



BRAVE NEW CITY

Leveraging USDA Grant Funds to Contract with Retail Consultants in
Order to Develop a Retail Development Strategic Plan



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Impetus – Introduction

The City of Savannah (City), like many communities across the state, participates in the local collaborative economic development structure that focuses on recruiting industry to the community. Locally, the Savannah Industrial Development Corporation (SIDC) collaborates between the City (naming entity) and the County, as allowed under Tennessee Code Annotated (TCA), to address economic development for the community. The City of Savannah has found itself in recent years becoming a commercial and retail hub for the surrounding small communities, but without an organization available or able to handle the data analysis and relationship-building necessary to successfully pursue retail development.

The realization by City leaders (elected Board of Commissioners, with the City Manager and Assistant City Manager) was that what retail exists in Savannah is mostly due to individual corporate strategies or attempts by local citizens, whom lack access to market data, to open a business as they diagnose needs. The retail market that exists was not planned, and it lacks data and explication to understand and recognize needs. Sales tax proceeds are commonly referred to as the “bread and butter” that enables cities to collect meaningful revenue for their general purpose funds without having to gain those revenues through increasing other taxes and fees that often carry very negative political connotations. In order for the City to better understand, and, therefore, be able to better serve the needs of citizens and visitors by the most cost-effective means possible, the City needs data and experience at the ready. Data and retail development knowledge comes from years of experience by professionals that have the proper tools and information at their disposal. The City would be able to have economic development capabilities quickly and efficiently by hiring a firm that has relationships with developers and potential businesses at the ready while staff is able to learn the process from experienced consultants.

Outside of the minor, though growing, function of the Savannah Main Street Program as promoting and economically restructuring downtown and a Tax Increment Financing (TIF) project, the City has never directly engaged in economic development. The TIF project was a major undertaking, as one of the first projects of its sort in the state and the City was successful in luring a Lowe's Home Improvement store to coincide with the moving and upgrading of a Wal-Mart Supercenter. There were several other businesses that located in the out parcels of the Wal-Mart lot whose expansion plans appear dependent on the location of a Supercenter. The City saw an uptick in sales tax revenue of 17% in the first year after both stores opened. The TIF project was splendidly successful, and City leaders have put great consideration into applications where another TIF may show promise, yet other such projects appear bleak due to difficulties with the City's infrastructure and topography.

Cities in Tennessee by and large depend on sales tax revenue from retail transactions in order to provide necessary services to citizens. The economic environment of the past few years has brought attention to the instability of that revenue source. Citizen services and lifestyle are dependent upon retail development and expansion. The City of Savannah's leadership seeks, as the Athenian Oath states, to "transmit this city not only not less, but greater, better and more beautiful than it was transmitted to [them]." For a greater city to be transmitted, growth, prosperity, and an increasing quality of life must occur. The City has invested in world class park facilities and beautification of and ease of access to residential and commercial districts, but has not paid attention to the retail market. Each of these areas need consideration to complete the whole picture of building a better city.

Over the past few years, various community stakeholders have made it known that our retail market area has not been given proper attention and opportunities to attract new businesses

that fill market voids have been missed. The leadership for the City believes the time to be appropriate to enter the economic development arena from a retail standpoint. The City seeks to be efficient and effective with the people's resources so additional staff will not be added to the payroll, rather for a fraction of the cost, a consultant may be able to fill the City's experiential need. Retail consultants, partially funded through grant dollars, shall be the impetus that will provide the City with the knowledge and skills necessary for the City to become involved with retail development.

Context through Data – About the Community

The City of Savannah is a progressive community that is set in a poor rural area of Tennessee. The City serves as a retail and commercial hub for the surrounding areas. The city has 7,105 residents as stated in the 2013 census estimate, which shows growth of 1.8% over the 2010 data set. Median household income is estimated at \$30,323, which falls \$14,000 short of the state estimated average income of \$44,298. The Cost of Living Index ranks the City at 81.6, which is nearly 19% below the national average. The latest Census data indicates sales of over \$261,000,000 in 2007 which provides the justification for identifying the City as a regional retail hub, with retail sales per capita of \$35,993. This figure is nearly triple the state average of \$12,563. Accommodation and food service data sets also provide the setting of the City as a tourism destination with over \$2,813 in per capita spending, outpacing the state average of \$1,635 by nearly double.

Savannah has been fortunate to see steady economic growth of small retail and commercial small businesses over the past several years. While this data makes a good case for Savannah already being a regional retail hub, the City's leadership thought it imperative to hire a consultant

in order to increase the success of existing businesses and explore gaps in the local retail market. As the population and employment rate grows, documented by census data and West Tennessee Workforce Development Board data, retail will also expand. The City sees a need for having a more active role in facilitating the expected retail growth.

Hardin County has one of the lowest unemployment rates for the region, which is stable at 8.2%, the Industrial Park is completely full, and several local companies are adding employees. The City has considered trends for retail expansion and the undesired possibility for a slow rate of growth. City leaders understand Savannah's lower income levels would typically correlate to a slower growth rate, yet due to the regional draw of the local retail market, a much wider net must be cast in order to understand the implications for future growth. Savannah serves as the crossroads and nearest largest retail market for area visitors due to our proximity to Shiloh National Military Park, Pickwick Lake resort area, and our identity as a retirement community. Shiloh logged 524,778 visitors last year, many travel there through Savannah. The Cherry Mansion in downtown Savannah was the headquarters for General U.S. Grant during the battle, therefore Savannah is a boon to heritage tourists. Pickwick Lake has many summer, weekend, and full time residences; there is also a state park with an inn. Savannah is a certified Tennessee Retirement Community that is marketed as a new home destination to retirees across the nation. The City was ranked ninth (9th) in the nation for retirement tax friendliness by SmartAsset.com in September of 2015. Savannah offers an attractive place for visitors, but more is needed to maintain the complete lifestyle conveniences that young families and retired couples both seek.

Stakeholders in the community have noted the interest of several retail development opportunities in the past few years that for various reasons never actually developed. City leaders realized after the fact that something was attractive about our community for these businesses to

look at expanding here, but something was missing for us not to end up with an investment in the community. The City and development organizations haven't been organized appropriately to know what companies are interested in Savannah and how to make sure that the proper data is provided to augment the prospect's interest. City leaders knew there was more to the story, and the City did not possess the tools required to meet the needs of interested investors. City staff understands that the community's number of rooftops and income levels typically may not make sense for expansion formulas, but there are many other factors that can be highlighted to capture the whole picture so that future retail opportunities are not missed.

Structure and Authority – About the Organization

The City of Savannah operates by Private Act of Tennessee Code Annotated under the Manager/Commission form of local government. The City Manager is responsible for the day to day business of the City and acts in fact as the Chief Administrative Officer. The City's governing body is the Board of Commissioners, all elected at large through a non-partisan process. The elected Board of Commissioners selects the Mayor from among themselves to run meetings of the Board and to serve as the figurehead for the City. The City has 107 employees, none of which are dedicated to economic development. In recent years, as the City's leadership has paid more attention to the importance of being represented in the retail development market and to proactively pursue development, the Assistant City Manager (ACM) has been able to take on a growing role in economic development.

The Assistant City Manager has an existing role in the community for economic restructuring via serving as the Executive Director (mandated) of the nationally and state accredited Savannah Main Street Program, and through a focus on seeking and implementing

quality of life (lifestyle) improvements across the City. Through the ACM's discussions with other similar cities' leadership a trend of cities using retail consultants to supplement their data explication and marketing toward retail and commercial development was discovered. The Assistant City Manager has been charged with leading the City into economic development, and thusly he is seeking to become a Tennessee Certified Economic Developer through UT/CIS.

Once successful cases of cities partnering with retail consultants were identified across the state, namely with Farragut, Tullahoma, Lewisburg, Spring Hill, and others, the City of Savannah's leadership charged the Assistant City Manager with further study of opportunities for recruitment of such a firm and for funding such a venture.

The ACM and one of the elected Commissioners attended a TVA hosted panel for retail development moderated by Melissa Halsell, Program Manager for TVA Economic Development. The panel included representatives from Buxton, Retail Coach, Retail Strategies, ICSC, and real estate and development corporations. The panel discussions served as a stimulus for the City of Savannah to know what direction should be pursued.

Seeking an Active Role – Opportunity and Need

Retail that exists in the City is here due to fortune – there's nothing that the City did in particular to attract businesses to the community. There has not been a concerted effort to attract retail, which has reduced the competitiveness of the community. When a building is being prepared for a new business, people's curiosity is piqued as they wonder what it is, who is opening it, and then wondering if it will be successful. In the past two years, the City has seen many businesses close their doors, or expand out of rental spaces, building their own, which is leaving many gaps in shopping centers. While the closures are quite noticeable to patrons and passersby, the City is

looking for reasons, data, and market trends to identify the patterns. Currently, the City lacks the capability to identify a failure rate by lack of staff and experience. Retail consultants would aid in collecting this data so it can be understood and hopefully addressed in the community.

While the closing of businesses may be alarming to some, the City has actually noted an increase in sales tax revenue, showing that the successful businesses are performing better while the failures are not causing a noticeable hit on the City's revenue. But even more curiously, why are people opening businesses that are not becoming successful? City staff has to consider that due diligence in market analysis was not performed and who else other than the City could, rather, would provide that service throughout the city limits? While this market data is not easily accessible, it can be identified by experienced professionals and could be used by business owners for better results and understanding of their market. Businesses fail for many reasons, but having proper market data at business owners' disposal shall help mitigate market forces and create a better understanding on how to meet community needs. The City would be happy to provide this as an enhanced service to see the business community flourish.

In order to enhance and further advance the economic development efforts of the City of Savannah, it has become necessary to seek professional service assistance from an agency with the experience and expertise to assist the City of Savannah in a full retail marketing analysis and retail recruitment strategic plan. Based on the consideration to hire professional retail strategy services, the City of Savannah has invested \$22,000.00 of a \$42,000.00 service contract, the remaining \$20,000.00 was covered by the RBDG to complete the first of an anticipated three year service contract, the second and third years being fully funded by the City.

The first year of service will develop the Retail Marketing Analysis consisting of demographics of the City and trade area, customer/consumer identification of the City and trade

area, peer-review of other similar cities and a retail matching matrix based on the previous information obtained. Also, the first year of the service will develop a Retail Recruitment Strategic Plan that will focus on those retailers that best match the City of Savannah and its trade area. Years two and three of the project will update the data obtained in year one and revise the strategic plan and recruitment efforts accordingly.

Based on the investigation by the City of Savannah to obtain the remaining \$20,000.00 needed to fund year one of a consultant's contract, it became apparent that the United States Department of Agriculture (USDA) Rural Business Enterprise Grant (RBEG) was the most appropriate and most obtainable source for these remaining funds. The grant was renamed Rural Business Development Grant (RBDG) during the process. The constraints on local government budgets, especially a rural local government such as the City of Savannah, dictates that for a project of this type it is a best practice to seek grant funding such as the USDA RBEG.

The City of Savannah is poised to grow its industry and commerce base, as well as its population and its tourism capabilities. The City desperately needed the assistance of the grant to take full advantage of the projected economic growth. The City of Savannah shall use the grant to assist it in its efforts to further the economic health and well-being of its community and citizens.

Enough to be Dangerous – Applicable Coursework

Coursework throughout the University of Tennessee Center for Industrial Service's Tennessee Certified Economic Developer program has been instrumental in the development, administration, and efficacy of the City of Savannah's project. The strategic planning course instructed by Dr. David Kolzow reinforced the leadership of the City of Savannah's rationale for the need of a strategic retail development plan. The development of a plan, as Dr. Kolzow put it,

“provides an opportunity to focus on the forest rather than the trees.” The City prides itself on recently placing a focus on improving the quality of life for area citizens and a natural extension of that is a focus on improving the standard of living and business activity in the City. The City’s leaders were not simply interested in finding and filling market voids, but wanted the strategic plan and retail consultants to address current needs. The business retention and expansion course taught the importance of starting with what you have. The City wishes to keep the wonderful businesses that are already invested in the community and seek ways that those businesses may be able to increase their revenues and in turn the number of jobs available in the community.

The City’s only real involvement in economic development was ultimately successful, but one feat does not make a strategy. The City used Tax Increment Financing (TIF) as incentive to attract a Wal-Mart Supercenter, Lowe’s, and associated retailers. The economic development finance course provided information on the most important tools that economic development agencies have at their disposal to make their community attractive to economic activity and development.

A portion of the new affiliation with retail consultants that staff is aware of, but most likely will not come into play until year two or three of the contract, is the relationship building that needs to take place between the City and developers, land owners, and real estate firms in order to seek positive results for the community. The real estate development part of the coursework was instructed by Laura Hudson of Retail Strategies, the firm that was chosen as the City of Savannah’s consultant. The City expects that the consultant will play a major role in developing or coaching the City on best practices for building the necessary real estate development relationships that will work towards the City’s goals.

All the Cool Kids are Doing It – Trends and Experiences

In the past four years, there has been growth in the use of retail consultants by municipalities. One retail consulting firm has experienced year to date growth of new clients at a rate 29 times greater than their 2011 figures. Only a few years ago, retail marketing development consultant firms were all but unheard of to city managers and elected leaders. The trend of retail consultant use is readily identifiable through the increase in discussions with city leadership across the state and as retail consultants have become participants in most of the economic development and municipal conferences held throughout the state.

Before the City of Savannah entered into the idea of hiring a consultant, it was pertinent that the City's leadership understood the potential and saw that the strategy is successful for other cities. The City's leaders spoke to other similarly situated and trusted city leaders over the course of a year to validate that the strategy was working. City leadership spoke with the City Administrators of Farragut and Tullahoma, among several others, and they had nothing but positive experiences and some successful recruiting stories to share about their use of retail consultants. Looking at a map on Retail Strategies website, one can see the retail and commercial businesses that have been added to communities in the past year. The results for others were clear to the leaders of the City of Savannah and that opened the path to begin its own process.

While communicating with other communities and seeking their opinions on whether the relationship with retail consultants was beneficial and positive for the community, City staff discovered examples of two communities in middle Tennessee creatively using USDA Rural Business Enterprise Grants (RBEG) to fund a majority of the consultant contract cost. The Assistant City Manager also revealed that no one had attempted such a creative use in west

Tennessee. Since the USDA offices are regional, the City had an uphill discussion with the regional USDA representatives to allow the City to apply for the use of funds to hire consultants.

Give It a Name – Project Description

The name of the project is quite descriptive; “Leveraging USDA Grant Funds to Contract with Retail Consultants in Order to Develop a Retail Development Strategic Plan.” The leadership of the City of Savannah recognized a need that could make a great difference in the community, and after learning of successful examples, saw that it could be implemented in a similar fashion locally. Always seeking efficient and equitable means for improving service delivery to constituents, the City sought first to find alternative funding mechanisms in order to contract with retail consultants. Realizing that there was no local involvement, or at least not nearly extensive enough, with seeking and obtaining retail development, the City sought to fill the experiential gap through consultants.

Responsible Parties – Who is Involved

During the course of the project, which is only in the early stages, the Assistant City Manager has been given the lead on the project, while keeping the City Manager and elected officials informed of developments. The hired consultation firm and their staff, of course, play an integral role during the project, as well as the staff of the regional USDA-Rural Development (RD) office who is responsible for administering the grant funds and paperwork. As the project progresses, City leadership expects a growing role for local businesses to be involved once the proper analytics to share with how they may be able to expand to meet market needs have been

attained. Property owners and developers will also need to be involved in site and business selection processes.

The Aim – Goals and Objectives

The goals of the project will be evolving and ongoing as necessary to continuously attempt to meet changing market needs and some goals have already been met. The first goal of the project was to obtain grant funding, which would decrease the City's expense hence making the relationship more attractive politically. When the City understood that it would be receiving the grant, staff began developing a Request for Proposals (RFP), and in accordance with the City's procurement procedures, advertise a public notice and select consultant based on a competitive process. Once RFPs were evaluated, the highest scoring, and hence, best fit for the City's criteria was offered the contract to become the City's consultant. After the consultant was hired, they performed a tour of the City's retail scene and began collecting early data.

The next goals for the relationship will involve data explication tools, developing relationships with key players, property assessment, business assessment, and development of the strategic plan. This will not be a static plan; one must evolve as consumer needs and market forces change and so steps have been identified in the contract to keep the data and plan fresh. The City has set clear goals throughout the processes to keep development of the project on track.

It's on Our Side – Timeframe

The thought was that once grant dollars were approved, Savannah would begin the process to contract with a retail consultant who would then begin the process of developing a retail strategy program for the City. This process was estimated to take six to seven months once the grant was

awarded. However, the USDA began changing the RBEG (now RBDG) program and combining it with another similar program after the application was accepted, so what should have been announced in December 2014 was actually delayed for several months. During the delay, the USDA made many subsequent requests for information and signatures that were not part of the original program. The USDA instituted program changes retroactively, causing the entire application process to be delayed for further review and introduction of new procedures.

The award was not announced until May 2015, but by that time the City had received adequate reassurances that the application would be awarded and that the reimbursement grant would apply retroactively. The City moved forward with the RFP process in December 2014 and awarded the contract by resolution of the Board of Commissioners in April 2015. The contract was signed for an initial period of three years beginning in April 2015 and ending in March 2018.

During the contract, the consultant will deliver analytics that include: demographic research that will identify and classify citizens into recognizable categories, tapestry lifestyles that will explain purchasing trends for each of the classifications, and retail GAP data that will show where retail opportunities may exist – that is, where needs are currently not being fulfilled. The consultant will also deliver retail peer data for lodging, thematic mapping and aerial imagery of trade area to identify potential development hot zones, and consumer attitudes and behaviors in order to identify tendencies. Other deliverables shall include a market maximization summary and strategic leasing plan for local rental properties, identification of priority business categories for recruitment and/or local expansion, and retailer recruitment and execution of the retail strategic plan.

The consultants will perform necessary data analytics that will lead to the development of a retail strategic plan during the first year. The strategic plan will begin execution in years two and three of the initial contract.

Insofar – Results

The results in so far as time has allowed are that the USDA RBDG grant has been awarded to the City, at a lower than anticipated grant amount of \$20,000, leaving the City responsible for \$22,000 on the first year's contract amount. City staff completed the competitive procurement process and awarded the contract to Retail Strategies of Birmingham, Alabama. The City received reimbursement from USDA of their total grant amount in August 2015. The consultant has begun work by representing the City at the ICSC Las Vegas Convention in May 2015 by creating a marketing brochure and has started analyzing data by performing a boots on the ground (BOG) tour of the City. Retail Strategies presented their initial data findings to the Board of Commissioners in August 2015. The City will be providing input as data continues to be gathered and analyzed toward the development of the strategic plan by the consulting firm over the coming months. The City looks to incorporate the retail development strategic plan in City operations by applying the plan to codes and zoning uses, and to make steps towards becoming an engaged participant in local retail and commercial development. City leadership hopes to cultivate an economic development apparatus that could serve existing businesses, identify and recruit businesses to fill market voids, and to offer incentives for development, in the next few years.

Though the project may meet the spirit of the Rural Business Development Grant, the reduction of grant dollars and the complications added by the USDA changing the program after accepting the City's application, the project may have been expedited by finding another way to

fund the first year of the contract. The process was wrought with delays, added work on behalf of the City's staff, and the grant amount was far less than anticipated. The delays also caused the City to miss a deadline that would have allowed materials to have been developed by the consultant to represent the City at the annual International Council of Shopping Center's conference, yet the end goal for the grant process was ultimately accomplished between City and USDA staff.

Hindsight – Outcomes and Lessons Learned

Without creating a new economic development board and hiring a qualified professional to run such a program, perhaps a more efficient and economical way a City can add professional staff in order to enter the economic development arena is to hire a consulting firm and place strict deliverables upon said firm. A lesson learned through the course of TCED training is of the steep learning curve necessary to implement such a plan and that a City simply cannot go it alone from the onset.

Retail and commercial growth helps the City improve its citizens lifestyle while adding to the public coffers, in turn, continuing to pay dividends by reinvestment in the community infrastructure. Cities across the state witnessed a downturn in sales tax revenues in the past few years and see the need to take charge of their retail and commercial development opportunities. Communities depend on sales tax revenue to provide for the needs of citizens and visitors. The City playing a role in understanding who its citizens are, what they want, what they need, and understanding their economic capacities enables the city to plan and be active in the growth of the community. Communities and markets are constantly changing, so resilient leadership is necessary in steering and addressing growth instead of simply allowing, or, as is the case in many communities, hoping for growth.

Many businesses open without proper business plans, without proper capitalization, and without proper data to support their business model. When a business fails under such circumstances, it is a tragic occurrence. The aftermath of such a failure typically includes the loss of someone's life savings, the loss of morale in the community, and the loss of community resources that could be utilized in other capacities. The City aims to improve existing businesses by providing a strategic plan backed by solid data that can be used to better identify the needs and capacities of the community and how to increase market share. Citizens deserve a business climate that allows the entrepreneurial spirit to excel where possible, and in the least create an atmosphere that is conducive to businesses being able to identify, understand, and meet the needs of the community for mutual benefit. Not only should the already existing businesses have these tools placed in their hands, but the City will also be able to identify market voids and enable citizens to make better investments in emerging markets, growing the business community. The City of Savannah seeks to engage the community from an economic development perspective in order to lead citizens to greater wealth and a better lifestyle, painting a more complete picture to enhance quality of life.