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AN ECONOMIC DEVELOPMENT REVIEW OF THE FAYETTEVILLE-LINCOLN COUNTY, TENNESSEE JOINT INDUSTRIAL BOARD

Prepared by:

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THE UNIVERSITY of TENNESSEE 

March 10, 2010

Mr. David Bagley
Chairman, Fayetteville-Lincoln County Industrial Development Board
125 Main Avenue North
Fayetteville, TN 37334

Dear Mr. Bagley:

Enclosed is the review of the Fayetteville-Lincoln County Industrial Development Board. We found that the Industrial Board has done a great deal of planning; and the city and county have the infrastructure and other resources and incentives in place to facilitate job creation. It is our opinion, after meeting with the Industrial Board, the two mayors, and reviewing a great deal of materials provided by Elaine Middleton, that what is needed is an improved marketing program that promotes the uniqueness of Fayetteville-Lincoln County and a concerted effort to build stronger relationships with Huntsville, Madison County, Alabama, and the University of Alabama Huntsville. It should not be acceptable for planning that is done by or on behalf of Fayetteville and Lincoln County to stop at the Alabama State line, because both the city and county are certainly a part of the Huntsville, Alabama economic region.

It is our recommendation that the City of Fayetteville and Lincoln County continue the Joint Economic Development program. It is simply too expensive for a small city and county to go it alone and maintain a viable program over the long term. These entities have already achieved what many cities and counties can only dream about—having the financial resources to provide for business and industrial recruitment and development. It is also vitally important for the Board to treat both city and county representatives equally in dealing with them and keep them informed about Board activities.

We encourage the Board to employ a professional director with the skills to take all of the planning and strategies that have been developed and translate those into expanded job opportunities for the people of Fayetteville and Lincoln County.

We would like to extend a special thanks to you, members of the Industrial Board, and Elaine Middleton for her very professional assistance.

Sincerely,

Don Darden, Municipal Management Consultant, MTAS
Frank McKee, Economic Development Consultant, CTAS

I. INTRODUCTION.

This review is undertaken at the request of the City of Fayetteville, Lincoln County, and the Fayetteville-Lincoln County Joint Industrial Board. It is not a population and economy study, but rather is intended to review organization, operations, and strategies that may assist in promoting economic development.

We wish to extend a special thanks to Mayor Gwen Shelton of Fayetteville and Peggy Bevels, Mayor of Lincoln County, for their cooperation and assistance during the review process.

We also wish to thank Elaine Middleton for her capable assistance in arranging meetings and providing documents that we read during the course of this review as well as members of the Joint Industrial Board for their cooperation and assistance in conducting the review. Frank McKee and I were both impressed by the knowledge of the members whose responsibility it is to promote and develop the economy of the local area.

Organization and Funding.

The City of Fayetteville and Lincoln County, subsequent to passage of Public Chapter 1101, commonly called Tennessee's growth policies legislation, formed a Joint City-County Industrial Board that has also been designated as a Joint Economic Development Board. In order to obtain this designation, both entities were required to add the Mayor of Fayetteville and the Mayor of Lincoln County as ex-officio members of the Joint Board. The term "ex-officio" means that they are members by virtue of the offices they hold. An ex-officio member has the right to speak and vote on any issue, unless prohibited by law. Elected officials may not serve as members of an industrial board; however, PC-1101 requires membership of the chief elected officials. Apparently, the Local Government Planning Advisory Committee (LGPAC) has approved membership of the Mayor of the City of Fayetteville and the Mayor of Lincoln County as non-voting members of the Joint Economic Development Board. This of course means that there is an executive committee consisting of the two Mayors and the Chairman of the Fayetteville-Lincoln County Industrial Board—a committee with only one voting member. The executive committee does not meet. Tennessee Code Annotated, Section 6-58-114 (f) requires quarterly meetings of the executive committee. We recommend that this issue be resolved and that LGPAC be made aware of the fact that the two Mayors serve as non-voting members. One way to resolve it is for the Board to meet as the Industrial Board, where the Mayors are not members and also meet as the Joint Economic Development Board, where the two Mayors are members and have full voting rights. We recognize that this is probably not what the city and county intended when the Board was first organized.

The Joint Industrial Board, as provided in the agreement between the City of Fayetteville and Lincoln County, is also a Joint Economic Development Board under the provisions of Public Chapter 1101, of the Public Acts of Tennessee. The Board has three members appointed by the Board of Mayor and Aldermen of the City of Fayetteville and four members appointed by the Board of Commissioners of Lincoln County. Fayetteville and Lincoln County each contribute \$90,000 toward the operation of the Joint Industrial Board's activities. In addition to the \$180,000 city and county contribution, the Joint Board has other income from interest, rental revenue, and lease purchases. The total budget amounts to \$421,720; however, it appears that only \$205,000 (48.7%) of this total amount is available for operating activities. The Joint Industrial Board members feel that funding is sufficient for undertaking economic development activities.

II. OPERATIONS.

- a. Staff. It should be noted that the Joint Industrial Board's position of executive director is vacant. The appointment of a professional economic developer is critical to the long term success of the economic development program. The executive director is critical in developing and establishing relationships with State officials, MTIDA and other economic development associations, TVA, other cities and counties in the region, and last, but perhaps more importantly, with local businesses and industry. In too many communities, there is the attitude that a professionally trained economic developer is not required, and sometimes a trained professional is not employed. We encourage the Board to employ a professional director.
- b. Planning. The Joint Board has a strategic plan, and it has worked through the State's Three Star Program, and the county is a "Three Star" community. Consultants employed by the State of Tennessee have prepared an "Orange Carpet Program Economic Development Profile" for the counties of Coffee, Franklin, and Lincoln that is quite good in many respects but does appear to omit one very significant economic development factor that is vitally important to Fayetteville and Lincoln County and that is that the local area should be a vital part of the Huntsville economic region. We checked the Tennessee Department of Economic and Community Development and TVA's web sites and found both the city and county profiles available. Profiles are also available on the Middle Tennessee Industrial Development Association (MTIDA) web site. Available property and buildings in the local area are available on the State, TVA, MTIDA, and local web sites. The Joint Industrial Board has done a great deal of planning, and is far ahead of industrial boards in many communities in preparedness for growth.

We do note, however, that many communities do all of the planning required to position themselves for growth, but that does not guarantee that growth will take place. Lincoln County, along with Lawrence, Giles, and Franklin Counties represent a tier of

counties along the Alabama state line, where growth is not occurring at a fast pace. The University of Tennessee's Center for Business and Economic Research, in its 2009 Economic Report to the Governor, reveals that these four counties have a lot in common. Their growth rate is less than 1% per decade. When you compare the demographics of the four counties, it can be seen that they have about the same growth rate, which is very slight, much of their infrastructure is comparable, and their workforces are comparable. When looking at the data for economic development purposes, there does not appear to be a great deal of difference in these counties. There are, however, differences which will be noted elsewhere in this report.

- c. Industrial/Business Activity. During the past four years there have been no new industrial plant openings in Fayetteville-Lincoln County, and there has been only one plant closing, in November of 2009. This should not be surprising. Almost all of the new jobs in the United States are in the service sector of our economy, (94%). Manufacturers produce more manufactured goods today than ever in our country's history. People do notice, however, that there is a decline in manufacturing jobs. Fewer and fewer people are required to manufacture products due to automation. One of every 10 jobs lost is due to plant closures or relocation to Mexico, Indonesia, China, or elsewhere. Ninety percent of the jobs lost are due to improvements in technology. Every economic development agency should do everything possible to promote and recruit industry, but they also need to understand that with only 6% of new jobs in manufacturing, development efforts must focus more and more on services. In the past, manufacturing has been the mainstay of employment for rural areas. That is likely to change, and it will be a tremendous challenge to develop service jobs that have long been developed in population centers like Huntsville, Nashville, and elsewhere. It is difficult to develop service industries in areas that do not have a significant population to be served.

Commercial business activity in Lincoln County has grown rather slow, and especially during the current recession. There have been a few more business openings than closings.

- d. Job Retention. Most of the new jobs created are from existing businesses. Some experts estimate that up to 80% of new jobs are created as the result of the expansion of existing businesses. The advantages of retaining existing companies should be obvious. The company is already there and is established. It knows the community and it knows the workforce. An expansion to better serve markets is considerably less of a risk, and is generally much less expensive than beginning with new construction. It is important that the Industrial Board makes sure that there is a viable job retention program in place to develop and maintain relationships with industry and business managers. This should be done on some basis other than "hit or miss." A written plan is

great, but there is nothing quite as effective as personal visits at prescribed times, with city and county officials having lunch with visiting industry officials. Such sessions are great for finding out about plans for expansion or problems that might cause the plant to close or relocate. We also recommend that business and industry incentives apply equally to existing businesses. The Joint Industrial Board has quarterly meetings with plant managers, and that is good; however, it should be noted that plant officials are not likely to discuss their plans for closure or expansion in a group meeting. For this reason, it is recommended that the retention program be focused on individual meetings with plant officials. We note that the Goodman Company had a significant expansion in 2008.

- e. Marketing. The best marketing plan is to have what an industry or business needs and make sure that they know who you are and where you may be contacted. An industry is not going to locate in Lincoln County because the community needs jobs. It is not going to locate in Lincoln County because the people are friendly. A location decision is made on the basis of a community having the resources, infrastructure, workforce, and location that allows the company to better serve its customers and make a profit. From the marketing that we have seen, it appears that Fayetteville-Lincoln County looks a lot like other cities and counties. It is recognized that the State and regional associations must be included in the marketing effort, since they come in contact with prospective industries and businesses that the local developer may never see without them. There are differences, however, that we do not think are being fully promoted. Even the Orange Carpet Program failed to promote the uniqueness of Fayetteville-Lincoln County. The Fayetteville Public Utility has a first class high speed Internet and cable TV service. In the information age, what could be more important? This capability should be the central focus of the city and county marketing effort. The Orange Carpet report indicated that the area has limited high speed Internet capability. We live in the information age where being connected is more important for many businesses than location. Fayetteville-Lincoln County is right next door to Huntsville, Alabama, a very high tech research and information based economy. The county has approximately 4,000 people traveling to North Alabama to work every day. It is, therefore, difficult to argue that Fayetteville is not an integral part of the Huntsville economic region. Planning and economic development must not cease at the Alabama-Tennessee State line. A review of the City of Huntsville's web site reveals that Lincoln County is included in its transportation planning; however, other planning activities of the City of Huntsville stop at the Tennessee State line. Tennessee's planning also stops at the Alabama State line.
- f. Infrastructure. A detailed review of available infrastructure is not within the purview of this report. We note, however, that Fayetteville-Lincoln County has excellent transportation access connecting the local area via four lane highway to two major

interstates—I-65 to the west, I-24 to the east, and U.S. Highway 231, a four lane highway to nearby Huntsville, Alabama. The city and county are served by a first class general aviation airport, a regional airport in Huntsville and by Nashville International Airport in Nashville; adequate health care; housing; shopping; and recreational and cultural opportunities. The Industrial Board has controlled industrial sites for prospective industry and has incentives that are competitive with other area cities and counties. The city and county have very good school systems.

III. RECOMMENDATIONS.

1. **Employ a professional executive director** with the skills to make things happen in Fayetteville and Lincoln County.
2. The city and county should resolve the issue with respect to the **Mayors of Fayetteville and Lincoln County not having voting rights on the Joint Economic Development Board.**
3. The Joint Industrial Board's recruiting efforts should include manufacturing recruitment; however, **more and more of its activities should focus on the service sector of the economy** where more than ninety percent of new jobs are created.
4. **Job retention should include one on one visits** with manufacturing leaders, who are not likely to discuss future plans in group meetings with other manufacturing companies.
5. Incentives that are offered prospective business and industry **should apply equally to existing businesses.**
6. **Develop a "brand" for marketing that captures the essence of the city and county or that projects what the city and county would like to become.** The use of a generic brand that could easily apply to any city or county should be avoided. A generic brand would be such slogans as "where the rubber meets the road", "dimple of the universe", or "where the past meets the future." If, for example, the city and county had a brand that said "**We are connected**", that would at least tell the world that high speed Internet service is available and vital to the area's marketing effort. We do not expect the city and county to adopt this brand, but it is the kind of thing that is very much needed in promoting the local area.
7. **High speed Internet provided by the Fayetteville Public Utilities should be a focal point of any marketing strategy.** While this service might not be available outside the City of Fayetteville, it is, nevertheless, available to potential businesses and industries that might consider locating in Fayetteville. There is proposed legislation in the Tennessee General Assembly to allow Internet services provided by utility companies to extend out into the county. High speed Internet is critical today for businesses and industry to compete in the world economy. This information is on the city and county web sites, but it should be more prominent.

8. The Joint Industrial Board should, in addition to the marketing that is done by the Tennessee Department of Economic and Community Development, Tennessee Valley Authority, and regional associations, **assume a greater role in identifying and marketing the assets of Fayetteville and Lincoln County.** Those assets that differentiate the local area from other nearby cities and counties should be promoted vigorously.
9. Fayetteville and Lincoln County are an integral part of the Huntsville, Alabama economic region. A concerted effort should be undertaken to **build stronger relationships with leaders in Huntsville and Madison County, Alabama with the goal that planning not stop at the state line.**
10. Fayetteville and Lincoln County should **incorporate the University of Alabama Huntsville (UAH) into all of its marketing activities.** This is a university that is some 30 miles from Fayetteville. Approximately one half of its students are engineering majors, and information technology and business make up a significant part of the university's curriculum. UAH has a partnership with NASA, and the Oak Ridge National Laboratory has offices on the UAH campus.
11. The City of Fayetteville and Lincoln County should **continue the joint economic development program.** It is not likely that either the city or county would independently have the resources to sustain such a program over an extended period of time. The United States is in the deepest recession since the Great Depression. It should be understandable that the number of startups and expansions for business and industry has declined considerably and most likely will not show an increase until the economy rebounds. Cities and counties should use this time to do necessary planning and marketing to ensure that when the economy recovers they will be able to provide attractive opportunities for job growth.

APPENDIX

(Sources Consulted)

Fayetteville-Lincoln County Industrial Development Board, Approved Budget 2009-2010

Minutes, Fayetteville-Lincoln County Industrial Development Board, Jan. 24, 2008; Feb. 21, 2008; Mar. 24, 2008; Jun. 23, 2008; Jul. 31, 2008; Sep. 29, 2008; Nov. 10, 2008; Dec. 11, 2008; Jan. 8, 2009; Feb. 5, 2009; Mar. 5, 2009; Apr. 2, 2009; May 7, 2009; Jun. 4, 2009; Jun. 8, 2009; Jun. 29, 2009; Jul. 20, 2009; Aug 19, 2009; Sep. 28, 2009; Oct. 19, 2009; Nov. 16, 2009; Dec. 2, 2009

Lincoln County, Tennessee, Economic Development Strategic Plan, 2009

Lincoln County, Tennessee, 2009 Three-Star Program

Orange Carpet Program, Economic Development Profile, September, 2008

By-Laws of Industrial Development Board of the City of Fayetteville and Lincoln County, Tennessee

Lincoln County Board of Education, Component 5, Comprehensive System Wide Action Plan Development

Web Sites: City of Fayetteville; Lincoln County; Fayetteville-Lincoln County Industrial Board; City of Huntsville; Middle Tennessee Industrial Development Association (MTIDA); Tennessee Department of Economic and Community Development; Tennessee Valley Authority; Fayetteville Public Utility Board; Fayetteville-Lincoln County Chamber of Commerce; Madison County, Alabama; Lincoln County Education Department; Fayetteville-Lincoln County Regional Airport.

Resolution Designating the Fayetteville-Lincoln County Industrial Development Board as the Joint Economic Development Board

Plan of Organization of Joint Industrial Development Corporation

Amended Plan of Organization of Joint Industrial Development Corporation

Employee Relations Policy

Copy of Existing PILOT Agreement

Plant Openings and Closings over the past four years

List of Commercial Openings and Closings for the past two years