

Securing a Site for a Publicly Owned Industrial Park

231 NORTH BUSINESS PARK – SHELBYVILLE, TENNESSEE

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Introduction

This paper will outline one community's process in selecting and securing land for a publicly owned and controlled industrial park. It is also intended to provide a guide for other communities to use in choosing land for an industrial park. This was a lengthy process that could have ended if not for a strong committee of individuals dedicated to seeing this project to fruition. The focus of this paper is on the committee process rather than the time frame.

From the beginning, this project was established to be a joint effort between the City of Shelbyville and Bedford County. The reason being is that both governments stand to gain tax revenue from the park as it develops, so both should invest in the purchase and development of the park. Both the city and county governments recognized that the Chamber was best suited to facilitate the committee process.

Establishing the Need for Publicly Controlled Industrial Land

The process of identifying land for an industrial park began with an inventory of existing industrial land in Shelbyville. There was no publicly controlled or land owned by local government and very little privately owned land suitable for industrial development. Therefore, the first step in this endeavor was to actually determine if indeed there was an actual need for an industrial park in the community.

Neighboring municipalities have experienced success in attracting new industry with the primary distinguishing factor between Shelbyville and them being that they had publicly controlled land for industrial development. From the standpoint of location, utility availability, workforce, labor rates and other metrics utilized by site selection professionals, Shelbyville is very competitive leaving the ability to control land negotiations with public land as the primary deciding factor separating the community from other municipalities in the area. Given these issues, community leaders ascertained that Shelbyville's and Bedford County's marketability would be greatly enhanced with publicly controlled industrial land.

The Airport Business Park, a privately owned park consisting of more than fifty acres of land suitable for industrial uses was, until recently, Shelbyville's only green field option for industrial development. In fifteen years, two industrial concerns located in Airport Business Park. A Wal-

Mart Distribution Center and a Tier 1 auto supplier, Chassis, both located in this park. The original owners of Airport Business Park eventually sold the remaining property to another firm who in turn subdivided and auctioned the property in separate tracts in 2015. Due to the lack of success in developing this park for industrial use over this fifteen year period and the fact that neighboring communities have publicly controlled industrial land that can be donated to new industry concerns, private investors have refrained from purchasing additional land in Shelbyville for future industrial development.

In the past two years, the Shelbyville – Bedford County Chamber of Commerce, the economic development agency for Shelbyville and Bedford County, has received 13 requests for information (RFI's) from the Tennessee Department of Economic and Community Development from prospects looking for land on which to locate manufacturing operations. Due to Shelbyville only having the Airport Business Park available and under private control, the community was unable to secure any interest beyond the initial submittal of information. As mentioned above, the Airport Business Park property was auctioned in the fall of 2015.

Elected officials from both the City of Shelbyville and Bedford County realized that in order to keep property tax rates in line with other communities and to fund new obligations such as new schools, a new jail and various major infrastructure projects, the tax base must be expanded. They decided that the investment in land for an industrial park would be a means to achieve this expansion. The Shelbyville – Bedford County Chamber of Commerce agreed to serve as the agency to evaluate and recommend land for the new industrial park.

Committee Development Process

The Shelbyville-Bedford County Chamber of Commerce being designated as the agency within Shelbyville and Bedford County began the task of determining the process to evaluate and select potential sites for an industrial park. As there was no funding to retain a third party consulting firm to evaluate and recommend industrial sites, the Chamber Board of Directors opted to form a committee of local individuals to undertake this process.

It was decided that the initial committee would consist of no more than 6 or 7 individuals with the Chamber Chief Executive Officer being one of the members. In addition, the Board decided that members of the committee would not be limited to Chamber Board members. The Board would seek individuals from the community it felt were best suited for this task. The Board established the following general criteria for members of the committee:

1. The individuals must have a track record of project related accomplishments in the public or private sector. Each member of this committee had proven success in spearheading successful projects in the community or in their respective businesses. This is first and foremost the main criteria for members of the committee. The committee must consist of doers.
2. Some of the committee members should have a manufacturing background.
3. The committee members must be respected individuals in the community.
4. Committee members must in no way have hidden agendas to benefit themselves or their companies or organizations.
5. The potential members of the committee must have a reputation of being cooperative.

With the above criteria being established and after much deliberation, the following individuals were selected. The actual names of the members are not included as the names are irrelevant to this discussion. Instead, descriptions of the committee members are provided.

Committee Members

1. A retired plant manager who was responsible for locating a plant in Shelbyville in the early 1960's. This individual also selected communities around the United States for his company's operations. This individual also served two terms as a County Commissioner in Bedford County.
2. A retired plant manager with a large manufacturing plant in Shelbyville. This individual had led his company through several expansions and successfully led the company through a change in ownership.
3. The President of a steel fabricating company was chosen because of his knowledge of construction as well as his reputation for community service.
4. The president of a local bank was selected because of his knowledge of land transactions, local land values and commercial real estate lending. This individual also had a history of leading teams in some major community volunteer projects.
5. The Director of the local Tennessee College of Applied Technology (TCAT) was selected because of his knowledge of the industrial sector of Shelbyville and Bedford County. This individual also is a much respected member of the community and has a history of accomplishments with various community organizations.
6. The CEO of the Chamber of Commerce was selected as a part of this committee because of his knowledge of industrial recruiting and expertise in economic development. Also, the CEO served as the resource for the committee in terms of engaging with various agencies and organizations such as the Tennessee Valley

Authority (TVA) Economic Development Division, the Middle Tennessee Industrial Development Association (MTIDA) and the Tennessee Department of Economic and Community Development (TNECD) for technical advice.

The Committee, once in place, elected committee member 1 listed above as the chairman. He was elected not only because of his professional background as a plant manager, but also because of his reputation as a leader in the community and as someone who has a track record of seeing projects through to completion. In hindsight, this was the most important decision this committee made. For any organization seeking to undergo this process, the selection of the individual to chair this project committee is crucial to its success. This person kept the vision of completing the project for the benefit of the community always in mind; not looking in the rearview mirror at the “negative noise” generated by the process.

Establishment of Site Selection Criteria

With there being little local expertise or experience in determining the suitability of land for industrial development, the site selection committee was tasked first with developing criteria and metrics for evaluating potential sites for an industrial park. TVA was engaged early on in the process to assist with developing the technical criteria utilized to evaluate properties in the community.

The first step in the establishment of site selection criteria was to get local leadership opinions and desires as to where the most suitable site areas would be based on long range community plans. These plans include the City of Shelbyville’s and Bedford County’s Comprehensive Growth Plans showing the general development pattern for the community. This plan designates areas for future industrial expansion. The local utility companies were also contacted to determine where they envision the most likely areas for industrial expansion. After discussions with local leadership, various areas of Shelbyville were eliminated due to location, lack of utilities, unsuitable land and incompatible zoning for industrial development.

As was mentioned earlier, the committee retained TVA to serve in an advisory and consultative role in developing criteria for evaluating potential sites. TVA provided the committee with technical criteria to objectively vet specific tracts of land with respect to industrial development suitability. It must also be noted that TVA technical and engineering staff assisted the committee throughout the process. The general evaluation criteria that TVA provided the committee for its research are as follows:

1. *Terrain*. Land suitable for industrial development must be relatively flat.
2. *Access*. Land must be served by or be very near a major thoroughfare with easy access to an interstate.

3. *Wetlands and/or Streams.* The land must not be severely impacted by any wetlands or streams.
4. *Utilities.* Water, electricity, sewerage, gas and telecommunications must be adjacent to the site or in very close proximity.
5. *Geotechnical.* The soil conditions must be suitable for building.
6. *Environmental.* There must not be any major environmental issues with the property.
7. *Archeological.* There must not be any historical or archeological issues with the site such as cemeteries or ancient burial grounds.

The financial constraints of the local governments also had to be taken into consideration as each piece of property was investigated. As this project was established as a joint effort between the City of Shelbyville and Bedford County, both government's ability to fund not only the purchase of the land but the development of basic infrastructure on site had to be taken into consideration with each tract of land considered. It was understood by the committee that while some properties might be outstanding candidates for an industrial park, the price could remove them from contention.

Site Selection Analysis

Having established parameters for site evaluations and understanding community growth patterns with respect to industrial development, the committee began its search for the optimal sites within Shelbyville and Bedford County.

The first step in the actual site selection analysis was to look for tracts of land large enough to support an industrial park and within areas either zoned for industrial uses or areas anticipated to experience industrial development in the future. The committee felt that sites must be greater than 50 acres to be worthwhile for an industrial park. TVA provided aerial photography of the community to assist in locating tracts of land with the potential for being developed as industrial parks. To supplement this information, the local utilities provided geographic information system (GIS) mapping to assist in ensuring that potential sites are adequately served with respect to water, sewerage, gas and electricity.

Utilizing the above mapping and utility input and using the criteria provided by TVA, a dozen sites were selected for more in depth analysis. These sites appeared to be level enough for industrial development and adequately served by local utilities. In addition, they were all located in areas adjacent or in very close proximity to major roadways. All of the sites were near existing industrial development or in areas of the community where long range plans identified as areas for potential industrial growth. All of the initial sites that were chosen were all greater than 50 acres in size.

In Depth Analysis of Short Listed Sites

With a list of a dozen potential sites for an industrial park, the committee began an in depth analysis of each site. The first stage of the in depth review was to physically traverse each candidate site armed with the criteria provided by TVA. The committee looked for any potential problems which may cause each site to be less than desirable for industrial development.

One of the criteria that the committee looked for on each site was whether or not portions of the site were encumbered by a floodplain. While there might not have been an actual stream or waterway on the site, there could be the potential that streams on adjacent tracts of land have floodplains that encroached on the subject tract. Therefore, any streams on or near the site were noted in order that the committee could further research any floodplain issues. While a floodplain does not eliminate a site, it must be considered because if it is substantial enough, it can greatly reduce the developable area of the site and also trigger some environmental limitations with respect to drainage.

Another parameter evaluated in the physical reconnaissance stage was identifying wetlands or areas that appeared to be wetlands. TVA provided some basic identifiable characteristics of wetlands for the committee to utilize in their investigations. The committee looked for wet soils and certain types of vegetation generally found in wetlands in this region. While the committee did not have the expertise to actually identify a wetland, they were able to identify areas which could potentially be designated as wetlands upon further research. Again, as will be seen later in this paper, a wetland does not eliminate a site from contention. It can reduce the developable area of the site.

The geotechnical characteristics of a site must be evaluated to ascertain whether or not the soils will support industrial type construction. For instance, an overabundance of rock outcroppings indicates that a site may be very expensive to develop due to the difficulty and expense of removing or cutting through rock to get utilities in place and to construct building foundations. The committee visually inspected each site looking for any ground conditions which could make developing the site expensive or altogether prohibitive.

Finally, the committee, in its onsite investigations, looked for any areas which exhibited characteristics of a hazardous waste area or areas where hazardous materials had been stored and possibly leaked into the ground. This issue does not eliminate a site from contention, but if a hazardous waste area is found, the cost to mitigate it can be substantial enough to make it infeasible to develop.

Priority Sites Determined

Having completed the physical review of potential sites, the committee was able to create a list of six priority sites to review further. The other six sites were not necessarily eliminated, but it was deemed that these sites had potential problems based on the criteria provided by TVA. The remaining six sites appeared to be “clean” sites based on the parameters set forth, so the committee decided to focus their efforts on these going forward.

With a list of six potential sites for the development of an industrial park, the committee began the process of contacting the property owners of each of these sites to determine if the tracts could be purchased and at reasonable prices. This stage of the process, as one could expect, was one of the most challenging tasks. Some of the owners were completely unwilling to sell any or all of their land at any price. Some of the owners, while willing to sell grossly overestimated the value of their property. Neither Bedford County nor the City of Shelbyville established any actual price limitations on the purchase of the land that they would approve. The committee did have the general knowledge of land values in the community and an understanding that the City and County both had some financial challenges, and as such, they exercised a great deal of due diligence in negotiating with property owners.

From the negotiations with property owners, the list of sites was narrowed to three. These were sites where the owners were willing to sell and the prices were deemed to be in line with the local market values. In order to keep these tracts from being sold while being further evaluated, purchase option agreements were put in place with each property owner.

A more in depth analysis of these three sites was undertaken to determine the suitability of each for development. One tract near the Shelbyville Municipal Airport was deemed to be the most suitable site for industrial development from a terrain, size, geotechnical and environmental standpoint. All utilities were on or near the site with the exception of the sewer line. After reviewing the engineering and construction costs of getting the sewer extended to the site, it was determined that the expense drove the per acre price of the land to a level which made it an unattractive alternative for an industrial park.

The Airport Business Park mentioned earlier was evaluated further as well. This property is situated on US231 which is a four lane divided highway connecting to Interstate 24. However, after closely inspecting this property and consulting reviewing Federal Emergency Management Association (FEMA) maps, it was determined that there is a stream through the remaining undeveloped portion of the park. This stream and its floodplain greatly limited the developable area of the property.

The final tract evaluated was an 86.5 acre tract of land adjacent to the Airport Business Park. This property met all of the criteria that the TVA had provided. All of the utilities are adjacent to the site. The site is relatively flat. There appeared to be no rock outcroppings indicating potential construction problems. The only two concerns were that there appeared to be a 5 acre wetland in the far northeastern corner of the property, and the site is on a two lane rural road although it is only one half a mile from US231. This property had been foreclosed and was owned by a local bank. The bank priced the property in line with market values in the area. Given that this property met the TVA parameters and was priced in line with prevailing market values, this was the property selected above all others as the potential industrial park for Shelbyville and Bedford County. TVA agreed that this site would more than likely be the best candidate of all of the sites investigated in the process.

Final Site Analysis

Having identified the optimum site, the committee began its due diligence in further evaluating the property. TVA recommended that an in depth engineering analysis of the site be completed in order to ensure that there were no major environmental issues as well as to determine the suitability of the subsurface conditions for industrial development. The committee retained an engineering firm, with financial assistance from the City of Shelbyville, to conduct a geotechnical analysis and a Phase I environmental site assessment (ESA) of the site.

In order to ensure that soil and ground conditions will support buildings and other structures related to industrial development, a geotechnical analysis of the site was performed. Subsurface soils must have the capability to be compacted to densities necessary to support loads generally encountered in heavy or industrial construction. This analysis also evaluated subsurface conditions to determine the depth at which bedrock might be encountered. This is important in that if bedrock is encountered at shallow depths, it can greatly increase the cost of extending underground utilities into the site as well as increasing building foundation costs.

The engineering firm also conducted a Phase I (ESA) of the site. A Phase I ESA is the first step in performing environmental due diligence on a site. This type of assessment is an on-site, visual evaluation of a site by a qualified individual or firm. The observer looks for evidence of conditions such as hazardous materials, the presence of storage tanks either above or below ground that contain or previously contained hazardous material, die back of vegetation indicating soil contamination and any type of spill residue. There are several other components of a Phase I ESA; however, this paper will not elaborate on all of the particular elements in this type of assessment. If any environmental concerns arise from this assessment, a further evaluation or Phase II ESA is triggered. A Phase II environmental assessment is an intrusive

investigation that includes such processes as groundwater monitoring, soil borings and drum or tank sampling that quantifies any actual site contamination.

To determine if the site was going to have a positive return on the community's financial investment in the land and infrastructure, an economic impact study was performed by a consultant. This analysis used the price of the land and estimated cost of infrastructure as the basis for the analysis. The study also estimated the number and types of industrial businesses the community could expect to locate in the park based on existing industry in the area. The end result of the study was an anticipated return on the community's investment based on a range of possibilities in terms of local incentives granted and discounts of land prices.

Securing Local Government Support for the Site

With due diligence having been exercised on the most suitable site of all that were evaluated, the committee began the process of securing local government support for the site. This was accomplished in large part by presenting the findings of the economic impact study which was funded by the Chamber and the Phase I ESA and the geotechnical engineering analysis funded by the City of Shelbyville. In addition, the availability of utilities and access to the site were highlighted as selling points for the property.

The economic impact study revealed that based on anticipated development of the site with a variety of industries in line with local workforce capability and current industries, the rate of return could be as high as \$25 to each \$1 invested by the community. This return was based on selling the land to prospective companies at market value and giving no local incentives such as payment in lieu of tax agreements (PILOT). Being more realistic, a return of over \$4 to each \$1 invested was calculated based on giving the land to prospective companies and awarding full PILOT agreements. It must be noted that when the economic impact study was conducted, the land value basis used in the calculations was \$175,000 higher than the ultimate purchase price at closing. Therefore, the return on investment could potentially be even greater than was calculated in the study.

One of the key advantages of this site is the fact that all of the utilities are adjacent to the site. This eliminates the need to extend them a great distance to the site resulting in an additional investment to make the property a viable industrial park. Not having to invest in the extension of utilities to the site made this very palatable for local elected officials.

As mentioned earlier, this site is on a two-lane, rural road. However, the property is ½ mile from a four-lane, divided highway which connects to an interstate highway approximately 15 miles to the north. There is an additional industrial access road one block from the entrance to

the site and is easily accessible from the property, so there is no need for any immediate major improvements to the two-lane road. This is another cost savings for the community.

The geotechnical analysis revealed that the majority of the site is suitable for industrial development and the infrastructure necessary to support it. In addition, the analysis revealed that there are minimal issues with bedrock making the extension of utilities into the site more cost effective.

The Phase I ESA revealed no hazardous materials areas within the property eliminating any expense associated with mitigation efforts eliminating the need to proceed with a Phase II assessment. The engineering firm did make note of a potential wetland in the northeast corner of the site. While this area is a cause for concern, it was determined that it will not adversely affect the overall development of the site.

With all of the due diligence having been performed on the site with respect to engineering analysis, economic impact, utilities and access, the committee worked to reemphasize the need for local, publicly controlled industrial land. The committee pointed out that our community had missed out on several projects over the past few years due to the fact that we had a lack of available sites. Specific examples of businesses that had located in neighboring communities were cited as prospects that could have very well landed in Shelbyville had we had industrial land.

As mentioned earlier, in the past 2 years, the Chamber of Commerce has received 13 RFI's from the Tennessee Department of Economic and Community Development that specifically requested green field sites for prospective manufacturing operations. While the Chamber did submit information for some of these requests, our community was not competitive because we could not control the negotiations related to the purchase of the land. Local government leaders understood this.

Finally, land values in Rutherford County (Murfreesboro) to the north and Davidson County (Nashville) are growing at a much faster rate than in Bedford County. In addition, land for industrial development is becoming scarce in these counties. Bedford County, on the other hand, is situated in a location that can be considered part of the Nashville market. The industrial site is 45 miles from Nashville and 15 miles from Murfreesboro. This puts our site in a competitive position for attracted new industry.

Given all of the information above, local government leaders were convinced that Shelbyville and Bedford County would be competitive with a new industrial park and that the site chosen by the committee was the best site available. In 2014, both the Shelbyville City Council and the Bedford County Commission unanimously voted to go forward with the purchase of the 86.5

acre tract of land for the new industrial park. In October of 2015, the City and County closed on the purchase of the property.

Conclusions

The process of evaluating land for an industrial park is one that must not be taken lightly. Too often communities have purchased property without having done any systematic evaluation of areas of their respective communities which are conducive to industrial development. In addition, once they have chosen a site, they have not conducted any further analysis to determine if the property will support industrial uses.

As noted, the establishment of a committee of individuals who have a history of completing projects, who have some expertise in manufacturing and who understand local conditions such as land values and local government fiscal constraints, is paramount to seeing this process through to completion. Within the committee, it is also vitally important to have a chairman who can keep the process on track and moving forward.

It is essential that the process of selecting land for an industrial park follow a very methodical path and that all due diligence is completed before the final decision is made. To essentially boil this down into a series of steps, see the list below:

1. Establish the need for an industrial park
2. Form a search committee to seek and evaluate potential sites
3. Establish parameters for evaluating sites
4. Identify areas of the community where industrial development is occurring or is anticipated to occur in the future
5. Within potential industrial areas, look for tracts of 50 acres or greater
6. Perform site visits to each tract and eliminate any that do not meet established parameters
7. Prioritize remaining sites
8. Negotiate with property owners of the remaining sites if they are willing to sell
9. Once there is a list of properties for sale, prioritize these sites and do a final site analysis (engineering analysis, economic impact, access, utility locations) on the top site
10. Armed with all of the information and data on the final site, restate the need for the industrial park and make the case for the site chosen with all of the data and analysis.
11. Secure local government funding and support
12. Close the Sale

If a community will basically follow the above process as closely as possible, it will ensure that any site chosen for an industrial park will be as close to the optimum site possible.