

**A Case-Study of the Tri-County Industrial Park located in Sullivan County, TN**

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**A capstone project submitted in fulfillment of the requirements for the Tennessee Certified Economic Development Certification (TCED).**

The purpose of this paper is to examine the case-study of the Tri-County Industrial Park, located in Sullivan County, TN. The study will demonstrate the steps taken to successfully develop and market a regional industrial park and how those steps have been applied to attract Bell Helicopter and other manufacturing companies to the park.

### **Tri-County Industrial Park History**

Since WWII the industrial park concept has come to characterize the grouped setting of industrial activity within urbanized areas. In most cases, the property has the characteristics of installed utilities, highly accessible highways and rail connections to the sites. Acceptance of the industrial park concept has grown rapidly over the years; many communities began developing parks in the 1960's and early 1970's.

In this same time period, Sullivan County and the surrounding communities felt there was a need to increase job creation in the Northeast, TN region. In order to compete for manufacturing facilities throughout the Southeast, planning began on the establishment of a regional industrial park. The park was developed in the early 1970's by four communities. The communities included Sullivan County, the City of Johnson City, the City of Elizabethton, and Carter County. The partnership grew out of necessity for a regional park to attract large industries, and the need for grant funding to make it successful. Both of these were important factors in the communities coming together for the success of the park.

As cooperation among the initial four communities continued to grow, the following steps were incorporated to develop the Tri-County Industrial Park:

1. Preliminary Analysis
2. Site Selection and acquisition
3. Developmental Plan
4. Formulation of restrictions and controls of property
5. Installation of site improvements
6. Building Construction
7. Management
8. BRE Programs
9. Marketing of the Park

A preliminary analysis was conducted to determine the type of industries the four communities wanted to recruit and the best placement of the park. The partners quickly decided that large manufacturing was going to be the focus. After careful consideration, Piney Flats, TN was chosen as the best location for the park. The choice of a regional location was very important to the success of the Park. If there was not "Buy-In" from all communities, the project would be doomed from the start. Piney Flats sits right in the

middle of the four communities and is relatively flat (hence the name Piney Flats) for mountainous Northeast, TN. Additionally, there was access to the proposed site from Hwy11E.

There were seven tracts included in the project, several of which were farms. Those seven tracts totaled 780 acres of land, with 750 sellable after the park's development. Based on land values at that time, land acquisition costs were \$1 million for the 780 acres. Appalachian Regional Commission (ARC) grant funding was applied for, along with a total match from the communities to purchase the land. There was no condemnation needed for the project since all land owners agreed to sell.

The preliminary engineering report for the project identified the infrastructure needs for the park. Due to the overwhelming infrastructure costs, the First TN Development District (FTDD) wrote an Economic Development Administration (EDA) grant application for \$1 million dollars, with a match of \$1 million for the infrastructure. The location of the site was such that the City of Bristol had sewer in close proximity. Although Bristol was not involved in the initial planning of the park, the community agreed to extend sewer service outside of their City limits. Since Johnson City was a partner in the planning and construction of the park, an agreement was established for the City to provide water and partial electrical service to the southwest areas of the park. The remaining areas not served by the City of Johnson City were served by Bristol Tennessee Essential Services (BTES).

The percentage of dollars spent to establish the park among the four communities is as follows:

- Sullivan County: 50%
- City of Johnson City: 25%
- Elizabethton: 12.5%
- Carter County: 12.5%

Once the land had been purchased and the infrastructure was installed, it was then time for the communities to begin the process of attracting companies to the Park. The following will provide a road map on the practices used by the Sullivan County Economic Team to complete the goal of filling the Park and creating jobs. These strategies have been in place for many years and have benefited the community by enhancing overall economic growth.<sup>1</sup>

Ownership of the Tri-County Industrial Park has changed hands over the last 40 years. The City of Bristol began to annex property outside the city limits of Bristol, down Hwy 11E. Due to the fact the City of Bristol could not annex the park itself, and serves the

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<sup>1</sup> Lawson, Jack (2015, July 24). Personal Interview

park with sewer infrastructure, the City made a decision to purchase Elizabethton's and Carter County's share of the original project. The City knew how important the Tri-County Industrial Park was to the region, and wanted to be involved with the success of the Park.

### **Economic Development Efforts to Attract Companies to the Tri-County Industrial Park**

In 2003, a Blue-Ribbon Commission was established to develop an economic development organization to represent the communities within Sullivan County, Tennessee. The new organization would allow the communities to pool resources in order to develop industrial parks, in addition to taking the lead on recruitment services in the region.<sup>2</sup> Since 2004, Networks Sullivan Partnership has represented Sullivan County, City of Kingsport, City of Bristol and Bluff City. During the establishment of Networks, an Intergovernmental Agreement was approved to set up to the percentage of dollars by each community for land development:

- Sullivan County-51%
- Kingsport-31%
- Bristol-17%
- Bluff City-1%

The team members collaborated on recommendations to enhance the economic development efforts and increase potential industrial sites within the community, more specifically the Tri-County Industrial Park. Economic development cannot be successful without teamwork. Success comes from many factors: education and training programs, creating desirable communities with recreation and cultural programs, nurturing a business environment for both small and large companies, and quality transportation systems. Below is a list of economic development priorities incorporated to increase job opportunities in Sullivan County and the Tri-County Industrial Park:

- Product Development
  - Distinguish potential industrial sites.
  - Gain Firmer Control over land through public ownership (Tri-County Industrial Park).
  - Certify sites. Although there were no certified sites within the Tri-County Industrial Park, Networks Sullivan Partnership currently has several certified sites in the new Industrial Parks.
- Workforce Development
  - Work with Alliance for Business and Training (AB&T) on worker

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<sup>2</sup> Lawson, Jack (2015, September 4) Personal Interview

programs. These programs include skills training and work programs for industries to recruit from within the region.

- Work with Northeast State Community College, the Kingsport Higher Education Center, the Regional Center for Applied Technology (RCAT) and the Regional Center for Advanced Manufacturing (RCAM) to determine programs for the jobs in the region.
- Work with local leaders to investigate an education endowment program to encourage students.
  
- Economic Development Organization and Funding
  - Maintain Staffing to meet the needs of the business community. The staffing needs are critical to ensuring contact with new and existing industries.
  - Focus on core program components: business recruitment, marketing, business retention and expansion and product development.
  - Funds to implement a Strategic Plan for the region.
  - Develop policies that foster funding sources for economic development initiatives. These initiatives will ultimately lead to more jobs in the region.
  
- Existing Business Retention
  - Regular visitation and assessment.
  - Develop a confidentiality policy on handling sensitive business information.
  - Expand business and industry appreciation events.
  - Develop a business resource guide of programs supporting local businesses.
  - Utilize existing business leaders as ambassadors for the community.
  - Network cluster industries.
  - Develop an early warning system that identifies companies at risk of downsizing.
  - Help local companies take advantage of financing and incentive programs.
  
- Local Leadership Development
  - Create local leadership/youth leadership development organizations.
  - Investigate a local government academy to prepare citizens for public service.
  - Reach out to partners for regular economic development education programs.
  
- Small Business Development
  - Research feasibility of small business incubator.
  - Continue referrals to small business support agencies.
  - Expand access to financing opportunities for small businesses.

- Gateways
  - Improve access to the Tri-County Industrial Park through municipal gateways.
  - Work with TDOT on Access Roads to the Park.
  
- Incentive Programs
  - Local tax abatement to attract industry to the park.
  - State incentive programs to assist with infrastructure needs of the company; can provide water, sewer, gas, rail, etc...
  - Federal Programs such as ARC and EDA to develop the park and provide infrastructure.
  
- Marketing Plan
  - New Market Materials for consistent imaging and recruitment to the Tri-County Industrial Park and the region.
  - Ongoing public relations strategies for internal and external communication
  - Update existing website.
  - Media advertising to support communications and recruitment.

The most critical focal points for the successful development of the Tri-County Industrial Park were the Business Retention and Expansion Programs, incentive programs, and marketing. The Business Retention and Expansion program and marketing plans were originally established under the Sullivan County Industrial Board, but have been strengthened under the new Networks Sullivan Partnership organization. The incentive programs provided by the State have been in effect over the last 20 years and have been increased to meet or exceed the incentives of surrounding states. Here is a brief overview of each program and how it affected the development of the Tri-County Industrial Park.

### **Existing Business Retention and Expansion Program**

Retention programs generate 70-85% of all jobs and investment in local communities.<sup>3</sup> Keeping this fact in mind, communities must have a good Business Retention and Expansion (BRE) program. Building relationships with existing businesses is not only important for the success of the BRE program, but is important to the economic development success of the community. There is no substitute for meeting face-to-face and openly discussing how the community and business can work in partnership together for the success of both. If a company does not feel it can trust the local economic developers, it is less likely to participate in the BRE program and less likely to expand in the region.

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<sup>3</sup> Tennessee Business and Retention Course (2013, November 20)

The State of Tennessee, in conjunction with Networks Sullivan Partnership has developed a comprehensive BRE program over the last fifteen to twenty years. As designed, the program has helped to retain or create thousands of jobs in the region, especially within the Tri-County Industrial Park. Members of both Networks and the State of Tennessee make periodic visits to manufacturers within the Park, and other industries within the region. The visits allow both Networks and the State economic development teams to assess the health, as well as determine if the company plans to expand, downsize, relocate, or make other major changes. Secondly, information is gathered to identify local businesses and workforce trends. Finally, the visit shows the company how much they are appreciated in the local community.

The BRE program has been successful in retentions and expansions within Sullivan County, Bristol and the Tri-County Industrial Park. Companies such as Bell Helicopter, Home Shopping Network, Robinson and others have made commitments to expand based on the combination of a strong BRE, Incentive and Marketing programs.

### **Incentive Programs**

A major tool of industrial recruitment is incentive programs designed to attract companies to the region. These programs include incentives by local communities, as well as the State of Tennessee. Federal Programs can be used for larger projects, but the funding is much more cumbersome and bureaucratic than the State programs. The majority of the grant programs used to attract industry are based on investment by the company and the creation of new full-time jobs. The definition of a full time job is one that includes 37.5 hours a week with the possibility of health coverage. The other factors include wages of new employees, types of skills and the location of the facility.

The major programs offered by the State of Tennessee include; Fast Track Economic Development Fund; Fast Track Job Training; Fast Track Infrastructure Grants and Job Tax Credits. Based on the company's level of investment and job creation, the State will provide a combination of these programs to compete against neighboring States for projects. These State incentives combined with the local Payment-in-Low-of-Taxes (PILOTS) and Tennessee Valley Authority (TVA) electricity credits, are powerful tools in attracting industry to the State of Tennessee and the region. Without these tools, many companies would pass on Sullivan County or the State of Tennessee to locate to another state with a more attractive incentive offer sheet. <sup>4</sup>

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<sup>4</sup> State of Tennessee Website 2015

Tax Increment Financing (TIFS) is also used by communities to finance large economic development projects. TIFS are repaid from incremental tax increases in property taxes. The concept is that “Increment” is new money and does not reduce the current tax collected. The developer is responsible for arranging the TIF and the loans are without recourse to the Government Agency.<sup>5</sup>

Incentives are among the most important of the keys to success in retention and expansion projects. The Tri-County Industrial Park is currently filled with companies that have made decisions to expand or locate based on Network’s BRE, marketing and incentive programs, but incentives provided by both the State and local economic development groups have been enough to tip the scales in Sullivan County’s favor. Many of the incentives were used to attract Bell Helicopter, which will be discussed.

### **Marketing Plan**

A strong marketing plan will display the assets of the region, while downplaying challenges the community may face. Any good marketing plan is targeted in its approach. The marketplace is packed with competition so it is important in the case of many local economic development organizations, which often have small marketing budgets, to target their marketing efforts. Social media can be a way to offset small marketing budgets. For many organizations, such as Networks Sullivan Partnership, this has become their primary tool due to the lack of funds. Goals should include 500 followers on Twitter, 500 fans on Facebook, generate 250 visits per month to the website and communicate consistently and frequently.<sup>6</sup>

Network Sullivan Partnership has utilized both external and internal strategies to publicize the Tri-County Industrial Park, as well as the region. The external marketing was strictly aimed at recruiting new businesses to the community, while internal strategies were employed to target existing businesses, local governments and other stake holders. The internal strategies were aimed at retaining and growing local businesses, maintaining positive relations, raising awareness, and thereby supporting of economic development advantages.

The most effective marketing strategy is one-on-one. Networks Sullivan Partnership continuously markets to corporate leaders around the world. The marketing plan includes corporate site visits, as well as marketing materials relaying the benefits of the Northeast Tennessee region. The keys to success when marketing directly to companies are starting with good leads, presenting a compelling case, being consistent in the marketing message and following-up. The

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<sup>5</sup> TN Marketing & Attraction Course (2015, June 24)

<sup>6</sup> TN Marketing & Attraction Course (2014, June 25)

goal is to ensure the benefits of the community are conveyed to key relocation influencers, both on the consultant side and on the corporate side.<sup>7</sup>

Another way to market the area is through site consultant visits. Networks Sullivan Partnership, the City of Bristol, Sullivan County, City of Kingsport, in conjunction with the State of Tennessee, have conducted a “Red Carpet Tour” (Tour) for the last two years with site consultants throughout the Southeast. The Tour piggybacks on the annual August race at the Bristol Motor Speedway. It is an important tool to showcase the region for consultants who work directly with companies looking to possibly locate in the Southeast. Site Consultants are brought to the area and shown the potential sites available in the Tri-County Industrial Park and other parks in Sullivan County.

The workforce development efforts within the region, along with healthcare and quality of life aspects are also made clear during those visits. Though Networks cannot currently pinpoint a particular company’s interest as a result of this Tour, it has been successful in creating a ‘buzz’ about the Tri-Cities among the site consultants attending. “In order to be successful with site consultants and ultimately companies using those consultants, it is important to have sites readily available and the consultants know where they are located.”<sup>8</sup>

Over the last 40 years, the longest standing company with the most facilities in the Park is Bell Helicopter. The following is a brief overview of how Sullivan County’s (Network Sullivan Partnership) BRE program, State and local incentives and marketing have led to Bell Helicopter’s numerous expansions. As mentioned before, the programs have also assisted other companies throughout Sullivan County to create thousands of jobs and invest millions in the community.

### **Edwards & Associates (Bell Helicopter)**

Bell Helicopter, formally known as Edwards and Associates, has held a presence in Sullivan County since 1977. Originally, the company was located at the Tri-Cities Regional Airport. In 1978, the Company moved into the Tri-County Industrial Park from their humble beginnings at the airport facility. The initial building was a 30,000 sq. ft. facility near the entrance of the Tri-County Industrial Park. The company chose Sullivan County over a facility in Montreal due to several factors:

- Land Costs were much lower than in Montreal, Canada.
- Local Commitment-The commitment by local economic development leaders to the project.

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<sup>7</sup> Venable, Richard (2015, July 30). Personal Interview

<sup>8</sup> Walker, Clay (2015, July 30). Personal Interview

- Local Tax Abatements- There were limited State incentives available in the 1970's so local tax abatements were used to attract industry.
- Cost of Labor-The labor force and average wages were an over arching reason for Bell's commitment.
- Lack of Unions- The fact that there is not a union presence in Northeast, TN was very attractive to the company.
- Weather-The weather conditions here are more conducive for testing helicopters than in Montreal.

The company served first time buyers and existing customers seeking new or pre-owned helicopters. Edwards and Associates also made parts for helicopters at the facility. The parts included the Wire Slicer, which was a knife-like object placed at the forefront of the helicopter to slice an electrical wire if the helicopter were to fly too close. The majority of helicopters today incorporate this ingenious design attached to the front.

Another item designed and manufactured by Bell Helicopter was the Range Extender. The Range Extender was an attachment that can be placed on the gas tank allowing for the tank to be filled completely. Due to the placement of most gas tanks on a typical helicopter, it is virtually impossible to fill the tank to full capacity. The range extender was the best solution to the problem. Other items include pontoons attached to helicopters that fly to the oil derricks out in the ocean and a bubble plastic window on some units to allow the pilot to see all the way around the copter. Edwards and Associates had hundreds of patents for all types of products to enhance the owners' experiences with their helicopters.

From 1978 to 2006, Edwards and Associates continued to expand its facility in the Tri-County Industrial Park. The company continued to expand in Sullivan County due to the reasons stated above. Though these expansions were much smaller than the original location of the facility, it was based on the on-going efforts (BRE, marketing and incentives) by the Sullivan County Economic Development Team.

In 2006, Edwards and Associates began making plans to build their headquarters in the Tri-County Industrial Park. In 2006, Edwards was also purchased by Bell Helicopter, a wholly owned subsidiary of Textron, Inc. Textron is one of the world's largest multi-industry companies with revenues of \$10 billion and more than 44,000 employees in nearly 40 countries. Textron is ranked 194<sup>th</sup> on the Fortune 500 list of largest U.S. companies and includes firms like Cessna Aircraft, Lycoming Engines, E-Z GO Golf Carts, Hawker and Beech Craft in addition to Bell Helicopter.<sup>9</sup>

After the purchase, the Edwards and Associates name remained on its products. It would be two years later before the name changed to Bell Helicopter. In the meantime, 45 acres

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<sup>9</sup> Lawson, Jack (2015, July 24). Personal Interview

were purchased in the Tri-County Industrial Park for the next major expansion of the facility. The expansion included the construction of a 133,000 sq. ft. facility on the 45 acres. In order to utilize the facility as planned, Bell's insurance company, FM Global, required the installation of a fire booster pumping station to increase water pressures during fire flow conditions inside the Tri-County Industrial Park.

With the manufacturing of helicopters, painting of helicopters and the storage of aviation fuels, it was necessary to install a fire booster pump. The project benefited not only Edwards & Associates, but other industrial sites located within the park. In addition, 950 linear feet of 12 inch pipe along Industrial Park Road was included in order to serve additional facilities. The pump had the capability to boost the water pressure to 65 psi at a flow rate of 1,500 gallons per minute.

Since the jobs at Bell Helicopter are technology based, their average wage is much higher than most other companies in the area. The company planned to add 65 Tennesseans to the workforce and invest \$8 million with expansion. So the State of Tennessee was willing to invest in the project. The cost of the project was \$271,000 with funding of \$197,830 from the Fast Track Infrastructure Development Program (FIDP). A local match in the amount of \$73,170 was required by the State for the project.

With Bell's leading status in the helicopter manufacturing sector, Bell Helicopter has recently purchased another facility within the Tri-County Industrial Park. The plans are to construct an additional building in close proximity to the recently purchased facility. Bell Helicopter will have a total of six facilities in the Tri-County Industrial Park once the current building is complete. With the expansion, the workforce will grow by 125 over the next 36 months. In addition to the new employees hired for the facility, Bell plans to invest over \$11,000,000 in the new buildings. The State of Tennessee has once again invested in the project by providing over \$900,000 in the grading project for the new facility.

Bell Helicopter's expansion has led to other manufacturers in the same sector locating to the region. The Tri-Cities Regional Airport, TN/VA has established an industrial park near the airport called Aerospace Park. A company the size of Bell Helicopter can ultimately lead to suppliers locating within the region. The Airport houses a company named Wysong Enterprises, an electrical company working on helicopters and small aircraft. Another small company, Apple Helicopter, has located in Bristol, TN as well.<sup>10</sup>

## **Lessons Learned**

Although not all of the economic development programs listed were in place in the early 1970's, there was enough foresight and leadership in Northeast TN to develop the Tri-

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<sup>10</sup> Cauty, Mark (2015, July 30). Phone Interview

County Industrial Park. The initial investment of \$1 million by the community and \$2 million by EDA and ARC provided a springboard to what has become a very successful economic development engine for the entire region. It has been so successful, each one of the initial investors in the Tri-County Industrial Park, plus the City of Bristol, has recouped their initial investment in the Park. Not only has each community been made whole, but a fund has been established with the proceeds from the sale of land in the Park to match future infrastructure grants. These grants can be used to encourage more locations and expansions in Sullivan County.<sup>11</sup>

Recently, Sullivan County sold the last 11 acres to complete the Tri-County Industrial Park. Additionally, Home Shopping Network, one of the largest facilities in the park, just announced a major expansion. The project will include the addition of 60 new jobs and an investment of \$40 million in the 1,000,000 sq. ft. facility. Even though it took 40 years to sell the final piece of property, the Tri-County Industrial Park has been a valuable tool in attracting companies, such as Bell Helicopter and others to the region. Since the Tri-County Industrial Park was developed, 29 companies have located and/or expanded facilities in the park, creating over 2,900 jobs. These 29 companies have invested millions of dollars in their respective facilities and strengthened the local economy in the process.<sup>12</sup>

Since the establishment of the Tri-County Industrial Park, Networks Sullivan Partnership, Sullivan County, City of Kingsport, City of Bristol and Bluff City have developed three more industrial parks in the region; Partnership Park I, Partnership Park II, and Gateway Park in Kingsport. These are not multi-county parks like the Tri-County Industrial Park, but are considered multi-jurisdictional since the development falls under the above mentioned Networks Intergovernmental Agreement. Though all three of these parks are much smaller than the Tri-County Industrial Park, they have been successful in their own right. The Parks currently house companies like FedEx, UPS, Lamar and other successful companies.

Looking back on the development of the Tri-County Industrial Park, some of the major keys to success include the following:

- A Strong Economic Development Team- The team must work together to attract industry to the region.
- Planning-Not only planning for the park, but the establishment of Networks as the lead entity for economic development.
- Site Development-The development of the Tri-County Industrial Park and future parks in Sullivan County.
- Workforce Development-Strong cooperation between Northeast State University,

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<sup>11</sup> Lawson, Jack (2015, July 24). Personal Interview

<sup>12</sup> Lawson, Jack (2015, September 4). Personal Interview

RCAM, RCAT and other programs in the region.

- BRE Programs- Strong Business/Retention programs are important to ensure the economic development organization has knowledge of industries within the park.
- Incentive Programs- The combining of local and State incentives is an integral part of today's competitive economic development strategy.
- Marketing Plan-Marketing is a key aspect of any economic development plan.
- Gateways-Developing highways and access roads to industrial sites.

Through the years, economic developers throughout the nation, the State of Tennessee, and more specifically Sullivan County, have learned to manage many of these factors to encourage development in their respective areas. Each one of the above listed items must be superior to surrounding states in order to be successful in the current, competitive economic development world. If even one of the factors is weak or failing in some manner, the entire economic development program could suffer, meaning companies will decide to expand or locate their business elsewhere.

The conclusions of this capstone paper were reached using many of the principals taught within the Tennessee Certified Economic Development curriculum. The course work established an economic development foundation by which an individual can objectively evaluate projects such as the Tri-County Industrial Park. In addition to the course work, interviews with local economic developers were very useful in drawing specific conclusions about the development of the Tri-County Industrial Park and the economic development efforts in the region. The economic development basis established throughout the TCED courses, along with the conclusions about the Tri-County Industrial Park, can be used to increase future economic development in Northeast Tennessee.