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September 18, 2020

Ms. Tanowa M. Troupe  
Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, Ohio 43215

**RE: Case No. 20-1517-GA-EDP**  
Columbia Gas of Ohio, Inc.  
Application for Approval of an Economic Development Project:  
American Freight Project

Dear Ms. Troupe:

Columbia Gas of Ohio, Inc. ("Columbia") submits this Application for Approval of an Economic Development Project pursuant to R.C. 4929.163 and Ohio Adm.Code 4901:1-43-03(A). The project which is the subject of this Application is a proposed project known as the American Freight (the "Project").

The Project is located in Delaware County on Innovation Court. As required by R.C. 4929.163 and Ohio Adm.Code 4901:1-43-03(A), Columbia is filing this application prior to beginning construction on the Project, and advises the Commission of the following:

**(A) The notice shall contain the following information:**

**(1) The name and location of the project.**

American Freight Furniture and Mattress ("American Freight") buys quality furniture and mattresses from manufacturers and sells direct to consumer in warehouse style stores. American Freight is planning an expansion in Delaware, Ohio. This expansion will serve as the office headquarters for American Freight.

To serve the Project, Columbia is required to install Columbia-owned distribution facilities. This includes the installation of 3,520 feet of mainline.

**(2) A background of the subject company of the economic development project.**

Founded in Ohio in 1994 with a \$7,400 investment, American Freight began as a small retailer of low-cost, quality furniture and mattresses. By purchasing direct from manufacturers, liquidators, and overstock warehouses and offering products for direct sale in a warehouse style format, American Freight's model allows them to offer their products at lower cost than their competition.

Over the years, American Freight has grown their business and brand significantly by improving their supplier network, distribution model, retail environment, strategic capital investments, and expanding to new markets across the US. Today, American Freight operates in over 170 stores in more than 30 states with annual company-wide sales estimated to be in excess of \$400,000,000.

Over the previous ten years the business has transitioned from being an Ohio-based, Ohio-owned company to a national brand no longer owned by the original founder and CEO.

Earlier this year, the company was acquired by the publicly held retail holding company called Franchise Group. American Freight will complement the other brands in Franchise Group's portfolio including, Sears Outlet, Liberty Tax, Vitamin Shoppe, and Buddy's Home Furnishings. The move will bring American Freight's store count to 300 from the current 172. Additionally, Sears Outlet and American Freight will be rebranded to American Freight Appliance, Furniture & Mattress.

As a result of the recent acquisition of American Freight, Franchise Group is evaluating the multiple office and operation hubs across their brands in an effort to consolidate operations, integrate the various functions, and realize cost efficiencies.

The existing Delaware office is at capacity and does not have the ability to be expanded to accommodate additional headcount. This has presented a challenge to the local team and Franchise Group who are otherwise satisfied with the operation and market.

As new management evaluates other existing office locations and looks to consolidate their holdings into larger footprints, the local office is at risk of not

being selected as a strategic hub. This could result in the City, Columbus Region, and Ohio losing the existing jobs and company altogether.

In order to remain a viable location and have Delaware positioned for additional headcount growth and investment, the Delaware economic development team has identified a local real estate solution that would keep the company and jobs in Delaware.

**3) The level of total investment and capital expenditure by the subject company and the economic development impact.**

The American Freight expansion reflects a total capital investment of \$6,100,000 being made by the subject company. Retained jobs, new jobs and a 60,000 square foot office/warehouse facility are a direct result of the American Freight expansion.

The required contribution for Project investment and capital expenditure for the new Columbia distribution facilities is \$ [REDACTED], which is comprised of the following funding:

\$ [REDACTED] from FedOne<sup>1</sup>  
\$83,959.00 from this Application

**This description shall contain the following information:**

**(a) Estimated state and local taxable base increase.**

Columbia currently does not have an estimate for state and local taxable base increase because this information is not available to Columbia.

**(b) Anticipated number of new jobs created and jobs retained by the project.**

American Freight estimates the facility will create 40 new jobs and retain 74 existing jobs.

**(c) Description of the community served and the benefits to that community.**

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<sup>1</sup> FedOne is the property owner and real estate developer. American Freight is leasing the facility from FedOne.

At American Freight's existing headquarters location in Delaware, Ohio, the company employs 74 existing full-time equivalent employees with a payroll of \$8,086,040, excluding benefits (average hourly wage: \$52.53; average annual salary: \$109,262.40). These high-value, high-wage positions span all core functions of the business including executive management, finance, technology, and logistics.

The solution being presented to Franchise Group leadership is to relocate from the existing, constrained and dated space to a new, to-be-constructed, multi-tenant office/warehouse facility. American Freight would serve as the anchor tenant of the new development resulting in new property tax base and additional, much needed real estate product coming available in Delaware for American Freight and future to be determined tenants. If successful in their proposal, the existing operations would be retained, and the company would stand to capture 40 new, full-time positions through the closure of an existing operation in Chicago, Illinois

The American Freight portion of the project would require at least \$6,000,000 in new investment for the company in build-out cost and new equipment. Additionally, American Freight would be required to sign a long-term lease.

In order to offset costs to both company and developer, the City of Delaware is offering to provide their most valuable local incentive tools, a 15-year, 100% property tax abatement and direct financial incentives in exchange for retaining 74 jobs and creating 40 new jobs in the City. Additionally, OneColumbus is working with JobsOhio to pursue state-level incentives to incentivize Franchise Group to create additional jobs in the market.

**(4) To the maximum extent practicable, a description of other potential locations that may compete with the proposed location, including the type, location, and time frame of potentially competing projects.**

When considering the expansion, the Project also considered another potential location in Chicago, Illinois.

**(5) The level of infrastructure investment anticipated by the natural gas company. This description shall contain the following information:**

**(a) A description of how the infrastructure development costs are projected to generate a return less than the most recently authorized rate of return.**

The total cost of the project is \$ [REDACTED]. With Columbia's authorized rate of return, Columbia required a contribution of \$ [REDACTED]. With the total dollars invested by Columbia and FedOne, there is an \$83,959.00 gap in funding. Without this additional funding, the Project may not be financially viable.

As noted in Columbia's Motion for a Protective Order filed in this docket, the total project cost, the required contribution, and the calculations to determine that contribution are highly confidential and proprietary. Due to its confidential nature, Columbia is willing to meet with Staff of the Public Utilities Commission of Ohio to discuss this information.

**(b) A description of how the utility will not exceed the \$1.50 per month rate limitation.**

In 2020, Columbia has not applied for any projects receiving Infrastructure Development Rider-eligible funding. This filing is Columbia's first application in calendar year 2020 for approval pursuant to R.C. 4929.163 and Ohio Adm.Code 4901:1-43-03(A). The application proposes approval of dollars well below the annual recovery limitation of \$1.50 per month, per customer provide in R.C. 4929.162(A) with Columbia's approximately 1.4 million customers.

Finally, pursuant to R.C. 4929.163(C)(4), attached hereto as Appendix A is the support for the project by an economic development entity or chamber of commerce.

Should the Commission desire further information or discussion of this application, please do not hesitate to reach out to me at the information listed above.

Respectfully submitted,

**COLUMBIA GAS OF OHIO, INC.**

/s/ Joseph M. Clark

Joseph M. Clark, Asst. General Counsel  
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Attorney for

**COLUMBIA GAS OF OHIO, INC.**



August 18, 2020

Tommy Young  
Economic Development Manager  
Columbia Gas of Ohio, Inc.  
290 W Nationwide Blvd  
Columbus, OH 43215

Dear Mr. Young:

Please accept this letter of support for the American Freight relocation and expansion project. One of the City of Delaware's challenges as we have continued to rapidly grow is to reduce our outbound labor matriculation. With 79% of our workforce commuting outside of the city for work every day, we know we have to shift our efforts in economic development. We also know that a large majority of these workers are white-collar.

The American Freight relocation and expansion project is important to the City of Delaware because it will not only allow us to retain a great City employer, but also allow us to work with that employer to grow white-collar jobs within the city. The project would retain 74 FTEs with a combined \$8,086,040.17 in existing payroll. It also would add 40 NEW FTEs with an additional \$4.3 million in new payroll. This growth allows for a 53% increase in our income tax collections from this company.

Once all abatements on American Freight's new building expire in 15 years, the school also would see an increase in property taxes of almost \$1 million. These local economic impacts do not include the residual economic impacts of having a headquarter level project growing in a community. Dozens of additional residual jobs will be created to support American Freight as they grow in the community.

American Freight also one of the nation's largest and fastest growing retailers. This project does not directly include sales tax, but supporting their growth as a company provides to potential to allow them to continue to grow their retail store presence and create additional sales taxes for the state of Ohio and Delaware County. Therefore, the American Freight projects is a win-win-win for the state, county and city economies.

Please consider supporting this project with a grant to financially assist with the installation of a gas line to this project's building. Contact me with questions at [shughes@delawareohio.net](mailto:shughes@delawareohio.net) or 740-438-7519.

A handwritten signature in black ink, appearing to read "Sean K. Hughes".

Sean Hughes  
Economic Development Director  
City of Delaware  
740-203-1016  
[shughes@delawareohio.net](mailto:shughes@delawareohio.net)

**This foregoing document was electronically filed with the Public Utilities**

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**Case No(s). 20-1517-GA-EDP**

Summary: Application of Columbia Gas of Ohio, Inc. for the American Freight Project electronically filed by Ms. Melissa L. Thompson on behalf of Columbia Gas of Ohio, Inc.