below are directly derived from this work and the requirements expressed by those companies.

We resoundingly hear one clear preference cross all projects and all customer types. These companies share a strong preference to be located on flat land near the interstate with easy access and sufficient utilities.

With this information in mind, Tri-ED and Planning and Development Services of Kenton County ("PDS") studied Kenton County and identified two areas meeting the preferred scale and identified requirements of these companies. The two identified areas cover a combined 5,483 acres. This inventory represents Kenton County's best, and last, opportunity for greenfield economic growth by industrial companies.

To the layperson, 5,483 acres sounds like an enormous amount of land. However, this represents less than 5% of Kenton County. Additionally, commercial real estate experts consulted by Tri-ED estimate that current development rates and trends will consume these 5,483 acres in less than ten years, which will end greenfield manufacturing and distribution development in Kenton County.



Tri-ED's work has provided the following insights on the economics of industrial development projects:

- **Market Demand:** Tri-ED worked on 3.5X as many manufacturing projects as distribution projects. This demonstrates that Northern Kentucky is a very attractive location for advanced manufacturing.
- **Jobs:** Manufacturing generates 29% more jobs per project compared to distribution (153 vs. 119).
- **Wages:** Manufacturing generates 23% higher wages compared to distribution (\$57,802 vs. \$46,825). Notably, manufacturing wages are ABOVE the median income for Northern Kentucky, while distribution wages are below.
- **Capital Investment:** Manufacturing generates 5X more capital investment per project compared to distribution (\$58.8 million vs. \$11.4 million). Additionally, because of the significant capital investment, manufacturers are "stickier," which means they are less likely to move their operations to another location.
- **Development Process:** Manufacturers generally require highly specialized, custom-built buildings, prefer to own properties instead of lease them, and strongly prefer single tenancy. Because of these preferences, manufacturing development is a longer and more cash-intensive process.

Distribution buildings are typically built speculatively, which means that there is no tenant at the time of construction. The buildings are faster and cheaper to construct and can be built to common standards that appeal to a wide range of potential logistics or warehouse tenants.

Northern Kentucky finds itself in the epicenter of a national wave of distribution center development resulting from economic changes brought by the COVID-19 pandemic. Many communities across the country face these challenges and wrestle with these same questions. The demand for distribution center development is so high it dominates most development in both Northern Kentucky and nationwide. Private companies must minimize their risks. Combine that with this surging demand, the lower cost to build, and the ongoing revenue stream of leasing; it is no surprise that developers build almost exclusively distribution facilities.

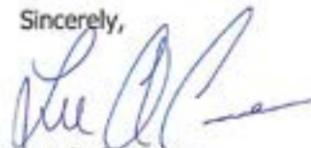


As a result of these market factors, the previously mentioned scarcity of developable land, and its consumption rate, Tri-ED supports the following recommended public-sector actions to assure a balanced and diverse economy that will sustain Kenton County in the long run, without unduly impeding the private market:

1. Tri-ED will activate the Northern Kentucky Port Authority as an economic development tool to assist the private market in completing projects that would otherwise be too risky.
2. Tri-ED supports zoning text amendments that limit the development of distribution in the two focus areas while a longer-term economic development strategy is enacted to assure a balanced and sustainable economy that includes both manufacturing and distribution.
3. Tri-ED supports the use of the recent \$13 million line-item allocation for site development in Kenton County for higher-wage manufacturing projects.

Tri-ED encourages the Kenton County Fiscal Court to take action to assure a balanced and diverse economy that will serve the community better in the future than one dominated by any one single type of development.

Sincerely,



Lee A. Crume
 President & CEO

KENTON FISCAL COURT

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