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SC does well in business climate and cost of labor; Spburg FTZ one of the tops in the country

Sort of surprising that SC did not fare better in some of the categories

## COVER STORY: 2013 Business Facilities Rankings Report – State Rankings

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By Business Facilities Staff

*From the July/August 2013 issue*

Every year, we treat our Rankings Report as a work in progress. We're always striving to refine and expand our rankings categories, looking for the most valid metrics to justify our evaluations. As priorities for site selection requirements change, we adjust the rankings to give you our most credible assessment of which locations are meeting those requirements.

For our 9th annual report card of the state, [metro and international pecking order](#), we took a close look at our energy rankings. The looming specter of climate change combined with an inexorable rise in commodity prices has placed the availability of cleaner energy (at competitive prices) front and center as a top priority.

BEST BUSINESS CLIMATE	
1	TEXAS
2	FLORIDA
3	UTAH
4	LOUISIANA
5	VIRGINIA
6	INDIANA
7	GEORGIA
8	SOUTH CAROLINA
9	TENNESSEE
10	NORTH CAROLINA

In this year's report, we expanded our established alternative energy categories to include rankings for natural gas production, nuclear energy, industrial electricity rates and lowest CO<sub>2</sub> emissions. We also split our biofuels production ranking into two categories, including a benchmark for cellulosic ethanol, which promises to become a

major new alternative energy source as pilot plants ramp up into full-scale production.

Infrastructure was another category that deserved a closer look. We wish we could tell you that most locations are mobilizing to fix the nation's crumbling roads, bridges and dams; unfortunately, the opposite seems to be true: the United States received an overall grade of D+ in the American Society of Civil Engineers' (ASCE) annual assessment, our starting point for BF's evaluation. As anyone who struggled through algebra in junior high knows, a D+ means you didn't flunk because the teacher took pity on you.

Several states—including Texas, Louisiana, North Dakota, Washington and Utah—deserve a shout-out for their overall performance in our 9th annual rankings festival.

The Lone Star State, our [2013 State of the Year](#), continued to show dominance across several of our flagship rankings categories, something you would expect from the nation's most dynamic state economy. Louisiana has steadfastly executed a diverse growth strategy that is nurturing new high-tech ventures while building on the Pelican State's traditional strength in the oil and gas sectors. Speaking of the latter, the oil boom in North Dakota continues to propel the Peace Garden State to the top of our list of economic powerhouses.



China scored big in two of our international rankings, Renewable Energy Investment Leaders and Global Automotive Production Leaders. The first was not unexpected, although China's lead in developing alternative energy is expected to shrink as its ability to spur solar panel production is eliminated by trade negotiators enforcing a WTO decision citing China for subsidizing its industry.

China's commanding lead in global motor vehicle production was a bit of a surprise, although we suspect statistics emanating from the world's most populous nation may include rolling stock for the People's Liberation Army as well as new wheels for a growing middle class.

As always, we present our annual rankings with a standard caveat: there are no losers in this competition. There's usually not a lot of space between the top finishers in most of our rankings categories, so any location that has fought its way into one of our top 10 lists should consider this an achievement worth celebrating.

We continue to see no point in extrapolating our state rankings to 50th place (or metro rankings to 350th place). Aside from the daunting logistics that would be required to fill out all of our categories (of which there are more than 50), does anyone really need to know who finished 45th in Business Tax Climate?

We want you to be able to identify with certainty the Best of the Best, and we've done our best to deliver the most credible and extensive rankings you can find. So, without further ado, here is *Business Facilities'* 2013 Rankings Report.



## NEW SOURCES OF ENERGY TO POWER TOMORROW'S GROWTH

Those who liked to snicker at the development of what we used to call green energy, denigrating non-fossil power sources as a passing fad, probably should join the climate-change skeptics in the witness protection program. The latest statistics show alternative energy capacity and power generation expanding exponentially.

According to the Solar Energy Industry Association, installed solar power capacity in the U.S. grew by an astounding 76 percent (3,313 megawatts) in 2012, pushing the national total to 7,700 MW. That's nearly a tenfold increase from the 2010 total of 848 MW. Another 4,200 megawatts of photovoltaic-generated power is expected to come online by the end of this year.

California, with its vast array of desert solar panel farms, easily tops our annual list of Installed Solar Power Capacity Leaders. Arizona has eased into second place, edging out New Jersey, which has an aggressive utility-backed program for residential as well as commercial panel installations. It seems like nearly every telephone pole in the Garden State is adorned with a photovoltaic panel. Massachusetts, New York and Maryland join NJ as states that have achieved leadership positions in solar power without the advantage of a Sun Belt location.



Our friends at the American Wind Energy Association, National Renewable Energy Lab and the U.S. Energy Information

Agency tell us that about 13,000 MW of wind-power capacity was installed in the U.S. last year, more than twice the capacity installed in 2011. This brings total U.S. wind-power capacity to 60,007 MW (generated by more than 45,000 wind turbines nationwide). Texas still rules the roost in Installed Wind Power Capacity, while Minnesota and Kansas have made great strides in increasing the percentage of their overall energy needs now being serviced by wind farms.

LOWEST CO <sub>2</sub> EMISSIONS		NUCLEAR POWER GENERATION LEADERS		NATURAL GAS PRODUCTION LEADERS	
1	VERMONT	1	ILLINOIS	1	TEXAS
2	RHODE ISLAND	2	PENNSYLVANIA	2	LOUISIANA
3	DELAWARE	3	SOUTH CAROLINA	3	WYOMING
4	SOUTH DAKOTA	4	NEW YORK	4	OKLAHOMA
5	IDAHO	5	TEXAS	5	COLORADO
6	NEW HAMPSHIRE	6	NORTH CAROLINA	6	PENNSYLVANIA
7	MAINE	7	ALABAMA	7	NEW MEXICO
8	HAWAII	8	GEORGIA	8	ARKANSAS
9	MONTANA	9	NEW JERSEY	9	UTAH
10	CONNECTICUT	10	CALIFORNIA	10	WEST VIRGINIA

The energy revolution brought on by the successful extraction of vast deposits of natural gas using hydraulic fracturing methods (a.k.a. fracking) continues to shift the balance of power in the energy wars, so this year we've introduced our Natural Gas Production Leaders rankings category. Longtime gas producers Texas and Louisiana top the list, respectively, but horizontal drilling in the Marcellus Shale formation is propelling traditional coal-mining powers Pennsylvania and West Virginia into the front rank of natural gas powerhouses. We expect this trend to continue, as the price of natural gas hovers at historic lows and the push to reduce greenhouse gas emissions forces major utilities to convert from coal to gas to fuel power plants.

INSTALLED WIND POWER CAPACITY LEADERS	
1	TEXAS
2	CALIFORNIA
3	IOWA
4	ILLINOIS
5	OREGON

Speaking of greenhouse gases, we decided that our 2013 Rankings Report is a good place to begin lauding the locations that have succeeded in reducing their overall carbon footprint. While nobody will be surprised to see bucolic or rustic locales like Hawaii, Vermont, Idaho and Montana on this list, kudos to Rhode Island, Connecticut and Delaware for laying down a marker proclaiming that growth and green energy are not incompatible.

Of the 10 states we've listed in our first annual ranking of Nuclear Power Generation Leaders, Georgia and South Carolina signaled their intention to move up this list by breaking ground on the first new nuclear power plants to be built in the U.S. in nearly 30 years. As we detailed in the BF Blog this month, two new reactors are under construction at the Vogtle nuclear power complex near Augusta, GA, using a new modular assembly design with prefabricated sections shipped from a facility in Lake Charles, LA. The new designs promise safer and more cost-effective nuclear power (the \$14-billion Vogtle expansion has been promised \$8.3-billion in federal loan guarantees drawn from stimulus funds by the U.S. Department of Energy).

BIOFUELS LEADERS (Cellulosic Ethanol)	
1	ALABAMA
2	IOWA
3	GEORGIA
4	NORTH CAROLINA
5	OREGON
6	MICHIGAN
7	VIRGINIA
7	FLORIDA
7	KANSAS
7	NEVADA
7	INDIANA
7	NORTH DAKOTA

This year we also split our annual Biofuels Leaders ranking into two categories tracking the standings in emerging cellulosic-based ethanol production as well as traditional (corn- or sugar-based) ethanol. Iowa remains the undisputed champ of traditional ethanol production, but the Hawkeye State has laid down a marker it's not sitting on its hands as the future of ethanol unfolds: Iowa is second only to Alabama in leading the way to commercial production of cellulosic ethanol.

BIOFUELS LEADERS (Ethanol)	
1	IOWA
2	NEBRASKA
3	ILLINOIS
4	INDIANA
5	MINNESOTA
6	SOUTH DAKOTA
7	KANSAS
8	OHIO
9	WISCONSIN
10	NORTH DAKOTA

Washington achieved an impressive trifecta in our energy-related state rankings by finishing first in both of our overall Renewable Energy Leaders categories (which assess cumulative strength in solar, wind, biofuels, hydropower and geothermal energy capacity and power generation) as well as taking first place in our new Lowest Industrial Electricity Rates ranking.

### AILING INFRASTRUCTURE: THE CRATERS KEEP GETTING BIGGER

As we mentioned in our intro, we decided it was time to give much closer scrutiny to our Best Infrastructure ranking as soon as we digested the ASCE's 2013 infrastructure report card, the most comprehensive snapshot on the subject. ASCE's grades confirmed that just about everyone is in terrible shape: most of the states failed get a grade higher than C-, mainly due to the dilapidated state of their roads and bridges—on average, at least 40 percent of the roads in each state are in poor/mediocre condition.

In preparing our 2013 state infrastructure ranking, we focused on several key data points, including the percentage of bridges that are structurally deficient; the percentage of roads in poor/ mediocre condition; the number of sites on the hazardous waste priority cleanup list; the number of dams that are covered by emergency action plans; estimated 20-year drinking water infrastructure needs; and estimated 20-year wastewater infrastructure needs. We also prorated the results to reflect the size of the overall infrastructure in each state (in other words, a state that only has 3,000 bridges to take care of has a much easier task than a state like Texas with 52,000 spans).



Using these criteria, Texas, Florida, Tennessee, Indiana and Georgia took the top five slots in Best Infrastructure, respectively. While we congratulate everyone in our top 10, we feel obliged to point out that the need to address our nation's ailing infrastructure has reached the crisis phase: according to the ASCE, the United States urgently needs to invest close to \$4 trillion in infrastructure repairs by the end of this decade in order to remain competitive with other industrial powers.

## TEXAS KEEPS LIVING LARGE IN BF'S ANNUAL STATE RANKINGS

The results from our 2012 and 2013 rankings had us tempted to restructure our annual evaluation of the states into a new configuration: Texas and everybody else. The Lone Star State repeated its success in our 2012 rankings with a tour dé force just as impressive in our 2013 package.

Texas, our [2013 State of the Year](#), has repeated as our top-ranked state for Best Business Climate and snared our no. 1 ranking for Best Infrastructure, Natural Gas Production Leaders, Most FTZ Activity and Installed Wind Power Capacity Leaders. If we extend this recitation to include top-10 finishes, we may run out of space. Here's a sampling: no. 2 in Data Center Leaders, no. 3 in Aerospace/Defense Industry Leaders, no. 5 in Biotechnology Strength Employment Leaders, no. 5 in Nuclear Power Generation Leaders, no. 4 in Credit Quality and no. 4 in Renewable Energy Leaders (Capacity).

Texas was the first state in the U.S. to bounce back to pre-Recession employment levels in 2011, while most of the rest of the country was still digging out of a deep economic trench. Without question, Texas' natural supremacy in the oil and gas sector was the turbocharger that kept its jobs engine humming during tough times. But the folks in the 10-gallon hats are not content to rely on the ups and downs of the energy sector for sporadic growth.

Texas has executed a diverse and aggressive economic development strategy which has seen it become a global leader in semiconductors and a rising star in other high-tech growth sectors including bioscience, supported by a world-class university system. Apple's new global Operations Center is bringing more than 3,600 new jobs to the state capital [a [BF Economic Development of the Year](#) Bronze Award winner].

TOP FTZs (Merchandise Received)		TOP FTZs (Merchandise Received)	
1	HOUSTON, TX (ZONE 84)	1	HOUSTON, TX (ZONE 84)
2	EL PASO, TX (ZONE 68)	2	EL PASO, TX (ZONE 68)
3	BALTIMORE, MD (ZONE 74)	3	BALTIMORE, MD (ZONE 74)
4	DALLAS/FORT WORTH, TX (ZONE 168)	4	DALLAS/FORT WORTH, TX (ZONE 168)
5	SPARTANBURG COUNTY, SC (ZONE 28)	5	SPARTANBURG COUNTY, SC (ZONE 28)
6	BROWARD COUNTY, FL (ZONE 25)	6	BROWARD COUNTY, FL (ZONE 25)
7	ATLANTA, GA (ZONE 26)	7	ATLANTA, GA (ZONE 26)
8	NEWARK/ELIZABETH, NJ (ZONE 49)	8	NEWARK/ELIZABETH, NJ (ZONE 49)
9	LOUISVILLE, KY (ZONE 29)	9	LOUISVILLE, KY (ZONE 29)
10	BRUNSWICK, GA (ZONE 144)	10	BRUNSWICK, GA (ZONE 144)

The Lone Star State also has steadily built up an impressive portfolio in a resurgent manufacturing sector, including a growing constellation of automotive and heavy equipment production facilities. Even alternative energy has been given a big “Howdy” in the home of Big Oil—Texas is a national leader in wind power.

Filling out the top five in our flagship Best Business Climate ranking were Florida, Utah, Louisiana and Virginia. The Sunshine State surged into the no. 2 slot on the strength of Gov. Rick Scott’s pledge to drastically cut back on business regulations and red tape (Scott has pledged to create 700,000 jobs during his first term as Florida governor). Louisiana has enhanced its perennial reputation as a business-friendly state by enacting a slew of new tax incentives and putting out the welcome mat for corporate headquarters.

In this year’s rankings, we decided to augment our Best Business Climate category with a new benchmark that shines a spotlight on several states that are aiming for the top rank and are well on their way to getting there. Our new Most Improved Business Climate ranking gives kudos to up-and-comers Ohio, Alabama, Kansas, Minnesota and New Jersey. We want you to know these states are on the right track as rising contenders for next year’s top honors.

Many people were ready to count California out when the Great Recession destroyed the housing market in 2008. The West Coast was hit harder than any region, and the nation’s most-populous state found itself grappling with budget deficits that bottomed out at nearly \$60 billion. But as we reported in the BF Blog recently, the Golden State took its fiscal medicine in large gulps (including a \$6-billion tax increase on the wealthy that was approved in a statewide referendum). We’re pleased to report that California is on the rebound, vigorously defending its traditional turf with gusto.

DATA CENTER LEADERS		AEROSPACE / DEFENSE INDUSTRY LEADERS		BIOTECHNOLOGY STRENGTH Employment Leaders	
1	CALIFORNIA	1	CALIFORNIA	1	CALIFORNIA
2	TEXAS	2	WASHINGTON	2	NEW JERSEY
3	NEW YORK	3	TEXAS	3	PENNSYLVANIA
4	VIRGINIA	4	FLORIDA	4	ILLINOIS
5	NEW JERSEY	5	ARIZONA	5	TEXAS
6	ILLINOIS	6	CONNECTICUT	6	FLORIDA
7	OHIO	7	VIRGINIA	7	MASSACHUSETTS
8	FLORIDA	8	KANSAS	8	NEW YORK
9	UTAH	9	NEW YORK	9	NORTH CAROLINA
10	WYOMING	10	PENNSYLVANIA	10	INDIANA

The California comeback is reflected in our 2013 rankings, including a trifecta of first-place finishes in Data Center Leaders, Aerospace/Defense Industry Leaders and Biotechnology Strength (Employment Leaders). California continues to reign supreme as our top-ranked state for Installed Solar Power Capacity; the Golden State also finished a strong second in both of our overall Renewable Energy Leaders categories (Capacity and Power Generation). With one of the world's largest solar panel arrays under construction in the Mojave Desert, we expect continued leadership from California in alternative energy

BIOTECHNOLOGY STRENGTH Medical Devices		BIOTECHNOLOGY STRENGTH Drugs / Pharmaceuticals	
1	CALIFORNIA	1	CALIFORNIA
2	MINNESOTA	2	NEW JERSEY
3	MASSACHUSETTS	3	PENNSYLVANIA
4	INDIANA	4	NORTH CAROLINA
5	FLORIDA	5	ILLINOIS

for years to come.

### AUTO GIANTS SAY "ROLL TIDE!"

The seismic impact of the recovery in U.S. automotive production lifted several states during the past year, pushing some of them to rise to new heights in our annual Automotive Manufacturing Strength ranking.

The list of recently announced automotive OEM expansions is impressive. Here's a sampling: BMW added 300 jobs at its Spartanburg, SC plant (X4); Chrysler added more than 1,000 workers to its transmission lines in Tipton, IN, Kokomo, IN and Perrysburg, OH; Hyundai increased production of Elantra and Sonata models at its Montgomery, AL facility, adding 877 jobs; Subaru expanded its Impreza line in Lafayette, IN, adding 900 workers; Toyota upped Lexus production at its largest North American plant in Georgetown, KY, creating 750 jobs; Ford added 450 workers to its engine plant in Cleveland, OH; and Mercedes increased the workforce at its Vance, AL facility by 500.

Tennessee, home to Nissan, Volkswagen and General Motors assembly hubs, has emerged as our Automotive Manufacturing Strength champ for an unprecedented fourth year in a row. As always, *Business Facilities'* top automotive ranking places a heavy emphasis on growth potential as well as current production statistics and industry trends.



VW, intent on selling at least 1 million U.S.-made vehicles annually, is ramping up to full production at its Chattanooga plant, while Nissan is rolling out the all-electric Leaf in Smyrna, TN.

Alabama surged into second place in our annual automotive sweepstakes on the strength of its expanding production on behalf of industry giants from three nations: Germany’s Mercedes, Japan’s Honda and South Korea’s Hyundai.

As we noted in our recent [Governor’s Report interview](#) with AL Gov. Robert Bentley, the development that literally put Alabama on the map as a major automotive jobs producer took place two decades ago, when Mercedes-Benz decided in 1993 to locate its North American manufacturing hub in Tuscaloosa. Mercedes’ decision opened the door for other industrial giants to come to Alabama; it also established the state as a front-runner in foreign direct investments and jump-started a



torrent of exports from Alabama to the world.

“Had Mercedes not come to Alabama in 1993, we probably would not have had all these great international companies. When you talk to Mercedes, they will tell you that their best manufacturing plant in the world is at Tuscaloosa,” Gov. Bentley told us. “Mercedes is a great cheerleader for Alabama.”

Mercedes-Benz’s long-term commitment to Alabama was followed by a parade of auto giants who have vaulted the state into the top five in U.S. automotive production, with 880,000 vehicles produced in 2012.

“When you see companies like Mercedes adding new lines [the company will produce its fifth new model in Tuscaloosa this year], when you see Hyundai put a third shift in, adding 800 new jobs, and when you see the level of automation at the

plants, you know that we're producing the high-quality vehicles here in Alabama," Bentley told *BF*.

Rounding out the top five in our automotive strength category are Kentucky, which in addition to being a long-time home to Toyota successfully renewed a century-old partnership with Ford in Louisville [a *BF Economic Development Deal* of the Year Gold Award winner]; Indiana (facilities include GM, Subaru, Honda and Toyota) and Ohio (Chrysler, Ford, Honda). This year, we decided to create a separate rankings category to give the states with the most robust automotive supplier networks their own place in our annual spotlight.

Michigan, home to more than 100,000 supplier jobs, is the undisputed heavyweight champ of our new Auto Parts Supplier Leaders ranking, followed by Ohio (89,423) and Indiana (79,651).



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