

The Transformation of a Site to Capitalize on Missed Opportunities

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Introduction

The Jones Road Site, a 40-acre Select Tennessee Certified Site located in Roane Regional Business & Technology Park, is one of the most attractive and marketable sites in the East Tennessee Region. Over the past five years, the site has been recertified and has undergone multiple site enhancements that included a completed grading project resulting in a flat, rough graded 20-acre pad and the construction of a new industrial grade road, bringing direct access to the site. However, even with these notable site enhancements, our community is still missing out on opportunities to sell the site and land a new company due to the lack of inventory to meet the increased demand of companies seeking to locate or expand quickly into an existing, available building. To combat the challenge of not having an existing, available building to sell, other communities have had recent success in partnering with private developers to build a speculative (spec) building, and in many cases, multiple spec buildings, thus getting more traction, attention, and commitments from companies looking to locate or expand quickly. Roane County could soon join other communities that have shown recent success in spec building developments.

The Jones Road Site: History, Attributes & Challenges

The Roane Regional Business & Technology Park was established in 2001, consisting of 680 acres of developable land. The industrial park is currently home to 13 companies, with an equal mix of manufacturing and distribution operations that employ just over 1,000 employees. From the beginning, the Jones Road Site was destined to not only be the most marketable site

within the park but also one of the top sites in the East Tennessee region. The Jones Road Site, along with the entire industrial park, has many great attributes and advantages that make this area appealing to companies seeking to locate or expand. The park sits adjacent to Interstate 40 and less than 5 miles from Interstate 75, providing close access to two of the most utilized roadways in the country. 75% of U.S. markets are within a day's drive and it's only 1 hour to Chattanooga or the Smoky Mountains, 2 hours to Nashville, 3 hours to Atlanta, and Knoxville is only minutes away. The site has great utility infrastructure with all utilities already present and readily available at the site boundary. Offering 33 non-stop destinations, Knoxville's McGhee Tyson Airport is only 27 miles away and rail and barge services are readily available nearby. TCAT Harriman and Roane State Community College are both located in Roane County, standing ready to help prepare desired company workforce needs. To consistently provide one of the nation's most technically and skilled trained workforces, over 70,000 individuals throughout the region are enrolled in postsecondary education programs with an average of 19,000 graduates per year. Furthermore, Roane County is also home to the Oak Ridge National Laboratory, the nation's largest multidisciplinary science and energy laboratory. The experts working at the lab seek partnerships with private companies, helping to fine-tune existing operations and to bring new ideas to fruition. Roane County is the only place you can step outside of a National Laboratory and arrive at the most visited national park, the Great Smoky Mountains, within an hour's drive.

While the site, park, and region have many great advantages, there is one notable disadvantage that has made the Jones Road Site challenging to attract a new company. The property outside of the industrial park boundary is zoned for agricultural and residential use. Therefore, there are many personal home residences that are viewable from the park property. Three homes are very visible just behind the south side of the Jones Road Site, which has proven

to be an obstacle when hosting visits with potential prospects. Most prospect site visits are consumed with discussions about the “houses” instead of everything else the site has to offer. In 2016, this challenge was mitigated through a Site Development Grant with TNECD (Tennessee Department of Economic and Community Development). In a joint partnership with Roane County Government and TNECD, \$736,000 funded a grading project, which when completed resulted in half of the site being flat, pad ready. Excess dirt from the grading project was used to build a huge berm on the entire south portion of the site, which helped to shield the view of the homes, thus alleviating the concerns from prospects interested in the site. Through the years other projects have also been completed to help make the Jones Road Site more marketable, such as the Select Tennessee Certified Sites Program and grant funding through the TVA.

Site Readiness Enhancements

The Select Tennessee Certified Sites Program was developed as a rigorous process aimed at elevating Tennessee’s sites to the level of preparedness necessary for company investment. The Select Tennessee Certified Site Program minimizes a company’s risks and takes much of the guesswork out of locating to a new site. The Jones Road Site went through this process in 2013 and received its official Select Tennessee Certified Site status. To become a Certified Site, the site must have:

- Minimum of 20 developable acres
- Utilities on-site or a formal extension plan in place
- Boundary survey and topographic maps already completed
- Documented environmental conditions and geotechnical analysis
- Minimized risk factors for the development

The program markets the Jones Road Site to a targeted group of site selection consultants and business leaders in Tennessee's key industry clusters. Select Tennessee Certified Sites require recertification every 3 years. The Jones Road Site completed the site recertification process in 2016 and again in 2019. In total, there has been over \$125,000 directly invested from Roane County in the site certification and recertification processes. <https://tnecd.com/sites/certified-sites/apply-now/>

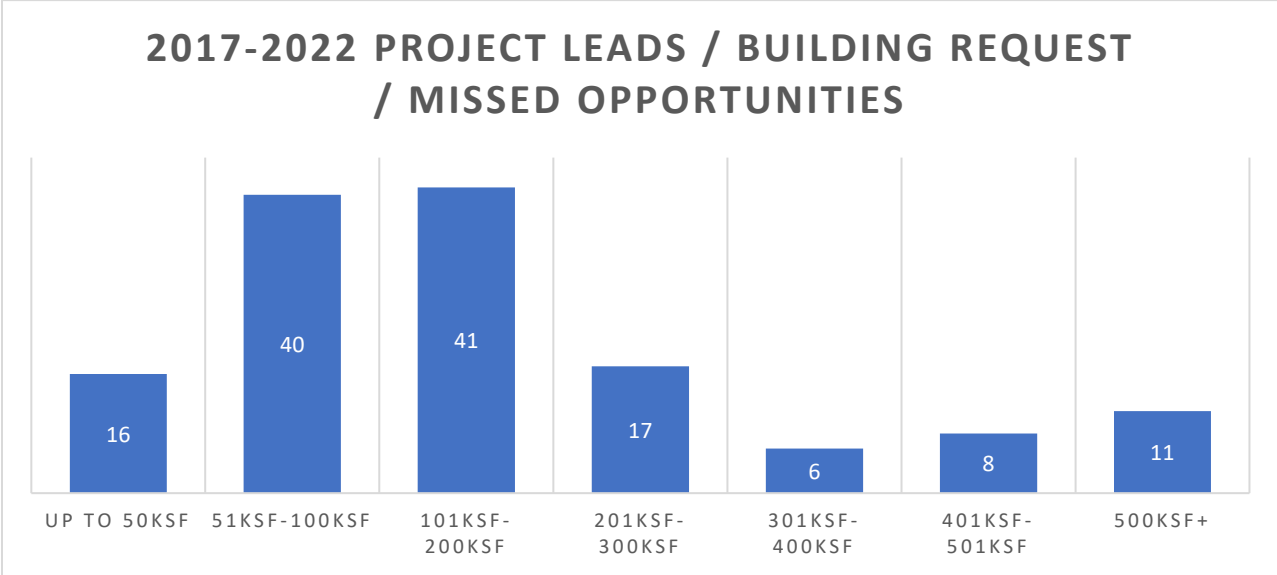
The TVA InvestPrep Program is an innovative, market-driven, investment program designed to improve sites and facilities in the Valley, allowing TVA communities to become more competitive in their efforts to attract new jobs and capital investment. TVA desires to partner with communities that invest in themselves by leveraging local, regional, state, federal, and/or private participation to achieve maximum results through collaboration. In 2016, Roane County was awarded a TVA InvestPrep Grant. In a joint effort with Roane County Government and TVA, \$468,670 was invested to construct a new industrial grade road, providing direct access to the Jones Road Site.

Over the years, a lot of time, effort, and investment have been poured into the Jones Road Site to make it more marketable. Projects that include grading and building a berm, road construction and site certification, and recertification. Would all the invested projects eventually be enough for the Jones Road Site to attract the next great company to Roane County, or is there something still missing?

Missed Opportunities

Anyone in the field of economic development will tell you they hear and use the term “project” on a regular basis. An economic development project simply means the search for land and existing or planned improvements suitable for use by an industrial or commercial. Roughly 90% of the project leads Roane County receives originate from our economic development partners at Tennessee Valley Authority (TVA) or TNECD (Tennessee Economic and Community Development). Most other project leads come from local and regional relationships established with numerous contractors, investors, and developers. During the last five years, a “project log” has been utilized to keep track of the successes and challenges when trying to recruit new companies to Roane County. The project log contains the name, description, and needs of the project, the date and project lead, the expected job creation, the anticipated capital investment, and the status of the project. Most importantly, the project log indicates whether or not the inventory was available (land and/or building) to submit a formal response in having Roane County considered for the project. With no surprise, the Jones Road Site was submitted the most. Of the 360 project leads that have occurred since 2017, the Jones Road Site met the needs of the project and was submitted 63 times (17.5%). The 63 submittals have resulted in 8 official site visits from prospects, almost all occurring after the site improvements (grading and road construction) were completed. However, with the increase in site visits, no company has decided to pull the trigger and make the Jones Road Site their new home, for reasons that include location, site size, and the need to be operational quickly (existing building). More and more, especially over the past couple of years, companies are looking to gain access to the market quickly by acquiring an existing building. Existing, available buildings are hard to come by, not only here but almost everywhere. Of the 360 project leads noted above, 133 of those indicated

companies seeking an existing building only, a whopping 37% of missed opportunities because we did not have an existing building to offer! The graph below shows where nearly 61% of the desired buildings are 50,000 sf to 200,000 sf in size.



On my second week on the job as an economic developer, I attended the weeklong Basic Economic Development Course in Nashville, Tennessee. Millie Parkes, Senior Program Manager with TVA, taught a session on “Site Selection Process and Proposals”. One slide stood out during her presentation, “Playing to Win”. She emphasized communities must differentiate to succeed: prepared sites, available buildings, incentives, business cases, accurate and timely information, committed partnerships, workforce, and infrastructure. I didn’t know it at the time but if it is going to “Play to Win, Roane County not only has to have prepared sites but also available, suitable buildings.

Spec Building Success in other Communities

Spec buildings are used by economic development organizations to attract attention from prospective industries and enhance speed to market. Many communities have shown recent success in spec building developments. For example, Dorchester County, South Carolina recently broke ground on the county's first privately-owned spec building in 15 years. An \$11 million investment, the new spec building featuring 180,000 square feet will be one of the finest class A office buildings in the county. "We're low on product," said Joy Tyson, marketing and investor relations manager for Dorchester County Economic Development. "We're sorely lacking." And without space to offer companies, the county misses out on economic opportunities that wind up going to neighboring counties.

<https://www.dorchesterforbusiness.com/open-for-business-county-breaks-ground-on-first-privately-owned-spec-building-in-years/>

The Alliance, a Corinth base economic development organization in Mississippi, officially broke ground on a 50,000-square-foot spec building. The industrial shell building will have the capability of being expanded to 300,000 square feet and will be customizable to whatever company occupies it. "We are thrilled to officially kick off construction of the Corinth Spec Building," Alliance President Clayton Staley said in a press release. "Available buildings are in high demand in today's market. This is particularly important for our community as we currently have no available manufacturing space." **https://www.djournal.com/news/corinth-based-organization-breaks-ground-on-industrial-spec-building/article_240f5579-1024-5a51-8d08-3fc8efd88c56.html**

Bryan Hall, Executive Director at the Tellico Reservoir Development Agency located in East Tennessee, is spearheading the efforts to bring multiple spec building developments to his

community. “For years, there were no available, existing buildings to offer to companies who needed to occupy space quickly” stated Hall. “I just felt the need to take a more proactive approach and do something different to create opportunities instead of missing out on them.” Within the past two years, two spec buildings have been completed with tenants committing to the buildings before construction was complete. The success of these two buildings, one 50,000 square feet, and the other 46,000 square feet appear to have created some positive momentum for spec building development here. Hall stated that two more spec buildings, 50,000 and 108,00 square feet, are in the process of being constructed on pre-graded sites, with more to come in future developments. “What we’re doing here with the spec building development is creating something special here”, stated Hall. “We now have a distinct, competitive advantage over most communities.”

Spec Building Deal Structures & Desired Site Attributes

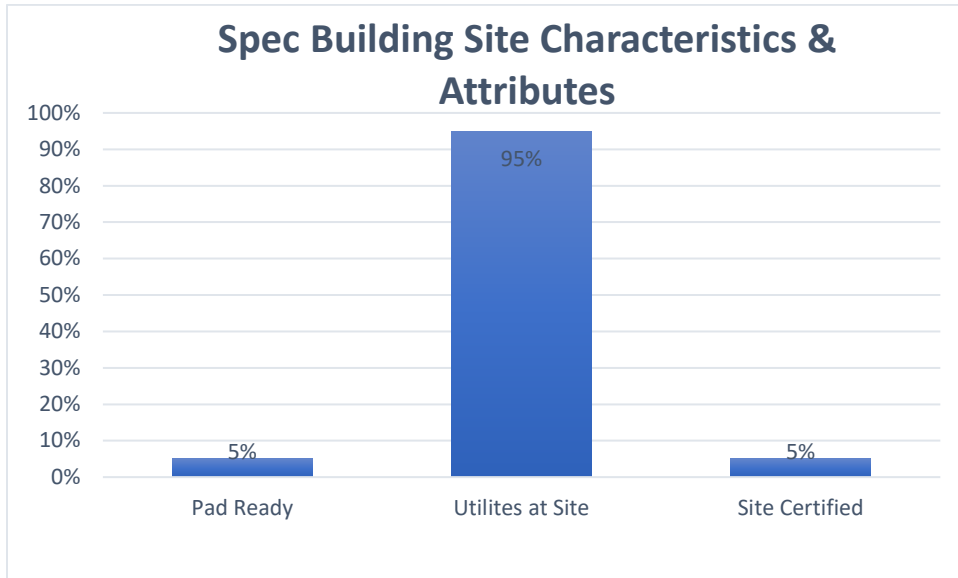
Finding a developer to construct a spec building can be challenging. While some communities have taken public funds to compete with other private developers, others have taken the opposite approach, supporting private sector efforts and partnering with private developers rather than competing with them. The private developer assumes the financial risk, and the community has been able to support the effort by investing its own money in infrastructure and site development. [https://www.daviecountyblog.com/economic-](https://www.daviecountyblog.com/economic-development-continues-davie-county-to-get-four-new-spec-buildings/)

[development-continues-davie-county-to-get-four-new-spec-buildings/](https://www.daviecountyblog.com/economic-development-continues-davie-county-to-get-four-new-spec-buildings/)

It can also be very helpful in knowing what attributes are important, from both a community and private developer, when considering the desired location for a spec building

development to occur. Three different organizations involved with spec building developments recently completed a questionnaire survey. The three organizations that participated in completing the survey consisted of a notable spec building developer in East Tennessee, a prominent spec building developer in Atlanta, Georgia, and the Tellico Reservoir Development Agency. The completed survey produced a sample size of 20 responses that answered the following questions related to spec building development: state location, building size, number of acres for development, lease or sale transaction, whether or not utilities were at the site prior to construction, certified site, and whether or not the site was pad ready (cleared/graded) prior to construction.

The results indicated that the average size spec building constructed was 262,000 square feet. The average land acquisition for the development was 26.75 acres and 12 out of the 20 spec buildings were constructed outside the State of Tennessee. This was a bit of a surprise because the notable spec building developer in East Tennessee was responsible for over half of the survey responses. Also, 82% of the spec building developments are leased transactions, with 35% of the leases eventually turning to sales. 68.75% of the spec buildings had a tenant commit before or during construction. If not committed before or during construction, 81% of the buildings had a tenant just 3 months after the building was completed, and 88% after 6 months. It is most interesting that only 5% of the buildings were constructed on a “certified site” property, and also only 5% of the buildings were constructed on “pad ready” sites. Furthermore, 95% of nearly all the spec building developments, already had all utilities at the site boundary (water, sewer, gas, electricity) prior to the commencing of the spec building development. The representative for the spec building developer in East Tennessee summed up the survey pretty well by saying, “We don’t deal with utilities or water issues. Don’t approach us until all the utilities are in place.”



Roane County: The Realization of a Spec Building

Over the past several years, there have been numerous conversations with varying developers about partnering to construct a spec building in Roane County. It sounded like a great idea, but nothing ever materialized or come to fruition. That all changed in June 2021 when meaningful and genuine conversations began with a notable developer from Atlanta, Ga about working together to build a spec building in Roane County. This company has recently completed over \$1 billion in commercial real estate acquisitions and has the logistical capabilities and capital resources to close transactions of virtually any size expeditiously, all cash. They have successfully acquired and developed investments in all property types totaling

nearly 35 million square feet and 35,000 acres of land, valued at more than \$20 million, throughout the United States. Within a matter of weeks, the Roane County Industrial Development Board was presented a Letter of Intent (LOI) from them to purchase the entire 40-acre Jones Road Site in the Roane Regional Business & Technology Park to construct a 200,000 square foot spec building. This offer seemed like a great fit because not only have they shown proven success in spec building developments, but their target market for a tenant was very similar to ours which includes but, is not limited to automotive, manufacturing, distribution, food, and beverage, consumer goods, and companies. Anticipated cash investment for the approximate 200,000 SF spec building with all tenant improvements could be as much as \$35 million dollars creating up to 100 jobs. Most missed opportunities result in not having an existing building to offer in the 50,000 -250,000 square feet range, so it was good to see in their LOI that they were open to multi-tenant, possibly dividing the building up with 4 tenants. Of course, Roane County would both like to land that one impactful company to acquire the entire building. The Purchase & Sales Agreement was signed on October 25, 2021, and after months of working together to get to the finish line, the official closing happened on June 17th, 2022.

The Jones Road Site Spec Building: Activity Breeds Activity

The June 20th press release announcing the sale of the Jones Road Site and plans for a spec building has generated a lot of excitement in our community. This checks off a lot of success boxes when it comes to economic development. Not only will Roane County get a much-needed building to attract the next company here, but also increase its tax base, creating an opportunity for more good-paying jobs, and the land sale proceeds will go towards the future

development of other properties within the industrial parks. The Roane County Industrial Development Board Chairman, Jim Palmer, stated in the press release, “I am very excited to see this outcome and looking forward to the next phase of this site when we welcome a new tenant. Planning and investing for the last five years is what helped lead to this historic sale, which took many people and organizations to make happen. I, along with the rest of the Industrial Board, look forward to maintaining this momentum, with more planning and investment to prepare other sites to be more marketable and competitive.”

Shortly after closing, the developer released the marketing package and designs for their 260,000-square foot industrial spec building, actually larger than the LOI indicated. This Class A rear load facility will feature state-of-the-art building specifications ideal for a variety of e-commerce, manufacturing, and distribution users. The development will include above-market trailer and auto parking counts as well as future outside storage with delivery projected to be 1Q 2023.



Albert Einstein is quoted as saying "Nothing happens until something moves"; and that leads us to the line "activity breeds activity." And this is true with recent happenings in the Roane Regional Business & Technology Park. Since the announcement of the Jones Road Site spec building, a notable commercial developer out of Knoxville has 6 acres of land under contract inside the park with plans to build a 50,000 square foot spec building. This deal is expected to finalize in the next few weeks and construction of the building to begin shortly thereafter. Both developers who are constructing spec buildings in the park have both expressed interest in exploring other sites for future spec building developments in Roane County. The future looks promising for continued spec building developments, which puts the County in a much better position to capitalize on the opportunities that have been missed by not having existing, available buildings to offer.

Conclusion & Lessons Learned

Communities are faced with a wide range of varying economic development challenges. Challenges that are addressed effectively can create a differentiator giving your community a distinct, competitive advantage.

By not having an available building to offer, Roane County was missing out on nearly 40% of project leads. Because an existing, available building is hard to come by nearly everywhere, simply having a building to offer would provide a competitive advantage. There are other communities that have had recent success in spec building developments and there was no reason that Roane County could not do the same. This became a reality on June 17th, 2022 when a developer purchased the 40-acre Jones Road Site to build a 260,000-square-foot spec building. The momentum is increasing with another developer purchasing property to build a 50,000-square-foot spec building later this year. The future looks very promising for Roane County.

Interestingly, the lessons learned from this Capstone paper will change how Roane County chooses to invest and prioritize future site development projects. Over the past several years, \$1+million has been invested in the Jones Road Site, which included site certification and recertification, completion of a grading project, and building of an industrial grade access road bringing direct access to the site. While all of this is extremely important, none of this may have been necessary if spec building development was pursued first. Of course, it is vitally important to leverage grant funding through TVA and TNECD for site development projects, but how investment funds are prioritized has never been more important than it is now. What really is eye-catching, is that out of the 20 spec building developments which were surveyed for this paper, only 5% of the spec buildings were constructed on a site that had been “certified” or were pad ready, while 95% already had all the utilities in place and at the site prior to construction.

This research reveals that in order to have sustained spec building success, communities should be investing site development funds into utilities first and foremost and whether a site is “certified” or pad ready is really of no importance when a developer is choosing where to strategically partner to build the next spec building.

It is also vitally important to establish and maintain genuine, trustworthy relationships with developers who share common interests, goals, and outcomes in spec building development. In doing so, ideas soon become realities, one project will lead to another, and then before long, something special is in place.

Sources

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