

How Dickson County and the City of Dickson Landed Daltile-Mohawk Industries

(Steps in Securing a Game-Changing Industry)

Bob Rial, Dickson County Mayor

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Daltile, Dickson County Industrial Park, 2016

Capstone Project

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Introduction

Landing industry can appear to be a straightforward, even simplistic process. But for a small, rural community to garner the attention of a site consultant and move forward to a location commitment takes the effort of dozens of individuals, along with local, state, and regional resources. Even after an industry has formally pledged to locate in an area, challenges can occur that can quickly bring community leadership and industrial representatives back to the table seeking solutions.

This paper seeks to examine both the positive and negative experiences of securing a major industry in a non-metropolitan environment. During the Daltile negotiations, Dickson County experienced a number of new, unexpected issues. Not only did solutions have to be found, they had to be in place swiftly, but with due diligence. All of this developed against an unfavorable local and national backdrop.

Part One - Description of Community Position

Communities do not operate in a vacuum. They generally thrive or deteriorate as a result of current conditions, events from the past and expectations for the future. Some of these circumstances are set in motion nationally, while some are created locally.

The Economy

In the spring of 2012, Dickson County and the nation were continuing to recover from what became known as the Great Recession. The county industrial park had a number of empty buildings, and along with the loss of local jobs, local utility companies lost commercial accounts that had been customers for decades.

The Labor Force Estimates Summary for Tennessee's Annual Unemployment Average in Dickson County was still at 8.3% in 2012, only 1.9 points below the 2010 Annual Unemployment Average of 10.2 %. Nationwide, employers who were hiring rarely offered pre-recession salaries. Aside from the recession, there were other considerations, including local image issues and a devastating lawsuit.

The Image

In August, 2010, the county was in an era of distrust and upheaval. It was not uncommon for Nashville media outlets to attend commission meetings looking for volatile situations to film. This in-fighting consistently appeared on the Nashville news, impacting the county's image across the Mid-State. Finally, there were legal issues that had come to a head.

The Lawsuit

The city and county had been embroiled in legal issues for a decade stemming from actions taken by an automotive plant that contaminated local groundwater. Lawsuits were filed and legal fees for the city and county mounted. Throughout 2011, the possibility of declaring city and county bankruptcy was a constant threat.

Part Two - Initial Contact

Industrial recruitment has been compared to a game of chance. Local leaders do their best to be prepared, but are kept in the dark about an interest company's identity and are given only a code name, in this case, Project Falcon. Large companies generally communicate with the state first, via a site consultant who is paid to help find the right location, including essentials such as the needed workforce, logistics, transportation, utilities, etc. If a location appears to be a good fit, the consultant then begins to work with a local liaison, such as the chamber director, to find more information. There are hundreds of boxes to be checked off the list for a community to be considered, but one of the first concerns is finding an adequate building site, and in this instance that was a challenge.

Footprint

In early 2012, the President and CEO of the Dickson County Chamber of Commerce was contacted about Project Falcon. One of his first calls was to James + Associates, located in Dickson and Nashville.

It was early spring when the chamber director asked the engineer to look at a rough sketch; it indicated that an industry sought to build on a specific site in the industrial park. It would be a tough fit, but the engineer went to work with the chamber director and then the site consultant got involved.

Specifics

A number of preliminary designs were passed back and forth and Project Falcon eventually offered a small summary regarding their utility needs. Meanwhile the Dickson mayors and the Dickson County Industrial Development Board, the utilities and the State became more engaged.

Communications

According to the engineer, the back and forth process lasted for three or four months via emails and phone calls. Everyone involved on the state and local level knew that the company was scrutinizing six to eight other locales, so every request was treated with immediacy and the utmost consideration.

Eventually the Project Falcon team visited Dickson. It included a senior vice-president of manufacturing operations, a human resources director, their director of operations and their site consultant. Locally, the county mayor, city mayor, chamber director and the engineer were in attendance.

During that meeting the company made a power point presentation, according to the engineer and “teed it up for us.” They revealed the identity of the company and began inquiring about incentives.

From a logistics standpoint, Dickson was the right place for Daltile to locate due to raw materials and whatever product they were going to ship out. However, they could research this online. Their desire was to come to Dickson and meet the leadership. This move conflicted with the conventional wisdom of the past, that potential industry did not want to meet government officials on their first visit; they wanted to keep things private. As it turned out, local officials were assets to the process. They didn't talk. They didn't divulge secrets, and they were excellent salespeople for the county.

Part Three - Infrastructure

In industrial recruitment, it's not about staying on your game; the key is to stay ahead of the game. To gain and retain industry, leadership must continuously re-evaluate areas of interest that are crucial to manufacturers. Sometimes that comes in the form of everyday planning, but sometimes it requires a calculated risk on behalf of the city and county.

Logistics, Supply Chain and Transportation

In a program delivered to the community after construction of the Daltile project was underway, the company's site consultant said that "when it comes to assets that are sought-after by corporations, logistics and supply chain management top the list." One of the main reasons that Daltile is in Dickson, according to the consultant, is a supply chain that allows the company to buy in a wide variety and in large volumes, offering cost containment. In this case, clay, which can be purchased in nearby counties.

Transportation is closely aligned with logistics and supply chain management. Middle Tennessee's air, water, rail and major highways offer an attractive combination of logistics and transportation capability.

Nashville International Airport is considered to be one of the most progressive medium sized airports in the nation, and the Tennessee and Cumberland Rivers are very important in moving goods, but Dickson was chided for not doing more to include its railroads when recruiting manufacturing. The consultant explained that, "the challenge in transportation is that we are now back to major growth in rail. And while we have a strong Class One railroad running throughout this county, we don't have anything to build on right now from the standpoint of real estate." So, a dynamic resource is, to a large extent, going unused.

Unlike the Nashville Airport or the Cumberland River, for example, the short line system and CSX railroad literally move through the Dickson County Industrial Park with potential service at other probable sites in the county. This offers community leadership the opportunity to work closely with South Central Tennessee Railroad management, staying ahead of the game when it comes to impacting economic development on a regional level.

Workforce and Education

Workforce and education are two vital components in industrial recruitment that local governments can directly impact. In terms of education in the Dickson area, this includes the effectiveness of the local school system, Tennessee College of Applied Technology, and Dickson County Career Center/WorkForce Essentials, Inc. It can also include programs at Freed-Hardman University's new Dickson Campus, as well as courses taught locally through Nashville State Community College and Austin Peay State University.

Citing Governor Haslam's Drive to 55, the state's program to equip 55% of Tennesseans with a college degree or certificate by 2025, the site consultant pegged the public education system as "the real key" to the future of the workforce issue, and noted that Dickson was "strong in this area." Tennesseans see that "better education is mandatory now in all aspects. If you don't use that public education system to grow those kids," he warned, "we don't have anything to work with long term."

Workforce discussions top the chart for local leadership when negotiating with a potential new industry. These negotiations are based in part on how many individuals the company is going to hire from the region vs. how many they intend to bring. According to the consultant, "You bring as few as you have to. You locate...because of the talent in the region." He said that Daltile looked cautiously at this region to make sure that growth potential was there.

While the state helped Dickson County pin down information on the regional workforce, an internal team provided the company's analysis. "That team took the labor market apart here from quality, attitude, reliability, dependability and cost...but you want quality and dependability...first," said the consultant. The region's workforce is "well proven in productivity and quality. They are non-union and very independent." The team studied employee drive time and drive direction. "We always want to build a plant at the source of the workforce," said the consultant, who highly recommended the state's Economic Community Development (ECD), as opposed to outside companies, to help local community's stay ahead of the game.

With ECD's help, Dickson got good examples of people who live here but commute to Nashville, Springhill, or Smyrna to work in manufacturing. Dickson could point out that many workers are driving for miles, proving to Daltille that if they could compete with those salaries, many of those would rather work in Dickson. TECD also looked at the employment numbers west of Dickson, where unemployment is high.

Cost of Doing Business

The good news for Dickson was that Tennessee is a very aggressive state from a business standpoint. However, from a negotiating standpoint the state's tax structure created industry concerns. The site consultant accused Tennessee of "taxing everything to the highest level.... creating a major dilemma for capital intensive businesses like Daltille.... because not only is real estate being taxed, tangible personal property is being taxed, as well, and in some instances, portions of the inventory."

Enter the Payment in Lieu of Taxes (PILOT) Program, Tennessee's effort to reduce taxes in order to make the state more competitive. The issue is that while PILOT programs are seen as incentives by the state and local governments, they are viewed differently by industry. Corporations see PILOTS not as incentives, but as programs designed to create a more level playing field with surrounding states or even other countries that don't tax as heavily as Tennessee.

Energy/Utilities

Being located in the Tennessee Valley is another example of being in the right location. Since 1933, it has been one of TVAs missions to bring power to the Tennessee Valley, but power is only one of its benefits. TVA comes with a host of professionals to help communities secure industrial customers. Dickson's cost for electric power was a big incentive with Dal-Tile.

For Dickson Electric Systems (DES) General Manager, the main concern was having enough capacity available to serve Daltile's load in a safe and reliable manner. Gillespie saw utilities playing a large role in industrial recruitment development, making certain DES was ready. The utility had built a large industrial sub-station with a lot of capacity in the area that Daltile was considering.

On the wastewater side, Daltile found a desirable water and waste water system in Dickson, according to the site consultant. "The water and waste water utility side has changed over the years," the GM explained, and so has what the industry expects from the utility. These days plants build treatment facilities on their sites before discharging the volumes for those locations."

The gas needs for Daltile were all about transportation, according to, Chairman of the Industrial Development Committee and Chairman of the Board of the Greater Dickson Gas Authority (GDGA). Daltile will purchase their gas elsewhere, and it will be piped to Dickson where it comes through the GDGA system. Daltile will be charged a transportation fee.

Quality of Life

Quality of life is an issue on which the community can have a direct and dynamic impact. A community can't change its location, but it can stay ahead of the curve regarding issues that affect the area's quality of life today and for the future.

Daltile's consultant called quality of life "an absolute measurement today." Perhaps that had to do with the all-important first impression, but how is that measured? According to the consultant, they look at Main Street. Is it clean? Occupied? Is it a source of pride? They also

measure by the sincerity of the leadership. Do they follow through with promises? Do they spend the time needed to create relationships? Do they make it as easy as possible to make this project come to fruition?

The company also measured the county's public education system, which recently received top overall ratings in growth in the Tennessee Value-Added Assessment System. "We have places in the U.S. who say, 'Don't worry about education, we have great private schools.' That's an automatic flag," warned the consultant.

In the realm of education, the Dickson Mayor said that the ability to get a four-year college degree in a small town was a significant addition to the community's quality of life.

Restaurants also play an important part. The Daltile people fell in love with local restaurants and the community. Industry leadership flies into Nashville, and they're here in an hour. Big city, small city and county life are all within reach of Dickson County.

Part Four – Unexpected Issues

In industry recruitment things rarely go as expected, but local leadership found that the key was to create workable solutions and keep the process moving. For several of these There were a number of issues that no one saw coming, including the resignation of the chamber of commerce president and CEO, possible transportation problems, a zoning issue, a potential environmental problem, and a site that continued to grow far beyond anticipated needs. Not only did solutions need to be found they had to be in place swiftly but with great caution.

Loss of Leadership

“Early on in this process, the president and CEO of the chamber of commerce resigned,” explained IDB Chairman. “He had been spearheading this project up to that point, so the engineer (James) was gracious enough to take that role, and I think he did an excellent job.”

“It helped us all in a way by the chamber president leaving,” he explained, “because he understood exactly what to do, and how to do it and would do it. The engineer had a lot of experience, but he needed a little help. That caused us to be more hands on; we learned a lot, too. We all became more involved.”

The county attorney thought that Daltile was not expecting to find some of the engineer’s caliber or others who were “sophisticated enough ... to understand the opportunity and then fight to make it happen.”

Land Conveyance

Before the Industrial Development Board could move forward with PILOT programs for Project Falcon, they needed to own all of the property that the industry would be purchasing. However, there was glitch. Dickson County owed several hundreds of thousands of dollars on the property in question, according to the county attorney.

“In order to be able to contribute the land, the County needed to clear the debt on the property and that’s where some creative thinking came in on behalf of the mayors and the utilities,” he explained. No other group stood to make more money than the utilities if this industry settled in Dickson, and this issue had to be settled quickly or Project Falcon might

move on. Ultimately, the city and gas, water and electric utilities agreed to contribute money to help pay off the county's debt so that the property could be conveyed to the IDB and used for part of the PILOT program. This partnership helped things move forward at a quicker pace and kept Dickson in the running.

Site Expansion

Creeks and wetlands can be gifts from nature, but when a company makes the decision to expand its original footprint not once, but twice, a gift can turn into a developmental nightmare.

"We had to redevelop a whole creek here because... (the needed) property just got bigger and bigger," said the consultant. "And then we acquired a company in Italy and decided to bring even more here."

But with the new regulations that have been imposed on wastewater drainage, and wetlands, there is never enough lead-time to get the permitting done, so everything's under pressure, according to the consultant. And unfortunately, "the bigger the company, the less the patience (they have)," he said. He underscored the importance of having help from the Corps of Engineers, Tennessee Department of Environment and others. "You can bring any group you need to the table...not because they're told to be there, but because they want to be there. That's one of those secret weapons that Tennessee has that really works."

The engineer applauded those same groups, saying that they helped local leadership avoid any "gotcha moments" that could have been detrimental to the process. "The State came out immediately and helped with some wetland type issues ... and other things that we had so we could say, 'Yep, we've got to deal with this.'

“We had one small wetland and we also had one drainage that they called a creek,” said the engineer. “The State guys came so we could identify what part of that drainage was really a stream and what part was not. And we just said it - ‘We’ll have to deal with this part of the stream,’ but we said it up front so that nobody could say, ‘You didn’t tell us about that.’”

“Just being able to go through that process and make them understand that we didn’t have any secrets is huge,” said the engineer, who noted that they told Daltile, ‘Whatever it is, we’ll fix it for you.’ I think that was a really big deal to them.”

Codes Issues

Sometimes the problem is not expanding outward - it’s the need to go up. Early on in the process, one of the unexpected issues was that a portion of the facility, which Project Falcon was proposing, would be in violation of the city’s height regulations. In the end, it was not only worked out, it created more opportunity for the city.

“A portion of the building that Project Falcon proposed was over 100-foot-tall, but in our ordinances, buildings can’t be over 40 feet,” explained the city’s planning and zoning director. But that section of the ordinance “had been there for a long, long time. It was something that ...had been outdated, but we just hadn’t come across anything that needed to be any taller,” he said.

Project Falcon brought in preliminary drawings on the section that was designed to be the height of a ten-story building, but this tower housed only equipment with no need for any workers to be present on a regular basis. “So, we amended our ordinance to allow one building to be higher than was previously allowed, then Project Falcon was given a variance through the

city to have that section of building ... taller than what was allowed. We got that on the agenda quickly.”

The engineer went before the Dickson Board of Zoning Appeals to explain why the variance was needed. The engineer couldn't divulge who the company was or what they manufactured, but “he was able to articulate what they were going to do,” said the zoning director. “He was able to tell them that a conveyer has to go up that high and come back down. He was able to tell them it's some machinery but it's not habitation. It's not offices and it's not boardrooms or conference rooms. So, there's no life, safety or human issues, other than just basics, as in workers being up there for maintenance.

“The city was able to get on the (Zoning Appeals) agenda, talk about the variance, and the board was able to grant that variance. We got it on the next available city agenda, not our regular schedule meetings and got that approved and were able to get that approval back to Daltile.”

To make things even better for the City of Dickson, they were able to use the Project Falcon request as a catalyst to alter current regulations. “We adjusted the height (restrictions of buildings) because we have a fire truck that can go higher than forty feet for fire suppression and safety.” For commercial development, they adjusted the regulations to allow the city's first four-story hotel. “We had a hotel come in that needed to be over forty feet. We adjusted it to sixty-five. Prior to the adjustment, hotels were considered industrial, now they are considered commercial.”

The Zoning Director praised the city's attitude toward development, describing Dickson's zoning ordinance as "a living, breathing document." "City Hall has open door policy that I think DalTile witnessed pretty well."

Transportation - Industrial Access Road

A large industry is the dream of many small cities, but it almost always comes with transportation issues. When leadership realized that Dal-Tile anticipated needing to move 100 trucks daily onto Interstate-40 via Highway 46, there was an unexpected issue on the table.

The logical answer was the creation of an industrial access road that would exit the back portion of the industrial park and connect over on Highway 96 in Burns. The question was, who would pay for this expensive yet crucial add-on?

Leadership eventually worked out a state grant for the industrial access road to be built. That road is important to the industrial park as a whole, because right now the access out brings you onto 46. If you can go out the other direction onto 96 then some of the other industry can use that, as well. The solution of a state access road was important to both Dal-Tile and the community, because neither was required to contribute significant amounts of money toward its construction.

Having said that, it came as somewhat of a surprise and disappointment to community leadership that after the city, county, state and Federal Government had worked together so diligently to land Dal-Tile that the state appeared to be in no hurry to build the access road.

Transportation - Railroad Spur

Just when local leadership thought they had tackled everything that could possibly come up, Dal-Tile decided that they wanted to extend the railroad onto their property by adding a spur.

“They weren’t even sure that they’d use the railroad that much,” said the engineer. “But it’s a nice thing to have.” So, leadership went to work.

“The waste water system was going to be fairly expensive because we had to run it a long way, so I said, ‘OK, we’re going to try to go get you a federal grant to help with this spur.’ Of course, they wanted to put that in the Memorandum of Understanding, but I told them, ‘We can’t say that. But we will do our best.’”

A great deal of discussion ensued about the feasibility of the spur. Would it work? Would the Feds help? Finally, the executive vice-president at Dal-Tile just said, ‘OK, you do your best, but I really want to make sure we get that.’ Leadership did its best and got it figured out, but couldn’t guarantee it would be paid for because it was a federal grant. They didn’t even know if they’d get it when the announcement that Dal-Tile was coming was made, but they felt good enough about it and trusted that we were smart enough to do that and make it work.

As with almost everything associated with this project, the devil was in the details and the details were not lost on the county attorney. “The engineer, the Mayor and I spent a lot of time discussing it,” he said. A few of the details included:

- negotiating with an adjoining property owner(s) for the right to extend the railroad;
- the length of the spur;
- who actually owns the spur;
- who will be responsible for maintaining it;

- working with Dal-Tile concerning where the spur comes onto their property;
- any issues with other companies who have a right-of-access to the spur;
- where other companies might be able to lock it or have cars on it that might prevent Dal-Tile from being able to move their rail cars.

“Each little piece has a lot of sub pieces that you end up working on,” said the county attorney. “A railroad spur doesn't sound like a big issue, but there are sticking points sometimes.” Expect the unexpected.

Part Five - Negotiations

When leadership began to negotiate this multimillion-dollar deal that would impact the community for decades, they looked at a number of issues, both beneficial and detrimental. The central question was, “What’s in it for us as a community, and will it outweigh the negatives?” The answers were complicated; unknown factors can cause ripple effects that reach far and wide. However, there are guiding principles that are used to govern how much of its resources and what kind of resources a community is willing to invest to acquire an industry. In the case of Dal-Tile, much of the discussion revolved around the size of the plant and what it brought to the table in terms of economic impact. In this case, a matrix was created based on employment, salaries, and the PILOT, to make the determination the economic impact would be sizeable.

Increased Opportunity

As more jobs have been created in Davidson (Nashville), Williamson (Franklin/Spring Hill) and other counties, more of Dickson’s workforce has begun commuting. When local workers leave home each day, they tend to make purchases in the communities where they work, hurting Dickson’s economy. There are other negative factors, as well. Aside from the potential for an

automobile accident, a longer commute means less quality time with family and friends and less time to volunteer or otherwise positively impact one's community. Local leadership hopes that Dal-Tile will help turn the tide.

"Hopefully this...is an industry of such size and enough spinoff...that folks don't have to get on the interstate and go to Nashville or elsewhere and go to work," said the county mayor. "A rising tide lifts all boats, (and that) is what we're hoping we get."

Graduate Retention

One of the benefits of Dal-Tile that excited the city mayor was the opportunity it would afford local high school graduates. "We want kids who grow up here to be able to come back here. But you have to give them a reason. And that's the whole thing with industry," he said. "It provides jobs, and gives them a reason to stay. Dal-Tile represents 350 good paying jobs for kids from our high schools."

Contiguous County Recruitment

Weighing the matter financially becomes easier when the industry in question is large enough to employ a workforce from multiple counties. Those individuals not only help provide an industrial labor force, they also become customers for local retailers, creating tax revenue and employment, while adding little burden to city or county services such as educational, emergency, and judicial.

When the consultant spoke at the Clement Railroad Hotel Museum, he jokingly put a disclaimer on his comments. "I'm not trying to cut Nashville's employment files, but Dickson and contiguous counties are where (their) workforce is coming from. Why not offer those jobs here? It encourages me to see this many counties in this region (at this event)." He noted that

often, leaders from outside the immediately affected county don't understand the potential benefits of being a short distance away.

The county mayor recalled a study that was done with WorkForce Essentials. "We had to prove to Dal-Tile that we had the labor force to do this," he said. "Our guess at that time was that 50% of the workforce ... would come from Dickson County and the other 50% would come from contiguous counties or maybe as far away as Davidson or Perry.

"It just continues to make us a sub-regional hub for the Middle Tennessee Region," he said, "because we're serving counties to the west of us out here. It already happens now but continues to grow. Selfishly we like those dollars, because they are sales tax dollars. You can tell by going to Wal-Mart and looking at the (car) tags what Houston, Humphreys, and Hickman bring to us every day."

In his October 2015 presentation, the consultant got excited about the ripple effect of Dal-Tile. "You're already seeing it with the revenue generation that they're bringing in to support this plant and get it started. Wait till it gets going and you see what that sales tax does. Then it'll start showing from the property tax standpoint."

When it comes to employees from outside of Dickson, "we are funding our taxing needs with other counties' sales tax," said IDB chair. And the more the sales tax grows, the more stable the communities' property taxes become.

It all ties back to the size of the project and the number of jobs created, according to the city administrator. And with Dal-Tile the number of potential jobs was high. "If you remove the school system as an employer, Dal-Tile will be really close to being in the top employers in

town. You know those three hundred plus people will spend money here. So, we're looking at the very large picture."

The city mayor took "the large picture" a step further to include other towns in the county. "We're going to grow. We're right here at the interstate. We can all see growth daily now. But we want Burns to grow. We want White Bluff and Charlotte to grow, because if they're growing, that's good for us. If we grow, that's good for them."

The mayor continued to circle back to jobs. "You can drive Highway 70 through towns that are struggling, and I guarantee that most of them don't have jobs. Fortunately, we've got great industries that provide a lot of jobs, not only for our county, but for surrounding counties."

Implementing Regulation Changes

Even changes in local regulations help answer the question, "What's in it for the community?" The city amended some building height regulations, but did so not only because Dal-Tile needed it, but also because they were capable of supporting it. "We had new (fire) trucks and new equipment," said the city mayor. "And by changing that regulation, we're now getting a new hotel at the interstate, Fairfield Inn and Suites. That's going to be four stories. Not just two or three."

Expansion Opportunity - New Industry and Spin-offs

Aside from opening the door for new, more expansive structures, Weiss thinks that landing a company like Dal-Tile sends a subtle message. "It may have a positive effect on other companies that might be interested in moving. They may say, 'If Dal-Tile's there, maybe we ought to look at that community.' So again, that creates more jobs." And it doesn't happen by accident.

“You’ve got companies who supply Dal-Tile who are starting to think, ‘Do I need to be there? Do I need to be in an adjacent county?’ People really look the whole process, and we’re getting attention from others,” said the engineer.

He explained that leadership had been working to develop a partnership “with some of our surrounding neighbors who struggle trying to recruit jobs...they need to feel like they’re part of this, too, because they are.

“A lot of them have decided that they’re too far away from the interstate or they don’t have the infrastructure or they don’t have the political courage to go do something,” he said. “So, they’re willing to help us, because they know that some folks are going to live in Humphrey’s County, but come here to go to work. That helps them on the commercial (side) because at some point they may attract a supplier for a Dal-Tile.”

In his remarks at the museum, the site consultant spoke specifically to leaders from the contiguous counties who were present. “Dal-Tile will generate activities that you won’t believe for a supplier base. We probably won’t build a 400-million-dollar plant in Hohenwald, but we may build a 50-million-dollar plant in Hohenwald... The interstate for Dickson is critical... but (just) because you are (in) the contiguous county, have no thought that this is all about Dickson County; it’s not. There will be a lot of supply-based companies that will want to go out 20, 30, 40 miles and build other plants. This means you have to have the real estate ready.”

Property Taxes

Sometimes it's hard to explain how a community will win financially when the PILOT program doesn't require the industry to pay full taxes for 15 years.

"Even before we determined what the PILOTS would be, there were people out there saying, 'They're giving away the farm'," said the engineer. "The county mayor did a good job explaining it at the county commission when he said, 'Here's the amount of taxes we're collecting on that piece of property today, and that's zero'," because the county owned it and there was nothing on it. "Then he said, 'Here's what we're going to collect over the next 20-years and here's the structure,' and that was all based on that 180 million-dollar investment. So, when you break it down like that, it's easy," he said.

"There were a couple of commissioners who said, 'What if we brought in another industry, and they didn't have to have a PILOT?'

"The problem is, with any large industry you have to do a PILOT," explained the engineer. "It's not only an incentive, but with the state's Fast Track Grant there has to be a PILOT program. It's part of the local community's investment to say, 'Yep, we're willing to give up a little property tax money, so you (State of Tennessee) give up some tax payer money.' That's one of the incentives that the state requires." And in the long run, it's a win-win."

Negatives

Community officials also examined the negatives, including additional traffic issues and other problems that come with a growing population, but the biggest downside, according to Mayor Rial, "is going to be the traffic situation (because of) the trucks we're putting on the road. When they get in full production... they'll be putting out about 160 extra trucks, semi-trucks a day."

“I think the positives by far outweigh the negatives,” said the IDB Chairman. “We’re going to have more traffic; Highway 96 is going to have more traffic. If I lived on 96 I’d say that’s a negative, but ... not enough to stop the project.

“Another negative could be a strain on our school system if we get a lot of people moving in from surrounding counties to work here. But you know, that type of stuff ... comes with all growth.”

The city mayor echoed the IDB chair’s sentiment. “Of all the challenges that come with growth, they’re not nearly as bad as the challenges we’d have with no growth, because then you have lower sales tax revenues. Your services continue to go on. You still have to have fire, police, trash pick-up, streetlights and paved roads. So, it puts more (strain) on the property tax payment. So, dealing with the traffic right now is tough. Dealing with no traffic would be just as tough.”

When it comes to curing traffic ills inside the city limits, the mayor’s hands are often tied, because a number of the city’s streets are state highways. “We can’t do anything to state highways,” said Weiss. The city is involved a little on the planning end, according to the mayor, and the state will discuss problem areas with city officials, “but everything being done is by the state. The time frame is by the state. They contract it and everything.”

Where the city can alleviate some problems is with streets that feed into larger roads. “We have to make sure that our finger streets into those main state highways are adequate,” said Weiss, who added that the city has done “fairly well” in that regard, noting the construction of Beasley Drive, which connected Highway 70 to 46. “It’s real important, especially when you have a facility like Daltille coming ... you’ve got to try to keep your infrastructure aggressive.”

People and Time

It would be virtually impossible to document the thousands of man-hours and hundreds of details that make up the negotiating process between a major industry and the community where it hopes to locate. And it's easy to overlook the fact that negotiations are two-fold. They not only take place between the company and community officials, they also take happen among local officials themselves.

In the case of Daltile, those participating in negotiations included the county and city mayors, the city manager, the head of the Industrial Development Board and the chamber president. A year into the process, the chamber president relocated and local engineer who had already been active on the project, unofficially filled that position. It also included area transportation officials for roads, water and rail, as well as the heads of the local gas and electric companies.

"We have a standard, seven-year PILOT (Payment in Lieu of Taxes) program," said the county mayor, which affects the county more than it does the city, because our portion of property taxes is a bigger deal and they live off sales taxes." According to the county mayor, the city was interested in a 10-year PILOT for Daltile and the county was interested in a 15-year PILOT. Not only would the 15-year deal be beneficial to the county tax-wise, "once you set that standard (of a 10-year PILOT), how are we ever going to go back?" he asked.

He suggested a matrix with a seven, ten and 15-year PILOT. Dal-Tile's a 15; a garment company paying \$8 an hour, that's a seven. There may be some that fall in between, but let's just tell them we have a matrix. It's OK to be complicated, they're businessmen."

“Daltile came in first talking about phase one, maybe a phase two and three, and now they’re building phase one and two,” said the city mayor. “All that plays into the picture. I mean theirs was \$180 million investment.” And that sometimes makes negotiations more difficult.

Thankfully, local government isn’t flying solo when it comes to negotiations. The state evaluates companies before they offer incentives, and then the county and city both have to consider the nature of the company coming in as well.

Performance Goals and Incentives

The county attorney recalled that early on, lots of time was spent setting performance goals because “when you’re going to give incentives of the type that we were offering, then you want to know ... that the company is going to be providing jobs and benefits to the community that will outweigh what you’re giving them.

“The engineer and county mayor both spent a lot of time working with the site consultant as a go between with Daltile regarding what incentives were being offered, and then he would push for what Daltile wanted. They might get into some heated discussions about what we were or were not going to agree to, but the consultant was negotiating on their behalf.”

The site consultant was seasoned, and that can be both good and bad, but in the end, his experience gave him a feel for what his client would agree to and how far he could push community leadership.

One email the county attorney pulled up dealt with Dickson’s water authority and whether there would be a water tank in the future. “That would have a good impact on what we were

trying to do for an EDA (Economic Development Agency) grant to fund a part of the cost of the infrastructure,” said the attorney. “The consultant knew about a lot of those things, so he was pushing for those incentives.” And the list goes on and on.

Meanwhile, the company was also negotiating with the utilities: Greater Dickson Gas Authority and Dickson Electric System (DES).

Dickson Electric Service

“They asked a lot of, ‘What can you do for us?’ type questions,” said Dickson Electric System (DES) General Manager. “And that’s when we had to come back and figure, ‘OK, what value added items can we, as an electric utility offer that would incentivize a really good customer to come here?’ We were determined that we would do as much as we possibly could.

Dollar-wise, everything was close to at least \$250,000 or may a little bit more than that in the end, according to the DES GM. “But those are things ... that the electric utility was willing to invest in with this venture.

Stepping Out in Faith

There’s a good deal of “stepping out in faith” when it comes to landing an industry, and it’s not just the community that has to step out. The state and in this case, the federal government have considerable amounts invested, as do the local utilities and the industry itself.

“But the deal is, if you’re going to get industry, you have to do it,” said the county attorney, “because the alternative is, if you don’t take some of these risks and you don’t step out a little bit, then your community won’t get the industry. It’ll go somewhere else and you’re going to be reading the paper three years from now about how this company has opened and it’s doing great.”

Part Six – Mistakes, A Learning Curve

Because Dal-Tile is the largest industry to build in Dickson County to date, it’s fair to say that the experience posed a learning curve for community officials and other leaders.

“Some of the things probably weren’t exactly right, or we didn’t know, or we made a mistake, but we corrected it quickly and moved on,” said the engineer. “Sometimes it was a little slower than I would have liked, but it was always forward moving.”

Checks and Balances

As in many communities, the Chamber of Commerce is the direct contact on an industrial lead, and the head of the Chamber works that lead until the company is close to making a decision. That’s when the city and county mayors are alerted and become involved. However, after some oversights during the Daltille project, the city and county mayors restructured the protocol.

“We’ve asked that the city mayor and I be notified by forwarding us the initial email, which creates more of a check and balance situation,” explained the county mayor. In the past, the head of the chamber was the sole decision maker regarding whether the potential new industry

was a good fit for the community. “No one else would ever know or have any input on it,” he said. “So, our idea was to get people together ... because maybe we can make something work. Give us the details. You’re leaving a lot of expertise on the sideline if you don’t share with people.”

Another process change involved more opportunity for the local mayors to meet with company officials. The chamber director had generally held off on involving community leadership. But the mayors are good salesmen for the city and county. Their new roles are to get involved in negotiations and let industry know that the community really wants them.

Locating a Good Fit

After realizing that some potential industry might be getting away, the county mayor emphasized the need to continually get the community out to recruit. Much of this takes place courtesy of the chamber.

The chamber is independent, but the city and county combined fund almost 66% or \$250,000 of the Chamber’s budget, about \$350,000 a year. It’s not really the Chamber of Commerce, it’s the Chamber and Government of Commerce. Between appointments and financing for the chamber and the IDB, the city and county play a large role and have a responsibility to oversee what the chamber is doing and that they’re acting in a prudent way.

Personalities

“One of the great things that we learned from this process was to come together as a group,” said the county attorney. “We erased that city/county, north/south divide and worked as one unit.” Attending the more important meetings as an alliance made a big impact. The attorney described one gathering where “there was gas, electric, TVA, the city mayor, city administrator, county mayor and me from the county plus the engineer, staff members, and the Daltile folks and state folks. It was a big group, but the county mayor was able to look over and say, ‘Well that’s going to be in the city’s hands. Is that going to be okay? Is the council going to approve that?’ And the city administrator would chime in, so, things were able to keep on moving.”

,In the final big meeting, everyone was playing his or her role and nobody cared who was standing in front getting credit. Someone got to get up and sold the technical part. Someone else sold the incentives. “It’s about everybody dropping their guard and just getting it done,” said the county mayor.

Honing Their Skills

After Daltile announced their intentions to come to Dickson, another large industry came calling and the community worked hard to land` them. But the area had two things going against it, which, according to the engineer.

“First, we didn’t have a piece of property, because our industrial park is pretty full,” he said. Not to be outdone, they went to a private owner who has a large farm. Dickson worked out a deal, but when the company started to evaluate us, they passed up Dickson. But community’s leaders have learned to be more tenacious.

They figured out what it would cost the industry... and what the community could offer them. "The company came to visit a second time to explain that they weren't locating in Dickson, but we had all of our facts and figures, so when they left, they said, 'You know what? You all are in the top three now.'" The county had gone from 12 to three, because of what they'd learned on Dal-Tile. They improved their negotiation skills because they learned what an industry would require, plus, nobody gave up.

Land Shortages

The problem of Dickson County's lack of industrial land is a bit of a misnomer. There was plenty of available land, but it had not been identified, a price had not been negotiated and it had not been purchased.

In the case of Daltile the site worked, but it was nip and tuck for a while. Their plans continued to expand and eventually, "the site didn't fit anymore, it became too small for what we wanted to do," said the consultant. So, they had to cross a creek and get to another site making the process far more difficult than it would have been with one single, large tract of 400-500 acres.

After the successful Daltile negotiations, the consultant encouraged leadership to "get away from the method Dickson used to grow its original industrial park. "This community should have at least two, 500-acre sites," he said. Otherwise, how can anyone recommend it?

Leadership took the site consultant at his word. "We're pretty close. We've identified several places," said the engineer. Leadership has worked on it for about a year now, looking at parcels and where water and waste water systems are located, as well as where rails are and more.

Environmental Concerns

Still reeling from the fallout of the Scovill-Schrader Automotive environmental catastrophe and subsequent lawsuits, local officials were guarded about Project Falcon's product(s), waste, and other environmental concerns. Fortunately, they were able to figure out the company's identity early on and research their environmental history.

"We were extremely environmentally conscious about what they were going to put into the air ... but now that's not a concern," said the county mayor. "It will be steam and nothing that even gets close to any TDEC or EPA standards. After going through that in this community, I'll always be sensitive to it."

Conclusion

When it comes to the key to this industry locating in Dickson it's all about "the teamwork between the utilities, the city, the county, the Industrial Development Board, all working together. everybody was just sort of laying their cards face up on the table and it worked pretty well." But it was also about learning from mistakes.

Now leadership understands that industry is vitally concerned with the education system, the work force, how the community is training people or retraining people for new operations. The group also realized that the railroad is like winning a gold ticket. It's incredibly valuable.

Finally, leadership now knows that the time to search for land is now. And that is what is happening in Dickson County.

Applicable TCED Coursework:

- “Basic Finance Course”
- “Marketing and Attraction”
- “Tennessee Fundamentals of Economic Development”
- “Problem Solving and 8-D”