

TCED Capstone Project

Improving Industrial Product Readiness in Hamilton County Through a Certified Sites Program

Lindsay Hiatt, Project Manager
Chattanooga Area Chamber of Commerce
August 19, 2015

Introduction

Chattanooga/Hamilton County has a significant lack of vacant property suitable for industrial projects and the recent resurgence in manufacturing, coupled with the Southeast's growing automotive sector, has limited the availability of industrial sites in our county. This case study will explore how this issue can be addressed with site certification by:

- demonstrating the benefits of participating in an industrial site certification program, specifically as it relates to brownfield redevelopment.
- identifying a process for local governments and economic development practitioners that encourages them to proactively review, assess and prepare industrial sites, as no mechanism for such collaboration currently exists.
- making clear the various criteria necessary for “shovel-ready” industrial sites.
- demonstrating the impact a new job-creation project could have on the community immediately surrounding the site.

This paper will also explore the merits of choosing to certify an urban infill/brownfield property, rather than a greenfield property in a suburban area.

Background

In the last decade, Chattanooga, Tennessee has made a name for itself among site selectors and is often short-listed for projects based on our community's past experiences and recent successes. However, our lack of viable industrial sites results in our community frequently being passed over for large job creation projects.

Before Chattanooga's economic development efforts shifted to the Chattanooga Chamber of Commerce in 1998, Partners for Economic Progress (PEP), a public-private economic development agency, was charged with promoting industrial development in the city. Even thirty years ago, economic development practitioners in Chattanooga understood the importance of marketable industrial sites. In a 1986 story documenting the almost ten years of planning and development work it took to prepare Hamilton County's Centre South Riverport/Industrial Park, Jim Jernigan, an industrial recruiter for PEP told the *Chattanooga Times*, “We've got to make an investment in the future. We've got to take a risk. There's no point in having a marketing program if you don't have something to market.”

Subsequently, in the late 80s and early 90s, local governmental entities invested heavily in developing industrial parks throughout Chattanooga and Hamilton County. Today, however, all seven industrial parks developed by the city and county are full except Enterprise South

Industrial Park and Centre South Riverport/Industrial Park. While these two parks have a number of smaller parcels available for development (totaling 61 acres and 76 acres, respectively), there is not enough contiguous acreage for attracting major industrial/business projects.

Because of this absence of product in our community, the Chattanooga Chamber often resorts to submitting sites that will require re-zoning, or sites on which costly environmental remediation must occur. For example, every remaining publicly-owned industrial site over 20 acres in Chattanooga has on-site wetlands that require 4-6 months of permitting. Most companies are unable (or unwilling) to delay construction for that period of time, which jeopardizes the project.

Realizing that this lack of viable industrial property could impede future economic growth, I and other Chattanooga Chamber staff did a thorough review of properties in Hamilton County using the following criteria: sites larger than 20 acres, currently zoned for industrial use, located outside of the flood plain and with available utilities. After reviewing 77 possible sites, it was determined that only four sites were feasible for industrial development.

Of these four sites, the first was partially located in the floodplain with \$10-15 million in site development costs, the second was under contract by a residential developer, and the third would soon be developed by Volkswagen. The last site, a 40-acre lot in one of the county's industrial parks could be developed for industrial use but required extensive wetland remediation. The outcome of this study demonstrates the challenges that Hamilton County must overcome in order to meet the needs of expanding and relocating businesses.

A Potential Solution

In March 2014, the City of Chattanooga entered into a contract to purchase a former housing development (Harriett Tubman Homes) from the Chattanooga Housing Authority with the sole intention of converting the property into an industrial site and locating a large employer there. The Chattanooga Chamber fully supports the acquisition and redevelopment of this property and is committed to aggressively marketing the site to consultants, site selectors and prospective companies through our economic development programs.

To further promote the property, the Chamber decided to partner with the City and participate in the Tennessee Department of Economic & Community Development's Select Tennessee Certified Sites Program. We believe that having the Tubman Site recognized as the first "Select TN Certified Site" in our county will assist in the effort to transform the property and will benefit the surrounding East Chattanooga neighborhood through the creation of jobs, capital investment, and an improved environment for economic activity.

History of the Tubman Site

The Tubman Site is one of Chattanooga's most notorious pieces of property. The Harriett Tubman Homes, formerly known as Boone-Hysinger Homes, were developed in 1952 for middle-class white workers. During the 1960s, the neighborhood shifted and became mostly African-American. According to the *Chattanooga Times Free Press*, the Ku Klux Klan's Chattanooga headquarters was located near the public housing site at the corner of Dodson and Glass streets.¹

In 1985, Harriet Tubman Homes had the highest crime rate in the entire city of Chattanooga.¹ Because of this, a group of women who lived in the housing development started a neighborhood association to combat the crime, and as a result, saw new life breathed into the neighborhood. By the late 90s, however, members of the coalition had died or moved away and the neighborhood again fell on hard times. Gang violence and drugs became commonplace.

During this time, the housing development continued to fall into disrepair. A 2007 assessment conducted by Bradfield, Richards, Rhodes & Associates Architects stated that it would cost \$20 million to bring Harriet Tubman "up to standard" and \$33 million to "put the site in good condition."²

According to Naveed Minhas, the Chattanooga Housing Authority's vice president of development, lack of adequate funding led to deferred maintenance which led to deteriorating roofs, walls and foundations, and serious problems with sewer and water.³ This eventually led to the Chattanooga Housing Authority's decision to sell the housing development and relocate the residents.

The City of Chattanooga purchased the property in 2014 and there is now a renewed focus on the Tubman Site as Chattanooga's mayor Andy Berke makes the redevelopment of the site central to city hall's economic development efforts. That, coupled with interest by other community organizations, makes this East Chattanooga neighborhood ripe for revitalization.

However, without a permanent occupant for the site, many fear that the neighborhood could return to crime once again. As one former resident explained, "In Harriet Tubman there has always been a connection between the community organizers and the drugs. When one goes up, the other goes down. One of them will always rule this community."⁴

Evidence of Need for a Certified Site in Hamilton County

As stated, Chattanooga/Hamilton County has a significant lack of vacant property suitable for industrial projects. When redevelopment has been completed on the 36-acre Tubman Site, it will be one of only two rail-served sites over 30 acres zoned for manufacturing in Hamilton County. (The Chattanooga Chamber is currently working with at least 10 companies looking for 30+ acre sites.)

Due to the recent expansion at Volkswagen, Chattanooga is seeing increased opportunities in the automotive sector as we attempt to help localize Volkswagen's supply chain. Having an inventory of industrial sites suitable for automotive suppliers with proximity to the Volkswagen plant is essential to this effort.

In addition, the Chattanooga Chamber of Commerce has a robust pipeline of prospect activity that clearly demonstrates the need for additional industrial property:

- Advanced manufacturing (17 projects)
- Automotive manufacturing (11 projects)
- Call center/data center/back office (10 projects)
- Plastics manufacturing (6 projects)
- Food and beverage manufacturing (5 projects)
- Warehouse/distribution (1 project)

What's more, our industrial real estate deliveries and construction are very low. According to Co-Star's Chattanooga Industrial Market Report, "During the second quarter 2015, no new space was completed in the Chattanooga market area. There were no new buildings completed in the first quarter 2015, nothing completed in the fourth quarter 2014, and nothing completed in the third quarter 2014. The only project under construction at the end of second quarter 2015 was Volkswagen Phase II Expansion, a 643,039-square-foot building with 100% of its space pre-leased."⁵

Benefits of Participating in an Industrial Site Certification Program

According to *Site Selection Magazine*, "Site certification remains one of the most effective site marketing tools for economic development professionals desiring to create a competitive advantage in successfully locating significant manufacturing operations. For corporations desiring to locate manufacturing facilities, access to certified sites presents a unique site screening advantage that reduces overall site location risk, saves time, and reduces site development costs."⁶

Economic development practitioners in Chattanooga particularly understand the importance of site certification when it comes to readying a brownfield site for industrial development. Our

previous experience with TVA's Megasite Certification Program resulted in Enterprise South Industrial Park (a brownfield jointly owned by Hamilton County and the City of Chattanooga) being awarded the designation of "Certified Automotive Megasite" in 2005.

Enterprise South, the former Volunteer Army Ammunition Plant (VAAP) was previously used for the production and storage of TNT by the U.S. Army. The VAAP manufactured and stored TNT beginning in 1943 and production ceased in 1977. In 1997, VAAP was determined to be excess property by the federal government and in September 2000, the City of Chattanooga and Hamilton County partnered to purchase the first tract of property (940 acres) for industrial use. Subsequently, the city and county acquired another 2,000 acres to add to the site.

Recognizing the need to create a marketable industrial site, local, state, and federal governments worked in concert to develop an action plan to ensure the environmental suitability of the property for future industrial use.

The Chattanooga Chamber of Commerce, along with city, county, state and federal governments devoted significant resources toward developing Enterprise South into one of the nation's premier industrial parks. Over the next several years, considerable improvements were made to the property including adding sewers, constructing an entrance and adding an interchange off I-75 which connects directly to the park.

In 2005, Enterprise South became the first industrial site in Tennessee to be designated a "Certified Automotive Megasite." The announcement was lauded by local leaders and deemed critical to recruitment efforts.

The TVA Megasite certification program was extremely comprehensive, involving a 242-point questionnaire and requiring multiple studies for environmental suitability. Several months were spent collecting and documenting information from the federal government, numerous environmental remediation actions were undertaken, and at the completion of the project, no further action was required with regard to groundwater. The city and county removed all storage bunkers (97) from the property and two railcar loading platforms.

Finally, in July 2008, the efforts of the certification process culminated in Volkswagen announcing Enterprise South as its headquarters for North American manufacturing, hiring 2,000 workers and investing \$1 billion in the industrial park.

Because of our efforts with Enterprise South and the Volkswagen site, the Chattanooga Chamber of Commerce understands the importance of site certification for the Tubman Site and we understand how having the property certified for industrial development will assist in our marketing and recruitment efforts for the site.

Understanding the Criteria Required for a “Shovel-Ready” Site

A review of several states’ certified site programs⁷ revealed the most common criteria for a certified industrial site were divided into four distinct categories:

1) Property Details

- Ownership (public ownership or an option held by public entity required)
- Clear title
- Boundary survey
- Established price
- Industrial zoning classification

2) Site Characteristics

- Flood plain designation
- Topographic survey
- Aerial photography

3) Environmental Documentation

- Phase I Environmental Assessment
- Geotechnical investigation
- Wetland and stream delineation (Some programs require mitigation; other programs only require a plan be put into place.)
- Cultural resources investigation
- Endangered species investigation

4) Infrastructure

- Roadway accessibility
- Availability of utilities (Some programs require utilities to the site; others only require a plan for bringing utilities to the site.)
- Railroad accessibility (Rail access is required for some states’ certification programs; other states, including Tennessee, give an additional designation for rail-served sites.)

I have participated in a site certification process for both a greenfield site (Select Tennessee Certification for Centre South Riverport/Industrial Park) and, as mentioned earlier, a brownfield site (TVA Megasite Certification for Enterprise South Industrial Park), and can say with confidence that the major hurdles for achieving certification for Enterprise South (wetland mitigation, stream relocation, archaeological issues, and air quality attainment) could just as easily have presented themselves during the certification process for a greenfield site. In fact, we were unsuccessful in our attempt to certify Centre South because the county did not have funds at the time to pay for a Phase I Archaeological Survey (required for Select TN certification).

Though conventional wisdom is that greenfield sites are easier to certify for industrial development, in my personal experience working through two different site certification programs for two different types of property — there was not much difference in the amount of effort required to obtain certification. And remarkably, the brownfield site was the property that ended up with a certified designation.

Formalizing the Process with Stakeholders

A site certification program gives local economic development practitioners an avenue for securing participation and buy-in from elected leaders and other community supporters when it comes to readying property for industrial development.

In their *Brownfields Fact Sheet*, the Partnership for Sustainable Communities encourages local stakeholders to “create durable processes,” when it comes to development, saying, “success is maximized when the projects provide replicable models of decision making that can be applied to other geographies or issues.” State-run site certification programs embody this “replicable model” and provide an avenue for economic development organizations to approach local stakeholders about funding for site preparation.⁸

The Partnership for Sustainable Communities also points out that “cross-jurisdictional partnerships can enhance project success” and specifically encourages coordination among local, state and federal governments to achieve site preparation goals.⁸

This cooperation and coordination between local governments and economic development practitioners is critical, and a site certification program encourages — and at times requires — these stakeholders to work together to proactively review, assess and prepare industrial sites. According to the Municipal Research and Services Center, “a cooperative partnership between government, the development community, financial institutions, non-profit organizations, neighborhood organizations and other resources is essential to achieve infill success.”⁹

Impact on the Community

“The way to raise this neighborhood is by bringing jobs here. That benefits East Chattanooga and helps the entire city.”

-Chattanooga Mayor Andy Berke, at a news conference in front of the empty, boarded-up Tubman site

Having a site certified for industrial development can indirectly help spur revitalization in a particular neighborhood because of the impact a new job-creation project has on the community immediately surrounding the site. By encouraging redevelopment in parts of town suffering from

higher poverty and unemployment rates, certification of a brownfield site can ultimately raise up an entire neighborhood.

East Chattanooga, where the Tubman Site is located, suffers a significantly higher unemployment rate (10.7%) than the county (6.1%)¹⁰ and as a result, neighborhood groups and residents have come out in support of the City's plan to purchase the property and bring much-needed jobs to the neighborhood.

The City of Chattanooga plans to leverage public and private resources to ensure that residents of the East Chattanooga neighborhood surrounding the site are considered for construction/demolition jobs and full-time employment at future employers occupying the site.

Additionally, because brownfield sites typically pose significant environmental remediation challenges in neighborhoods that have historically received below-average attention in regards to environmental issues and needs, these neighborhoods can benefit from the environmental remediation that will ultimately take place to ready the property for development.

As for the Tubman Site, the City of Chattanooga's ongoing commitment to federal, state and local regulations, as well as our sustainability policies, ensure that preparing the site for redevelopment will positively impact the environment of the site and surrounding neighborhood in a significant manner.

Type of Industry the Project is Expected to Attract

In the Tennessee Basic Economic Development Course (TBEDC), participants are taught to target "clusters" of companies by identifying industries already present in the community. This makes sense from a recruitment standpoint, as a supplier base and trained employees for these industries likely already exist in the community. The target industries selected for recruitment and attraction efforts at the Tubman Site include:

- Advanced manufacturing
- Automotive parts and components manufacturing
- Food and beverage processing

Chattanooga has a strong history as a manufacturing center of the southeast. In recent years, the Chattanooga region has attracted \$4 billion of investment in automotive, food and beverage, and other manufacturing sectors. Plus, with immediate interstate connectivity to many original equipment manufacturers (OEMs), Chattanooga is a strategic location for automotive companies seeking access to the North American market.

Anticipated Benefits of the Project

In order to estimate the possible ripple effect of new jobs at the Tubman Site, a hypothetical analysis was created using the IMPLAN (IMpact analysis for PLANning) economic analysis model. See results below.

Estimated Annual Impact of 200 New (Direct) Automotive Supplier Jobs		
Effect	Jobs	Labor Income
Direct Effect	200	\$7,000,000
Indirect Effect	135	\$8,005,196
Induced Effect	69	\$3,109,314
Total Effect	405	\$18,379,541

The spin-off jobs and additional income generated by a major employer locating at the site will help to revitalize the surrounding area and spur additional investment of East Chattanooga, leading to increased labor income in the area.

Greenfield vs. Brownfield Site Certification

The Conference of Mayors defines a brownfield as “an abandoned or underutilized property where expansion or redevelopment is hindered by either real or perceived environmental contamination.”¹¹

This real or perceived contamination is a key reason fewer brownfield sites are readied for industrial development. Furthermore, when Congress passed the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) in 1980, the burden for redeveloping these properties became even greater because additional liabilities were placed on previous and current landowners.

CERCLA, more commonly referred to as Superfund, “provided broad Federal authority to respond directly to releases or threatened releases of hazardous substances that may endanger public health or the environment,” and “allows the EPA to clean up such sites and to compel responsible parties to perform cleanups or reimburse the government for EPA-lead cleanups.”¹²

According to the National Report on Brownfield’s Redevelopment, Superfund “resulted in many potential developers and businesses being driven away from brownfields as potential sites for investment. Instead, many private and public parties have built sites away from urban core areas and developed “greenfields,” pristine or undeveloped land, as a choice to locate new businesses, homes and other developments.”¹¹

Many communities in the U.S. have struggled with infill development. In one such example, the Land-of-Sky Regional Council in Asheville, NC, conducted a study in 2007 in part to “understand...barriers related to infill and brownfield development.” Part of their key findings included a list of barriers to infill development, including a lack of financial incentives, stating: “It is easier and cheaper to develop in unincorporated areas, due to cheaper land, lower taxes and less regulations.” The study also found that “obtaining financing for mixed use projects and brownfield redevelopment projects is difficult.”¹³

In fact, there are numerous financing tools available for brownfield development. In TCED’s Economic Development Finance Course, participants learned that the following options should be explored for successful brownfield redevelopment: tax increment financing, grants, loans, and tax credits. Participants also learned about the Federal Brownfield Tax Incentive which “allows the investor to claim the eligible costs of cleaning up brownfields land as current expenses — rather than capitalizing these expenses as long-term assets.”¹⁴

The City of Chattanooga will consider PILOT Agreements for projects locating at the Tubman Site and has looked at the potential for a TIF district at the property. In preparation for this, the city’s Industrial Development Board recently created a Tax Increment Financing Policies and Procedures document that spells out the guidelines for creating a TIF district within the city limits.

The City of Chattanooga is also reviewing various opportunities available through EPB (local power distributor), EPA and HUD for the purpose of remediating and preparing brownfield sites back into useful purpose. Our goal is to secure as much additional outside funding as possible to help offset costs associated with readying the Tubman Site.

Conclusion

Because of recent successes, Chattanooga is experiencing significant demand for vacant land sites suitable for industrial development. The benefit of using a site certification program to address this issue is twofold: 1) the preparation and research required to achieve certification will assist in the marketing of a site that is currently not suitable for industrial development, and 2) the collaboration with local stakeholders will serve as an education tool on what truly constitutes a “shovel-ready” industrial site.

By the end of 2015, I anticipate the Tubman Site will be awarded a “Select TN Certified Site” designation, which will lead to the location of industry at the site, spurring future redevelopment and revitalization of the surrounding area through the creation of jobs, capital investment, and an improved environment for economic activity.

At the start of this project, I thought my research would show that it is much more difficult to certify a brownfield than a greenfield, but surprisingly, I found that wasn't the case.

While a brownfield site does present additional challenges to certification, such as the need to document additional environmental and other remediation, most of the criteria that need to be met for certification are the same. Both types of sites still require boundary surveys, aerial photography, geotechnical investigations, environmental discoveries, etc., and while at times, a brownfield site redevelopment project may present more challenges, site certification is merely about the documentation of these challenges and the path to overcome them.

In my opinion, the benefits of certifying a brownfield property far outweigh the minor amount of additional due diligence that must be completed. In cities like Chattanooga, brownfield/infill development must not be overlooked, as it can play a critical role in developing the industrial product needed to compete for economic development projects.

In conclusion, my research throughout this capstone project has led me to believe that while it may be ***more costly to develop*** a brownfield site, it's not necessarily ***more difficult to certify*** one.

Resource Page

¹ “Harriet Tubman Celebrates Renewal” *Chattanooga Times Free Press*, August 7, 2010.

² “Harriet Tubman Residents Relocating” *Chattanooga Times Free Press*, December 30, 2011.

³ “Housing Authority Starts Process to Demolish Harriet Tubman” Nooga.com, March 15, 2011

⁴ Excerpted from: Hope for the Inner City

⁵ Co-Star Chattanooga Industrial Market Report, 2nd quarter 2015.

⁶ “Site Certification: Now More than Ever, A Critical Tool for Successfully Locating Projects” *Site Selection* magazine, May 2012

⁷ Indiana Shovel Ready Program, <http://www.in.gov/ocra/2622.htm>; Louisiana Economic Development Certified Site Program, <http://www.opportunitylouisiana.com/page/certifiedsites>; North Carolina Certified Sites Program, <http://www.thrivenc.com/locationtools/nc-certified-sites-program>; Georgia Ready for Accelerated Development (GRAD) Sites Program, <http://www.georgia.org/business-resources/available-industrial-grad-sites/>; Select Tennessee Certified Sites Program, <http://www.tnecd.com/sites/certified-sites/>

⁸ Partnership for Sustainable Communities Brownfields Pilots – Lessons Learned Fact Sheet for Local and State Stakeholders

⁹ Municipal Research and Services Center Infill Development: Completing the Community Fabric

¹⁰ DemographicsNow, Civilian Unemployed Labor force, 2014 estimates; U.S. Department of Labor, Bureau of Labor Statistics, June 2015

¹¹ Recycling America’s Land: A National Report on Brownfields Redevelopment (1993 -2010)

¹² Source United States Environmental Protection Agency, <http://www.epa.gov/superfund/policy/cercla.htm>

¹³ Stimulating Infill and Brownfield Development in the Land-of-Sky-Region, August 2007

¹⁴ *Practitioner’s Guide to Economic Development Finance: Building and Utilizing the Development Finance Tool Box*, Toby Rittner, 2009