

Comprehensive Economic Development Strategy (CEDS) Update

Submitted to:

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Economic Development Administration
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Comprehensive Economic Development Strategy (CEDS) - Update South Central Tennessee Development District- September 2016

Economic Conditions of the Region:

A summary background of the economic development conditions of the region is the first step towards the development of a regional strategy. The demographics of the thirteen county region of South Central Tennessee continue to be very similar to most of rural Tennessee. The population growth rate from 2000 to 2010 is between the rate of the United States and the state for the same period. Between 2010 and 2013, the SCTDD population grew from 423,343 persons to 426,749 persons. This represents a 0.8% population increase over the three year period and is less than the overall statewide growth of 2.4% during the same period. Led by Maury County's 3.2% population increase, SCTDD counties near the urban core experienced percentage gains while rural counties grew at a much smaller rate or experienced a population decline. The age breakdown is very similar to most of rural Tennessee. The percentage of High School Graduates and those with Bachelor's degrees and higher are slightly lower than the state's total. Per capita income figures for all of the SCTDD counties are lower than both the state and national figures. For 2014 our region's 5 year average ACS Per Capita Income is \$20,915 while the national average is \$28,555. Also for 2014 our region's average BEA Per Capita Personal Income is \$33,660 while the national average is \$46,049. This exemplifies the recovery that the region has experienced since the recession of 2007-2008. It is clear that incomes have not fully recovered from the recession and the impact of the economic decline hurt regardless of the rural/urban character of the local area.

With few exceptions, unemployment rates for our region have consistently trended downward since the peak of the recession in 2009. During the past twenty-four month period (July 2014 to July 2016), the region's unemployment rate is 0.16% above the national average. For this same time period 5 of our counties were below the national unemployment rate, 4 counties were barely over the national rate, and 4 counties were 1 point or higher. Lewis County has the highest unemployment rate in our region at 7.19%. We continue to see new employees being hired by companies specifically from the automotive industry and on a smaller scale the food industry, as well as other manufacturing sectors. Even with these

new jobs there continues to be a need for more employment opportunities in the region.

Replacing jobs lost in the manufacturing sector continues to be a challenge for all rural Tennessee communities. Although the national trend is the replacement of manufacturing jobs with jobs in the service sector, most of those are in and near the metropolitan areas and usually pay lower wages. It is increasingly important for rural communities to look at non-traditional ways of creating employment opportunities. We are encouraging communities to look at entrepreneurship, tourism development, local artisan development, call centers and data centers, green energy, retirement attractions, and other non-traditional economic development strategies.

SWOT Analysis of the South Central Tennessee Development District:

SWOT analysis is an in-depth examination of the region's strengths, weaknesses, opportunities, and threats. This analysis can play a critical role in the development of a regional strategy and the successful implementation of that strategy. The development strategy should be built on the region's strengths while recognizing that weaknesses exist and threats to successful implementation must be identified. The SWOT results show us where our region is today and highlight opportunities for future progress.

SCTDD Strengths:

Most of the SCTDD communities share common strengths. Most have a workforce with a good work ethic. Most have good locations and easy transportation access, and most have good economic development organizations with a full time economic development professional. Several communities (Ardmore, Bell Buckle, Elkton, Chapel Hill, Columbia, Cornersville, Lewisburg, Lynnville, Manchester, Pulaski, Spring Hill, Tullahoma, and Wartrace) are less than fifteen miles from an interstate highway. The larger communities have sites that can easily be developed with adequate utilities. The rural lifestyle and friendly people are trademarks of nearly all rural Tennessee communities. Most residents of SCTDD are within an easy drive to a technology school and a community college.

SCTDD Weaknesses:

Weakness that have been identified for SCTDD communities include lack of trained workforce, past reliance on one of two major companies, lack of utility service throughout the county, overall appearance of the community, and a lack of cooperation and a unified economic development effort on the part of local governments. Many SCTDD communities do not have countywide zoning and land use. Some of the less populated counties are too far from an interstate highway to be attractive for manufacturing facilities. Some of the smaller counties suffer from a lack of ability to finance economic development projects. Sometimes this is because of a shortage of entrepreneurs, sometimes because of lack of support, and sometimes because of inability to secure financing. Some of the less populated counties are too far from an interstate highway and too sparsely populated to be attractive for manufacturing, warehousing, and/or distribution facilities. The educational attainment level of the general population is often a limitation. Projects that require employees with technical skills and/or experience are difficult to justify. If a certain number of employees with specific skills are a requirement for consideration for a potential project, many communities in the SCTDD region get eliminated early in the process. Many of the small communities and the more sparsely populated counties in SCTDD suffer from a lack of consensus in the community on what should be done to improve the local situation and from a lack of leadership. Leadership development must be an ongoing process in rural communities.

SCTDD Opportunities:

The counties and communities within the SCTDD region have a number of opportunities for further growth and development for their respective communities. The opportunities afforded by the Base Realignment and Closure Act (BRAC) for the areas around Huntsville could continue to add to the mission of Redstone Arsenal. A number of our southern counties have citizens that travel to this area on a daily basis for work. The impact of this base is spread out over several neighboring counties. The challenge for Southern SCTDD counties and communities continues to be maximizing the benefits for their respective communities. Another opportunity for the SCTDD region would be some spin-off business

venture related to the aerospace industry tied to Arnold Engineering Development Center or the University of Tennessee Space Institute (UTSI). Numerous short courses are offered at UTSI and the Arnold Engineering Development Center does much of the testing in the United States for solid fuel rockets and commercial jet engines in its massive wind tunnel. There must be some commercial ideas that could be developed in Tennessee. The residential and commercial growth in Spring Hill, northern Bedford County, northeastern Hickman County, southern Lincoln, southern Lawrence counties are well under way and seem to be moving with a good head of steam. There is an explosion of retail, commercial, and service businesses in the Spring Hill area. The location in the middle of the triangle of Nashville, Huntsville, and Chattanooga is certainly a positive for the SCTDD area. There are opportunities to produce goods (in a lower cost environment) that can be delivered and sold to residents in these metro areas. There are numerous opportunities for tourism throughout the region. There are several tourist attractions such as the Jack Daniels, George Dickel, and Prichard's Distilleries, the Walking Horse Celebration in Shelbyville, the Tennessee River and marina at Clifton, canoe friendly rivers and streams, and agritourism sites. Festivals, County Fairs, and the antebellum homes in Maury County draw tourists to the area. The statewide Tennessee Center for Profitable Agriculture is located between Columbia and Spring Hill and the South Central Tennessee Tourism Association is located in Lewisburg. Working with these organizations, there are surely some opportunities to development some attractive sites as food processing facilities, or working farms that could host tours and field trips.

The potential developments along the south side of the 840 southern loop around Nashville are in the foreseeable future for Maury and Hickman Counties. Developments on connector roads along the south of the loop appear to hold the best promise. The Southern Middle Tennessee Entrepreneur Centers (SMTEC) is one of nine Regional Entrepreneurial Accelerators that have been established throughout Tennessee to assist entrepreneurs. SMTEC provides mentoring, education and training, strategic and technical support, and assistance identifying sources of capital. Working with this organization, there are certainly opportunities for individuals to start with an idea and turn it into a business. This organization is the primary location for entrepreneurs in our thirteen county region to connect with resources to start and grow their companies.

SCTDD Threats/Limitations:

In developing an economic plan for the area, one must be aware of the threats to future successful development and recognize these limitations which must be either overcome or minimized.

Heavy dependence in the past by communities on one or two major employers and heavy concentration in manufacturing have limited the willingness of residents to embark on the path of “lifelong learning”. Lack of interstate highway access for some parts of the region is a handicap for both industrial development and retail/commercial development.

The national trend of decreasing numbers of employees in the manufacturing sector is predicted to continue. As businesses struggle to be competitive and profitable in the global economy, labor costs must be replaced by more automated processes. Even manufacturing companies that are still in the area may be forced to cut employment while increasing productive and output.

The combination of low density population, lack of certain skills in the workforce and limited availability of high speed internet all contribute to the difficulty in attracting and keeping businesses in the rural areas. Retail and service businesses will only locate in an area that meets certain thresholds of population or incomes. Companies that rely on equipment and machinery that use the latest technology need trained technicians. If those are not available in the area, they have to pay a competitive salary to get employees to relocate to the more rural areas. Lack of or limited availability of high speed internet and related services can be a hindrance in attracting businesses to the area and also an obstacle in persuading recent college graduates to return to the area to live and work.

Clusters Within the SCTDD Region

Employment clusters can be defined as groups of interrelated businesses that drive wealth creation in a region. Understanding the employment clusters within a region is critical to making informed decisions about public investments in work force development programs, transportation systems and the infrastructure needs of the regional economy.

The clusters drive wealth creation in the region by exporting goods and services and attracting new wealth from outside of the region. All employment categories, as well as cluster and non-cluster, are responsible for the region's output of goods and services which helps to drive the local economy. However, clusters must be a primary focus of SCTDD's comprehensive economic development strategy because of their potential impact on the region's standard of living.

Intense competition and close cooperation spur innovation across cluster industries, often spawning the development of entirely new companies and industries. Clusters are dynamic and over time may evolve or change their focus. As they develop, cluster firms create demand for new types of products or services, some of which can be supplied by existing firms while others result in the creation of new local firms. The cluster dynamic gives companies and their regions a competitive leg-up against others.

Our region's economic infrastructure must provide top quality support to our economic clusters. Important components of the public infrastructure that must be maintained are a skilled labor force, advanced technological resources, strong work force development facilities, and an adequate physical infrastructure that includes reliable water supply, reliable wastewater treatment capabilities and a communications infrastructure capable of handling the needs of today's firms.

Throughout the SCTDD there are several sectors within manufacturing that include more than 1,000 employees. The purpose of this section is to look a little more closely to those which have 1,000 or more employees and based upon regional and national factors determine which are growing, which are declining, and which are stagnant.

Transportation Equipment (SIC 37)

The largest manufacturing cluster by far in the SCTDD thirteen-county region is transportation equipment (SIC 3700) with more than 10,800 direct employees. This includes the General Motors assembly plant located in Spring Hill and the Nissan motor plant in Decherd which have both increased production and employment. We do not have a very accurate way to quantify the employment of other facilities which are either

wholly or partially dependent upon contracts with an automotive assembly plant for their existence, but would expect it to be at least twice as many in support businesses, for a total of almost 33,000.

Based on what economists are saying about the U.S. automotive industry, it does not appear that this sector is increasing nationally. However, what we have seen in recent years is that automotive suppliers have been relocating to the southeast in order to be more competitive and to be closer to the assembly plants which they supply.

Rubber and Plastic Products (SIC 30)

The second largest manufacturing sector in terms of employment is the rubber and plastic products sector with more than 5,000 direct jobs. This includes several plastic injection molding facilities, many of which are closely tied to the automotive market. We have no way of identifying the jobs involved in support of the plastic sector- the tool and die shops, machine shops and others. We would estimate the indirect employment to be about one to one, or another 5,000. The national statistics show this industry to be growing and we expect the same for our region.

Primary Metal Industries (SIC 33) and Fabricated Metal Products (SIC 34)

The primary metal industries (SIC 33) employs about 1,500 employees while the fabricated metal producers employ more than 2,600 employees and many of these companies are suppliers of parts for the automotive industry. Although the national trends for primary metal production facilities is expected to decline, we expect the automotive customers to keep those businesses at their existing levels of employment for the near term. The fabricated metal products group seems to be growing slightly in our region.

Industrial Machinery and Equipment (SIC 35)

The industrial machinery and equipment sector employs approximately 2,500 in the SCTDD region including 1,200 in the manufacturing of air conditioning and heating units at one facility

(Goodman in Fayetteville). This sector nationally appears to be declining. The best strategy for this sector seems to be to work hard to maintain the current employment levels.

Instrument and Related Products (SIC 38)

A much smaller sector of manufacturing in the SCTDD region is the producers of wiring and electrical components (employment of about 2,000). This sector appears to be fairly stable both regionally and nationally. We do not anticipate any major change in employment levels in our region.

Lumber and Wood Products (SIC 24) and Furniture and Fixtures (SIC 25)

Lumber and wood products (SIC 24) facilities in the region employ close to 1,600. These facilities are located mostly in the western counties of the SCTDD because of the abundance of hardwoods. Closely related are the furniture and fixtures manufacturing (SIC 25) with another 1,000 employees. We expect the loggers supporting these businesses and the wood pulp plants would be more than 500. Although nationally these businesses do not have a very good outlook, we expect them to be fairly stable for the next few years. The challenge for SCTDD counties is to work with existing businesses to grow and to recruit more businesses that can add value to the wood products before sending them to other parts of the world.

Paper and Allied Products (SIC 26)

Paper and allied products (SIC 26) such as corrugated and fiberboard employ close to 1,500 within the SCTDD area. Support businesses would include another 500 employees. These businesses, for the most part, are mature in their life cycle and have been stable for several years. We would not expect to see any major changes in these categories in the near future.

Apparel and Textile Products (SIC 23)

Apparel and textile businesses within the SCTDD region employ 1,000. These numbers are down dramatically from twenty to twenty-five years ago. In the mid 1980's some counties has as much as fifty percent of their manufacturing employment in the textile and shoe industries. The decrease in the past five years has not been very great, although, it would probably account for several hundred workers. The existing companies now are fairly stable and most have regular customers that are either government agencies or are committed to purchasing US made products. We do not expect a decline in this sector.

Goals for the Coming Year

Goals and Objectives

Goal 1: SCTDD will encourage and support activities that will provide for adequate development of infrastructure to support proposed projects and future growth and development.

Objectives: Provide assistance and support for the improvements to water and sewer systems extensions of service lines necessary for specific projects and future growth.
Provide assistance for communities with regular round Community Development Block Grant Applications for water and sewer projects.

Provide support and assistance for transportation projects that can provide better access for communities, particularly regional transportation projects that can positively impact several counties and/or communities.

Provide assistance and support to any community that would like to provide high speed internet to residents of the region.

Goal 2: SCTDD will promote and encourage the development of factors that contributes to a high quality of life for residents of the thirty-five incorporated communities and thirteen counties within the region.

Objectives: Provide support and technical assistance for community development and recreation projects within the region.

Provide encouragement and assistance for greenway and park projects that are undertaken by local communities.

Goal 2: - Objectives (continued):

Work with the Tennessee Commission on Aging and local organizations to Promote and support issues and projects that will enhance the quality of life for Senior Citizens of the area.

Goal 3: SCTDD will encourage and support activities that will provide for training and development opportunities for the workforce of the region.

Objectives: Support and encourage utilization of the training assistance available through the Tennessee Department of Economic and Community Development, Tennessee College of Applied Technology, the Tennessee Department of Labor and Workforce Development, and the Workforce Investment ACT Boards.

Promote and encourage further development and expansion of programs for technical training.

Provide assistance and support for job-creation initiatives of the two Workforce Investment Act Boards that serve the area.

Support development of more programs to train existing workers for new opportunities both with the current employer and potential future employers.

Goal 4: SCTDD will work with communities and provide assistance to promote the area as a good place to do business.

Objectives: Work with Middle Tennessee Industrial Development Association and local community representatives to promote and market the multi-county region as a good place to do business.

Goal 4: - Objectives (continued):

Provide support to local industrial boards, chamber of commerce, and local governments in their efforts to promote their respective communities.

Provide up-to-date census and demographic data for local officials and economic development professionals in the region.

Provide specific statistics and research when requested by local officials or economic development professionals.

Goal 5: SCTDD will promote and support the development of opportunities for tourism, retail, and non-traditional economic development within the district.

Objectives: Support initiatives to encourage tourism and the growth and development of projects designed to increase tourism opportunities.

Support the development of retail businesses through seminars, workshops and supplying of data and demographic information for local retail recruitment efforts.

Promote and support entrepreneurial development initiatives, particularly those that have high growth potential.

Promote and support the development of agri-business and agri-tourism opportunities within the region.

Work with the Center for Profitable Agriculture and Rural Development-USDA to promote the opportunities for value-added agricultural products including food processing.

Goal 6: SCTDD will encourage and support activities that will help maintain a comfortable, safe, sanitary, and pleasant environment for residents to live and raise their families.

Objectives: Encourage and support efforts of local governments to develop strategic plans, land use plans, and land development strategies.

Provide assistance and support for efforts to resolve solid waste disposal and other environmental issues for local governments.

Provide assistance for local governments through the CDBG regular round to provide sanitary sewer service to areas where septic systems are failing and to develop a better grid system for potable water.

Promote community resiliency and preparedness for disasters and severe economic shocks, including the preparation of communities and the continuing recovery efforts of disaster affected communities.

Goal 7: SCTDD will support and encourage the development of a business climate that is conducive and supportive of the growth and development of business within all of the thirteen counties.

Objectives: Encourage utilization and provide assistance to various financing programs that can assist and help to insure the success of new and expanding businesses.

Work with area bankers and accountants and acquaint them with the benefits of the economic development financing programs that are available.

Goal 7: - Objectives (continued):

Provide assistance to local officials and economic development professionals in structuring financing for potential projects and expansions that can provide the most conducive financing package for the business utilizing various state, regional, and federal economic development programs.

Provide assistance to potential businesses owners in developing a business plan that is realistic.

Provide counseling and technical assistance for existing businesses that might be struggling to survive.

Provide support and assistance for local communities to apply for federal and state financial assistance to establish incubators for small businesses.

Encourage and support Southern Middle Tennessee Entrepreneur Center (SMTEC) which is one of nine Regional Entrepreneurial Accelerators that have been established throughout Tennessee to assist entrepreneurs

Goal 8: SCTDD will support and encourage programs that provides better housing opportunities for residents of the district.

Objectives: Provide support and assistance for local communities to apply for federal and state financial assistance to provide home ownership opportunities.

Provide assistance and support for programs that can improve the quality of existing housing in the communities.

Provide assistance for developers and builders who are willing to build affordable housing units for residents.

Goal 9: SCTDD will assist local governments in preparing and adapting to the changes resulting from worldwide competition and helping them to find their niche in the global economy.

Objectives: Work with local communities to help retain as many of the existing employment opportunities as possible, particularly those in the manufacturing sector.

Provide community leaders with as much information and statistics as practical to help plan and prepare for the changes in employment opportunities as a result of global competition.

Work with state, local, and regional organizations and congressmen to try to get them to recognize what the impacts that some of the federal policies and legislation have on local communities.

Work with local communities to help them figure out where they can and should fit in the global economy.

Goal 10: SCTDD will promote economic resilience and enhance the region's capability to recover from natural or man-made disasters.

Objectives: Identify opportunities for interconnection of public utilities in order to provide redundant sources of public services.

Diversify the region's economy while strengthening specialized sectors.

Continue to support pre-disaster planning and preparedness efforts at the local level.

SCTDD Action Plan:

It to order to implement the goals and objectives indentified in the Comprehensive Economic Development Strategy, SCTDD will implement the following work plan over the upcoming fiscal year:

Work closely with counties, cities, chambers of commerce, industrial development boards, tourism organizations and other economic development entities to implement the goals and objectives established within the current CEDS document and cooperate with local lead agencies to implement the priority projects identified in the CEDS.

Provide grant application and grant administration assistance to communities wishing to apply for funding through the Economic Development Administration, the State of Tennessee CDBG Funds, or the Tennessee FastTrack Infrastructure Development Program. Assistance provided by the District will include project design and review, prospect consultation, application packaging, project liaison functions, and project administration.

Provide staff assistance for the South Central Tennessee Business Development Corporation (SCTBDC) for the closing of business and industry loans, for general management, secretarial work and loan packaging, processing, and servicing. Administer SCTBDC's Revolving Loan Fund (Rural Development Intermediary Relending Program) and SCTDD's EDA Loan Fund to stimulate small business development and expansion throughout the region. Continue to administer funding from the Tennessee Department of the Treasury that capitalized a loan program that primarily benefits minority and women owned business enterprises. Continue to work with SBA's 504 program to help businesses acquire the necessary financing for real estate and equipment.

Work with communities and provide technical assistance for development and improvement of green space and recreational projects including preparation of applications for funding. As well as work with the Center of Profitable Agriculture Tennessee Department of Tourism and Rural Development-USDA to identify and assist agri-tourism projects, especially those that can draw people from outside the region.

SCTDD Action Plan:

Under contract with the Tennessee Department of Transportation, coordinate the activities of two Rural Planning Organizations (RPO) that have been established in the SCTDD region. SCTDD will coordinate meetings, facilitate communications between TDOT and the RPO's, provide direction for transportation project planning, and perform any other administration activities deemed appropriate by the RPOs and/or TDOT.

Cooperate with Tennessee ECD and the Southern Middle Tennessee Entrepreneur Center (SMTEC) which is one of nine Regional Entrepreneurial Accelerators that have been established throughout Tennessee to assist entrepreneurs. SMTEC provides mentoring, education and training, strategic and technical support, and assistance identifying sources of capital.

Performance Measures:

Many of the activities that have been identified in the process of formulating a Comprehensive Economic Development Strategy (CEDS) will not result in the creation of jobs or by themselves directly attract any private sector investments. However, we believe most of them to be important in order to have communities that are deserving and worthy of private sector investments. But, we also realize that the best way to gauge successful progress of implementation of a plan to quantify some things that can be quantified and tracked. The easiest things in economic development to observe and quantify are number of projects, jobs retained, jobs created and new private investments. Although some of the factors that can have the greatest impact on economic development are difficult to isolate and quantify. These would include the local business climate, cooperation of agencies and units of government, work ethic of the workforce, education, and availability of support services.

For the purposes of measuring progress and success in economic development as a result of implementation of the SCTDD CEDS, we will primarily use-number of projects, amount of private sector investments, number of jobs retained, number of jobs created. If our assumptions and analyses are on target, we believe the greatest increase in those categories identified will come in the second and third years and beyond.

As a result of implementation of the Plan of Action, we would expect in the next twelve months to see at least ten new investments (new projects and expansions), totaling \$15 million in new private investment, with the retention of two hundred jobs and the creation of two hundred new jobs. In addition, we expect to have the following deliverables to demonstrate progress on the items identified: completion of the survey of infrastructure needs of the region (including transportation, schools, local governments, utility districts, etc.); and presentations to five of the JECDB Boards regarding importance of non-traditional economic development activities and entrepreneurship development.

We believe the SCTDD staff has made significant progress in the goals laid out in the most recent CEDS Document. Through grant programs available from the state of Tennessee, USDA Rural Development and the Economic Development Administration, the necessary infrastructure can be provided for any worthwhile project.

Several projects in which we have been involved have utilized the training available from the State of Tennessee and the local Workforce Investment Boards. Representatives of the agencies that can provide training are doing an excellent job of making those services known to both industrial prospects and existing businesses.

We have seen an increased interest from local chambers of commerce and recruiting organizations in the areas of non-traditional economic development such as entrepreneurship development, retirement recruitment, tourism development, and development of local craftsman. We hope to see increasing activity in these areas.

Our Comprehensive Economic Development Strategy Committee continues to stay engaged in the activities of our region and reviews and updates our CEDS goals and objectives as needed. This committee also gives us leads on prospective new businesses and industries and keeps us abreast to all that is going on in our communities. Also the committee shares with communities and businesses the services and programs that we offer and how we can help assist.