

# Revitalizing Rural Tennessee's Economic Development Efforts

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Tennessee Certified Economic Developer Certification  
Capstone

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**9/26/2014**

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Competing for jobs and attracting industry in today's economic climate is a challenge. Successful economic developers know that at the heart of a competitive economic development strategy is community development. We hear time and again company executives want the highest quality of life available for their own families and their employees. We also know that economic development for Tennessee communities is about much more than recruitment and incentives. Our communities must be making constant strides in improving their quality of life to be globally competitive for jobs. Decision makers at companies want to know communities have a qualified workforce; a quality public education; strong government partners; and a safe place to call home.

The wealth of information I learned during my Tennessee Strategic Planning for Economic Development Course aligns perfectly with my experience in revitalizing the state of Tennessee's Economic Development efforts in the creation of ThreeStar. I learned the steps to successfully implement a planning process to create a new program through consensus building, understanding and applying current needs of our communities with the state's data in the necessary areas. The course helped me to develop a clear program vision with goals and the importance of measuring those goals to make the program more sustainably effective.

Competing for jobs is a complex and multilevel challenge. Countries compete against other countries. Within countries states compete against other states. Within states counties compete against counties. Within counties cities compete against cities. Each level of government is fighting to make the top of the list. For example, Forbes does a “Best States for Business” survey each year and ranks each state based on different 6 different criteria including quality of life. Each year states rise or fall on the list. Tennessee was ranked at 21 in the “2011 Best States for Business. Governor Bill Haslam took office in January 2011 after winning the election with the widest margin of any non-incumbent governor in Tennessee history. Governor Haslam’s campaign platform was centered on job creation and transforming state government.

Immediately, Governor Haslam challenged Commissioner Bill Hagerty and our department to undertake an intensive top-to-bottom review that led to the Jobs4TN plan unveiled in April 2011. Jobs4TN refocused Tennessee’s economic development (ED) efforts, adjusting them to the new reality of a global economy still struggling to come out of a recession. The plan was transformative, changing the way Tennessee does business when it comes to ED, all while making our department staff and resources leaner than ever. This resulted in a new department mission and a reorganization of the department that decentralized our recruitment team into nine distinct regions (Jobs Base Camps), closely partnering with local economic development professional at the local level. During the department’s reorganization, the 32 year old Three-star program was eliminated as the Jobs Base Camps were being created.

Tennessee Department of Economic and Community Development’s mission, established during the 2011 reorganization, is to develop strategies which help make Tennessee the No. 1 location in the Southeast for high quality jobs. The department planned to attract new corporate investment in Tennessee and work with Tennessee companies to facilitate expansion and economic growth. Once the department’s reorganization was public knowledge, the rural areas of

our state openly expressed concern that our department had lost site of the “C” in our department’s acronym (TNECD). The department quickly acknowledged that strategic community development translates into economic development at the local level. With recommendation from Commissioner Hagerty, the Community and Rural Development division was tasked to develop and implement a community and rural strategy designed to help local communities become more competitive in a challenging economic development climate. Over a two year timeframe, this division researched, developed, educated and implemented the new “ThreeStar” program to enhance the quality of life and business climate in Tennessee so that we can continue to compete nationally and globally for jobs.

According to the International Economic Development Council’s *Economic Development Reference Guide*, “Business climate indicates how state, regional and local policies, relationships and local communities support business development. Ultimately, a good business climate allows businesses to conduct their affairs with minimal interference while accessing quality high inputs and customers at low costs. While no business climate is perfect for every kind of company, certain attributes of the regional or local economy allow investors to find fewer risks and higher returns when compared to other places.” Business and income tax levels, Workforce availability and Quality of life are just a few key factors IEDC uses to measure business climates.

Historically, the Tennessee Three-Star Program consisted of a staff of eight Regional Economic Development Specialists and one Three-Star Director. The programs purpose was to assist communities in recognizing and maximizing their assets in order to help them accomplish their individual goals and objectives for job growth and economic security, while providing incentives for all communities that complete the program of work and meet the benchmark requirements.

Participating communities were guided through the development of a comprehensive plan, as well as work to achieve set benchmark requirements listed on a “Report card” broken down into twelve different Economic Development criteria areas and highlighted more than 60 activities. Some of the identified activities were easy to obtain for communities regardless of their Three-star program status and many activities were unattainable for the rural counties with little resources. The foundation of the former program required not only a five-year plan and report card activities, but the report card activities had to be documented in a large 3 ring binder and the comprehensive plans had to be ratified by the local legislative body.

Beginning in November 2011, the Community and Rural Development division began an evaluation of the Tennessee Three Star program by interviewing elected officials, chamber of commerce staff, economic development officials, partnering federal, state and regional agencies, and our internal ECD team members with specific knowledge of the program. The majority indicated the program is very important because it provided guidance for economic readiness but the guidance had become outdated and irrelevant to best practices for economic development. According to the stakeholders, there were no direct incentives with the previous program. One development district executive director said, “My mayors will tell you Three Star is not a challenge. It’s only a notebook collecting dust on a shelf in their office and it’s a big hassle with little return.”

After hearing our local partner’s speak out, it was acknowledged by all parties involved that a major redesign of the Three Star program was warranted based on state and local resources. The department then conducted rural meetings in each of the nine job base camp regions between March and June 2012. The cities of Clinton, Cookeville, Dayton, Greeneville, Mount Pleasant, Paris, Ripley, Savannah, and Springfield were chosen to host these discussions partially to highlight their downtown revitalization efforts in a rural area.

Invitations were strategic, focusing on local mayors, economic development officials, Three Star coordinators and chambers of commerce. The department requested that its partnering agencies (Tennessee Department of Agriculture, Tennessee Development Districts, Tennessee Department of Tourist Development, USDA Rural Development and Tennessee Valley Authority) who have influence in rural economic development attend to hear the suggestions and concerns of our mutual clients. Each of the agency partners were represented at each meeting and contributed valuable insight through interaction before and after.

Each meeting followed the following format over a two hour session with at least 90 minutes dedicated to open discussions on rural economic development issues and the role of Three Star. Over 400 stakeholders participated making 374 unique comments captured by our department. As a part of the guided discussion the following suggestions were the most common: Multi-year certification of two or three year periods that may give Three Star activities more focus and time to be implemented; online tools, guidance and reporting may streamline the process; align program design with current economic development best practices, as well as state recruiting practices; and capitalize strategy planning because this is the best way to bridge communication among the community leaders.

After much research and collaboration with partner agencies, we strategically developed and launched a program aligned with Governor Bill Haslam's Five Priorities for Public Policy: Jobs and Economic Development; Fiscal Strength and Efficient Government; Health and Welfare; Safety; and Education and Workforce Development. The program was launched with the intent to assist community development efforts in these 5 keys areas to ensure Tennessee communities compete at a higher level through enhancing and improving local assets. The process of certification includes planning, requirements, effective timelines, performance metrics and incentives geared to assist our Tennessee community development efforts and ensure communities compete at a higher level through enhancing and improving community assets.

Before telling you about the certification process we can talk about the biggest challenges that were faced: staff, technical assistance and educating the communities on this new process. How was one program director supposed to manage a program of this size across 95 counties?

First, with permission and support of senior staff, the director worked with the department's IT team to develop and launch an online ThreeStar system to maintain key data regarding the program in order to determine county's success with the program, to provide in-depth analysis of program components, to provide the one person ThreeStar staff with an effective program management system and to aid in determining the status and ED needs of each participating county. The online system was used for the first time in spring of 2014 and it went surprisingly well. The Director offered a number of workshops and webinars to the program administrators. Each of the 85 participating ThreeStar counties participated in at least one of the trainings. The website was used by all counties and all documentation was collected digitally. This was the first time in ThreeStar history we have been able to pull data from plans to compare data and this was a life saver for the ThreeStar staff of one.

Second, the director developed a ThreeStar Advisory Council to help review plans and applications and to serve as technical assistance in the areas of expertise that didn't fall under the Department of Economic and Community Development. From the pillar areas, we contacted the commissioners of the perspective departments and asked that they serve on this council or appoint members of their staff to serve. Not only do we rely on our state agencies for expertise and resources, but we encourage regional and local communication among the ThreeStar program areas in each county. This process encourages collaboration and identifies existing assets and resources to build upon. At this time, 6 state agencies and 25 members of a committee are collaborating and are activity involved with outreach during the review of ThreeStar activity plans and grant programs and projects. Below are the state agencies represented on the ThreeStar Advisory Council:

- Department of Economic and Community
- Department of Safety & Homeland Security
- Department of Education
- Department of Health
- Department of Labor & Workforce Development
- The Comptroller of the Treasury

The last challenge for the department was educating the communities on the importance of the program and the design of the program. The department conducted seven regional workshops across the state to educate community leaders as to the importance and benefits of a strong community development practice and prepare them to effectively implement the program in their county. We know the workshops were a success when we had 85 of the 95 counties participate and all of those counties successfully submitted their required documents digitally via the online ThreeStar system.

What did we deliver during our workshops? We made sure counties understood how annual participation in the ThreeStar program helps communities develop a strategy and a plan to address these important goals. We showed them how the program encourages local community leaders, representing the 5 program areas, and Joint Economic and Community Development Boards (JECDB) to implement activities that will impact these quality of life issues. The department explained how counties can now track their progress by reviewing their annual ThreeStar Scorecard (Attachment A) and propose adjustments to their activity plans each year. The progress indicators in the scorecard can be incorporated into the annual report and activity planning process by allowing applicants to address/explain activities or events during the year that impacted the annual indicator in either a positive or negative way. The department, along



with the expertise from our partnering state departments of Health, Safety and Education was instrumental in the creation of this scorecard and helped to identify top progress indicators to serve as county's ThreeStar performance metrics.

- Percentage change from year to year in the crime rate per 1,000 people
- Percentage change from year to year in the percentage of 3<sup>rd</sup> – 8<sup>th</sup> grade students scoring proficient or advanced in math per academic year
- Percentage change from year to year in the percentage of overweight and obese 8<sup>th</sup> grade students per academic year

The participating county must complete all required annual activities listed on the Scorecard.

These requirements are best practices developed by the Department of Economic and Community Development and the Comptroller of the Treasury.

- Annually participate in two of the following events or programs: ECD sponsored conference, workshop or training; ECD Community and Rural Development programs, including, Tennessee Main Street, Tennessee Downtowns, Select Tennessee, or Retire Tennessee; or Submit a CDBG or FastTrack application
- Joint Economic and Community Development Board meets statute requirements
- County budget must be adopted and filed with the Comptroller's Office by October 15. All 95 Counties met this requirement in October of 2013
- Create/maintain County Audit Committee. NOTE: Since this ThreeStar requirement was presented in January 2013, the number of counties with Audit Committees has increased from 28 to 93
- County Mayor and Commission must review and sign the "Fiscal Strength & Efficient Government Annual Confirmation" letter referring to the debt management policy and

annual cash flow forecast must be prepared and submitted to the Comptroller prior to issuance of debt

The ThreeStar process asks these communities to follow this process and meet these requirements, and we want to incentive them to do so. Through our regional workshops we heard them say, “there must be a carrot” to the program. We were able to work closely with the Business Development FastTrack staff and the Federal Program staff to explore the possibilities of better incentivizing the communities. The first of those incentives was directly related to the recruitment and retention of businesses. Participating counties (and cities in these counties) would now be eligible for a four percent discount (for eligible projects) on the business development ability-to-pay calculation each year the county fulfills the requirements of the ThreeStar program. This incentive is known as The FastTrack Industrial Development Program; an initiative to support the public infrastructure needs of the local community to support expansion or location of industry.

The second incentive was to offer participating counties (and cities in these counties) a 4% discount on a community’s ability to pay in the CDBG Program Incentive. This discount may increase the grant award amount above the \$500,000 maximum grant amount (above \$300,000 for community livability projects) but the grant may not exceed \$525,000 (or \$315,000 for community livability projects).

The third incentive was to help build not only the ThreeStar program participation, but also show that good downtown revitalization practices is a key concept in a communities quality of life. Tennessee Downtowns is an affiliated program of Tennessee Main Street and was designed to help communities fully understand what it takes to embark on a comprehensive revitalization effort for their downtown. Using the proven National Main Street Center’s Four-Point

Approach® to downtown revitalization, this 24-month program coaches selected downtowns and their steering committees through the steps of launching an effective revitalization effort. Space in this program is limited and highly competitive. Program activities include training, site visits, regional workshops, webinars, technical assistance and a \$10,000 innovation project grant. To be eligible to apply to the Tennessee Downtowns program, cities must be located in a county that is an active participant in the ThreeStar program.

The incentive receiving the most attention was the ThreeStar grant. These annual grants are offered to Tier 2 and Tier 3 counties (Attachment B: Jobs Tax Credit map) only because these are the most rural counties with the biggest need for seed capital. The first year we offered \$7,000 and \$15,000 grants. The second year, fiscal year 2014, we offered \$10,000 grants to Tier 2 and Tier 3 counties. This grant money is meant to serve as seed money for activities (not to offset general operating expenses) focused on improving one or more of the program pillars. Grant funded projects had to focus on activities with the greatest opportunity that would impact the community in the areas of scored performance indicator areas of the program: public safety, education and workforce development, and health and welfare. For grant eligible counties, the annual activity plan and report had to document the progress of grant funded activities for the first three-quarters of the current grant period. The purpose was to ensure successful activities were continued or enhanced and unsuccessful activities were altered or discontinued in the upcoming year.

As many may know, starting a grant program can be scary. In order to keep grant applications more targeted, we set standards on the type of grant funded projects we would approve. The grant had to focus on activities with the greatest opportunity to impact the community in the

measured areas. Grant funded activities had to correspond with one or more of the following categories.

- Program supplies and materials,
- Equipment and technology tools,
- Professional consultation / presentations,
- Professional development activities / conferences,
- Professional services and expenses for STEM and workforce development programs,
- Program development and strategic planning for community activities/organizations,
- Sponsorship of program related events and seminars,
- County fiscal/accounting improvements.

Allowing the counties to collaborate with their local leaders and develop projects with the greatest need, while pulling resources from all areas was the most influential process of the application process. Below is a sampling of the standout activities counties proposed in their applications:

- School to work internships, mentorships or employment programs (as early as 7th/8th grades)
- Math tutoring programs - type determined by the community's need
- Continuing education for local elected and appointed officials including fiscal responsibility, community development and economic development
- School and/or community nutrition programs that emphasize fresh vegetables and fruits through buy local produce or farmers market outlets
- Partnerships between local education and business identifying employment needs and skill requirements
- Entrepreneur program development like junior achievement or small business incubators

- Community wellness addressing walkable communities, exercise programs, and other access to healthy lifestyles
- Technology access (hardware or software) programs that are not designed to replace existing capacity but may be used to upgrade to a higher level of technology

We learned Education and Workforce Development is the top priority for our ThreeStar counties. Counties could address more than one program pillar with their grant projects/programs. Below is the pillar breakdown with the number of projects and total grant dollars proposed for FY15.

- 39 projects totaling \$256,000 proposed in Education & Workforce Development
- 29 projects totaling \$172,305 proposed in Health & Welfare
- 23 projects totaling \$125,845 proposed in Jobs & Economic Development
- 16 projects totaling \$63,850 proposed in Public Safety
- 4 projects totaling \$22,000 proposed in Fiscal Strength & Efficient Government

Regarding the workforce development need, in the last 6 months the Department of Economic and Community Development hired a Workforce Development Director to serve as a liaison between our department and the needs of our partners at the Department of Labor and Workforce Development and our department's Business Development staff as they're working to fulfil the needs of our current employers.

In regards to the education need, the program also encouraged administrators and elected officials to use their grant money for the cost associated with taking the Tennessee Basic Economic Development Course (TBEDC) and/or the Tennessee Certified Economic Developer (TCED) core (1 ½ day) courses. The department appreciates their relationship with the University of Tennessee Center for Industrial Services and always promotes their high quality

training, continuing education and professional development opportunities to Tennessee's community leaders.

With help from our local stakeholders and partner agencies, our division was able to fulfill Commissioner Hagerty's request to develop a community and rural development strategy and launch the ThreeStar Program to help communities take full advantage of economic development opportunities with the purpose of improving the quality of life so that Tennessee communities can continue to compete nationally and globally for jobs. Unfortunately, after much research it is apparent that most states are still latched on to "economic development" only and do very little to support community development. Like Tennessee, Louisiana is working still using community development as an economic development tool. According to the Louisiana Development Ready Communities (LDRC) Program website, "The LDRC encourages and supports selected Louisiana communities to become development ready, competitive and "open for business" by creating and implementing a strategic community and economic development plan. In 2009 and 2010, Louisiana Economic Development (LED) selected 19 Communities to participate in the LDRC Pilot Program. The Louisiana Development Ready Community program was officially launched in 2011 with 8 communities. These municipalities are all more competitive because they have a written plan describing how they are going to leverage assets and address challenges. Additionally, they can show progress from year to year because of developed measurements identified in their plans; much like mile-markers on a roadmap." While improvements were made in these LDRC participating communities, the entire state was not afforded the opportunity to participate as they can in Tennessee.

The process for the development of the new ThreeStar program was influenced by the Tennessee Strategic Planning for Economic Development Course. Doctor Kolzow said, "Successful

economic development is ongoing increase in the standard of living and improvement in the quality of life and education and training should be the number one focus to prepare for economic development.” This message during this course is parallel with our revitalization of the ThreeStar program. It assures that the ThreeStar program is right on track to be a successful economic development tool. It’s still early to determine the full effectiveness of ThreeStar at the community level, but we’ve heard and seen some movement in the needle thanks to our ThreeStar scorecards.

The department is currently working to review ThreeStar components to ensure effectiveness and to ensure the program reflects the best practices in economic and community development. We want to ensure the effectiveness of the program as a foundation for sustainable economic growth and the department’s mission to be the number one state in the southeast for high quality jobs. While it is still early, it appears the program is working. It was noted earlier that in 2011 Tennessee was ranked 21 by Forbes for “Best States for Business”. By 2013, Tennessee had risen to 15 in the Forbes ranking.

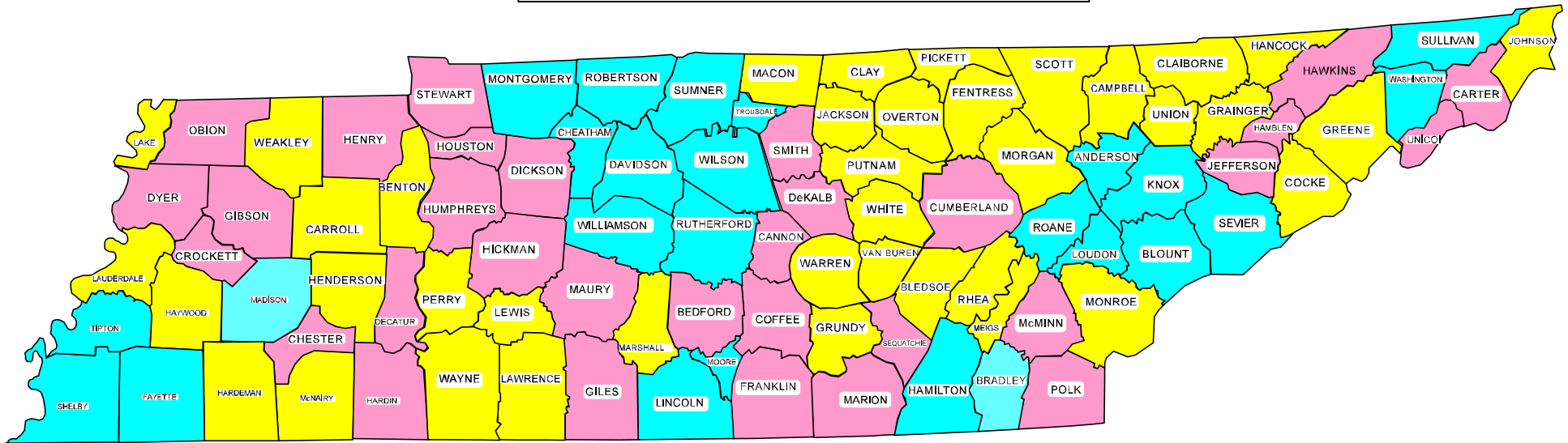
## 2013 Performance Scorecard: Weakley

Submit Activity Plan to ECD in spring 2014. Required annual 2013 activities must be confirmed in your Activity Plan and report.

JOBS & ECONOMIC DEVELOPMENT	FISCAL STRENGTH & EFFICIENT GOVERNMENT	PUBLIC SAFETY	EDUCATION & WORKFORCE DEVELOPMENT	HEALTH & WELFARE
<p>1. Participate in two of the following events or programs:</p> <ul style="list-style-type: none"> <li>ECD Sponsored Conference, Workshop or Training</li> <li>Main Street, Tennessee Downtowns, Retire Tennessee and/or Select Tennessee</li> <li>Submit a CDBG application</li> <li>Submit a FastTrack application</li> </ul> <p>2. Joint Economic Development Board meets statute requirements</p>	<p>1. Submit county budget to Comptroller's Office on or before October 15</p> <p>2. Create or maintain an Audit Committee</p> <p>3. Submit annual review confirmation and county commission meeting minutes by April 15.</p> <ul style="list-style-type: none"> <li>Debt management policy</li> <li>Cash flow forecast</li> </ul>	<p>Crime rate per 1,000 people:</p> <ul style="list-style-type: none"> <li>2012: 55.87</li> <li>2011: 53.85</li> </ul> <p><b>2013 Performance Indicator:</b></p> <ul style="list-style-type: none"> <li>Percent Change: <b>3.75%</b> increase in crimes per 1,000 people</li> </ul> <p><small>Source: TBI 2011-2012, data extracted 10/2/13</small></p>	<p>Percentage of 3<sup>rd</sup> - 8<sup>th</sup> grade students scoring proficient or advanced in math per academic year:</p> <ul style="list-style-type: none"> <li>2012-13: 59.88%</li> <li>2011-12: 52.55%</li> </ul> <p><b>2013 Performance Indicator:</b></p> <ul style="list-style-type: none"> <li>Percent Change: <b>13.95%</b> increase in proficiency</li> </ul> <p><small>Source: Tennessee Department of Education; 2011-12, 2012-13</small></p>	<p>Percentage of overweight and obese 8<sup>th</sup> grade students per academic year:</p> <ul style="list-style-type: none"> <li>2012-13: 38.0%</li> <li>2011-12: 43.8%</li> </ul> <p><b>2013 Performance Indicator:</b></p> <ul style="list-style-type: none"> <li>Percent Change: <b>13.30%</b> decrease in overweight and obesity prevalence</li> </ul> <p><small>Source: Tennessee Department of Health, 2011-12, 2012-13</small></p>



## TENNESSEE JOBS TAX CREDIT ENHANCEMENT COUNTIES



**LEGEND:**

- Enhancement Counties: Tier 1: \$4,500 jobs tax credit with 15 year carry forward.
- Enhancement Counties: Tier 2: \$4,500 jobs tax credit with 15 year carry forward plus additional 3 years at \$4,500 per year with no carry forward.
- Enhancement Counties: Tier 3: \$4,500 jobs tax credit with 15 year carry forward plus additional 5 years at \$4,500 per year with no carry forward.

**NOTE:** Jobs Tax Credit may be applied against a company's franchise and/or excise tax liability. To qualify for the Job Tax Credit a company must create 25 net new full-time jobs and increase capital investment by \$500,000 in a qualified business enterprise within a 36 month period.