

Potential Site Due Diligence on a (Small) Budget

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Dickson County South Site

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Introduction: Rural communities in Tennessee are in a uniquely disadvantaged position to evaluate potential industrial properties and bring these opportunities to industrial prospects. The disadvantages are many, including available funding and local staff with the expertise to evaluate the technical parts of site due diligence. Site due diligence involves many parts such as evaluating environmental conditions, topography, access to utility and roadway infrastructure, proximity to transportation systems, available and trained workforce, and other key characteristics. This paper will explore methods to review information that can be obtained from public sources and resources from multiple organizations that can yield the necessary basic details of site selection. Additionally strategic and financial matters such as incentives and PILOTs are introduced. Assembling information in this manner can create a toolbox useable in site due diligence applications but many of these principles can be applied to commercial and retail development also.

A recent case study of the steps involved in evaluating multiple potential industrial sites in Dickson County, Tennessee, the selection of a site, the current status, and future planning will be referenced.

Dickson County, Tennessee is a largely rural community located approximately 45 miles west of Nashville along the I-40 corridor. The county seat is Charlotte while the largest municipality is the City of Dickson. Other incorporated towns are Burns, White Bluff, Vanleer, and Slayden. The population of Dickson County is just over 50,000 with a work force of approximately 22,000. Much of this workforce commute out of Dickson County to employers in Davidson,

Williamson, Rutherford, Montgomery, and Rutherford Counties. It is part of the Metropolitan Nashville statistical area. The County serves as a hub to other surrounding rural counties for commerce and employment.

Industrial employment in Dickson County and counties within the region is vital to the local economy. Likewise businesses providing goods and services to local industries are critical to the success of the region. Most of the existing industries in Dickson County are located in a single industrial park, with a few are scattered throughout the County. Until about 5 years ago about 150 acres or so of vacant land was available in this industrial park and there was little effort in planning for any additional industrial property. This changed with the successful recruitment of DalTile, a subsidiary of Mohawk Industries, which required a major part of the available property. Currently there is only one small parcel of about 20 acres under ownership of Dickson County available in the industrial park and the development potential of this site is suspect due to topographic challenges.

Over the past 3.5 years Dickson County received 219 Requests for Information (RFI's) for available sites. Of these, 50 RFI's were searching for property of 50 acres or less and 7 for 50 acres or less with rail service. These RFI's resulted in missed or lost opportunities for the County and the region. County leaders determined that a search for additional industrial property must commence.

Beginning the Potential Property Search

Commencing the search for potential properties has to begin with a strategic method of

identifying properties with the characteristics that the industry, end user, or a site consultant will require. A set of basic criteria must be developed including:

- Property with a single owner or a small number of owners of property adjacent to one another.
- Topography with as little elevation relief as possible and few or no bodies of water.
- Access to an interstate or 4-lane highway within 10 miles of the site. This is not possible in many rural communities, thus the distance to the major highway should be minimized as much as possible.
- Is rail service available in proximity to the site and if so how can this be extended to provide this infrastructure for a potential user?
- Site within 50 miles of a major airport. If not what is the vehicle commute route from the major airport to the site? Is there a local or regional airport nearby?
- Water, waste water, natural gas, electric power, and communications at the site. If the existing utility infrastructure at the site is of minimal capacity review the higher capacity infrastructure that feeds these systems. This will allow evaluation of the upgrades and costs to deliver larger quantities.

Every county in Tennessee has access to or develops property mapping for taxing purposes. A few counties perform their own property mapping and can make this available in an electronic form. The detail is normally property lines, an aerial image overlay, rail, and the roadway systems, etc. Some counties have developed sophisticated geographic information systems (GIS) but most rural counties have not. **“Tennessee Property Data”** is an excellent source for this information. The property information provided can be measured, analyzed for distance to transportation systems, and downloaded in an electronic form for addition of text information for

reports and filing away as potential industrial sites. Property ownership, acreage, and land value appraisal information is available. This search is conducted without notification to the property owner and local ECD staff can perform these operations. If the local staff has some knowledge of computer aided design (CAD) software, this information can be obtained in a format that allows the addition of layers of information such as existing utilities and other site characteristics.

Often the topography of a site and the cost of the earthwork involved in preparing a suitable building pad is difficult to determine without expensive field surveying. Public domain topography (contours) are available but with minimal accuracy. A little known factor is that the building blocks of such topo, spot elevations, and “break-lines” are available with the property mapping. This information is normally more accurate than “quadrangle” contour information and, while it is normally not sufficient for engineering design, it typically can yield a contour interval of 10'. It may take some help from a consultant to utilize this information in developing a schematic grading plan but this is normally a reasonably time-efficient procedure. This can yield an estimation of earthwork quantities which is often a major cost in the site development.

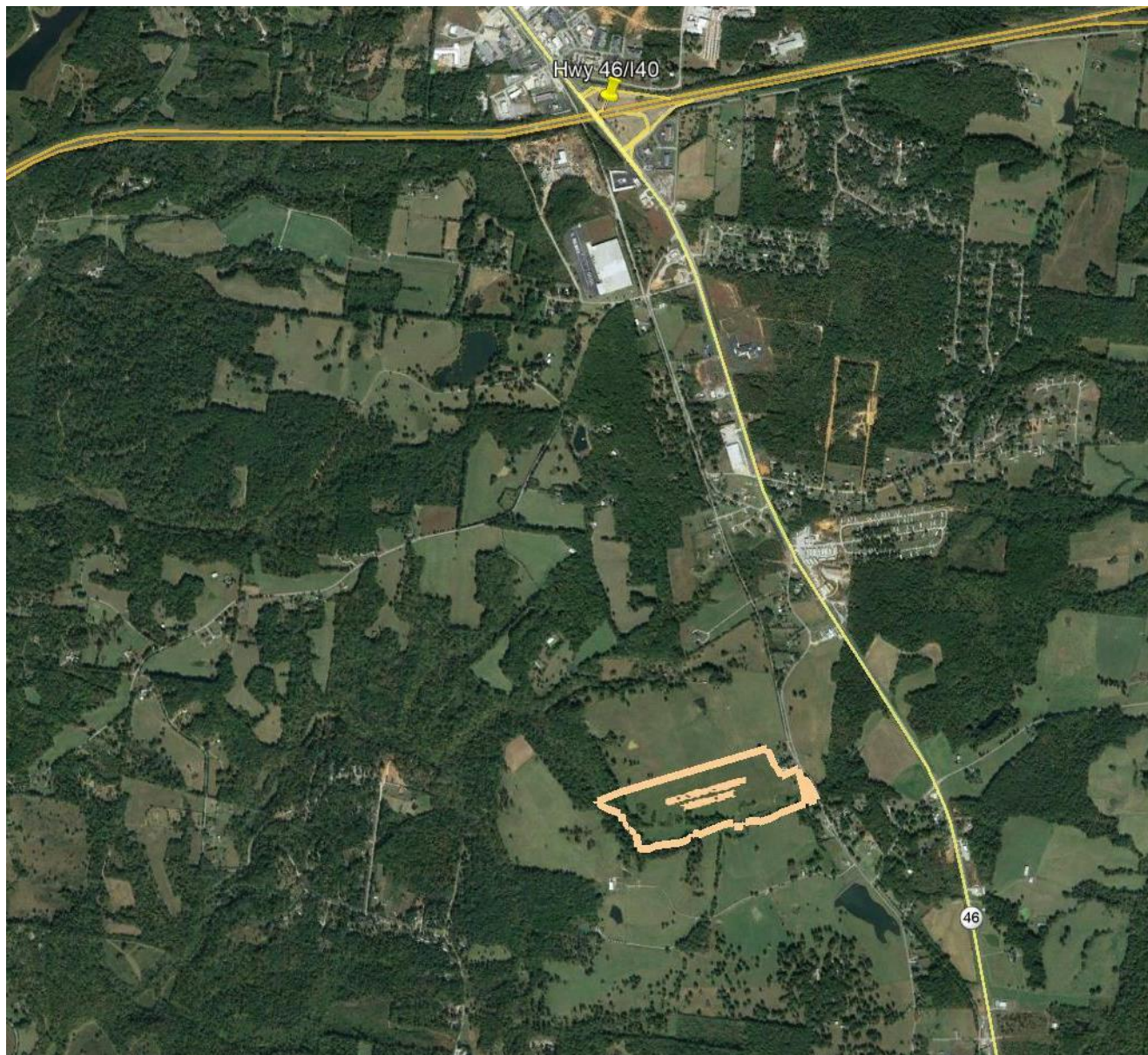
As potential sites are reviewed in this manner, available utility information is gathered from the provider and utilities can be added to the electronic model. The utility provider can also discuss opportunities for system expansion and for cost estimating purposes.

All of this preliminary information can be assembled with a minimum of cost. It is the core of the potential industrial property “toolbox”.

Information for the **Dickson County South Site** example was assembled in this manner. The criteria cited served to eliminate many sites by simply reviewing the property mapping. Three potential sites involving acreages ranging from 200 acres to around 600 acres were identified about three years ago consisting of tracts with two owners. Each of these sites met the criteria described. Topographic information from the property mapping sources was used to develop a digital terrain model (DTM) and various earthwork scenarios yielded a range of earthwork quantities. The earthwork required for one of the sites as well as potential cost for utility upgrades eliminated it from consideration. An initial contact with the owners of the second property indicated a mild interest in negotiating and these talks are still underway.

The owners of the third property indicated little interest in selling three years ago. However last year one of the property owners, an “out-of-town” owner, had retained the county contact information and was ready to negotiate. Dickson County purchased the 55-acre **South Site** in August 2017. The site is 1.5 miles from I-40, rail is adjacent to the site, minimal utilities, excluding waste water, are available at the site, and higher capacity utilities including waste water are available within 0.5 miles of the site. An adjacent landowner is now interested in selling the property which has a potential to make the area of the total site over 200 acres. All of this resulted from following the simple methodology outlined above.

Below is the general location of the Dickson County South Site.



Professional Assistance is Available

As described, much of this effort can be organized by local economic and community development staff. However each rural community is different in staff availability, education, and experience. There are several organizations that have professionals to assist communities in these efforts. Some of these are the State of Tennessee Economic and Community Development

(TNECD), Tennessee Valley Authority (TVA), and Middle Tennessee Industrial Development Association (MTIDA). There are a host of others but this paper will focus on these three. Local ECD staff are encouraged to become well acquainted with these staff and the services these organizations can provide. However it is recommended that local ECD staff perform as much due diligence in potential property searches as possible as this will aid these organizations and shorten the timeline on studies, estimates, etc. that are provided.

Planning of property purchases and necessary infrastructure upgrades is available in many forms. A core program of TNECD is the **Property Evaluation Program (PEP)** which assists community ECD officials to analyze, from a high level, potential industrial sites in the area. As there are limited resources within PEP to assist communities, this effort should not replace local ECD staff analysis of potential as described herein. Rather PEP should complement the local effort. The PEP report will summarize the strengths and weaknesses of the site for industrial development and provide narrative on multiple sites and prioritize efforts required for each site to be developed into an industrial site. The PEP program is one more tool in the local ECD professional toolbox.

TNECD also works with local communities in the **Certified Sites Program**. This program guides the local community on site characteristics that must be defined to cause a property to be attractive to a potential industrial user. Generally these items are environmental due diligence including a Phase 1 Environmental Site Assessment; Hydrologic and Wetland Determination; Rare, Threatened or Endangered Species Evaluation/Habitat Assessment; and Cultural Resources Review. Other items required for Certified Sites are a topographic survey, geotechnical study, and information on utility capacities. As most local ECD professionals cannot perform these studies, there are often consultant costs involved. TNECD also provides an annual competitive

grant opportunity, **Site Development Grants (SDG)**, as part of the **Select Tennessee** program that can provide a portion of funding, with community matching funds, for efforts such as these. Again, having a toolbox of site information as discussed will be a huge help in developing the grant application.

The **Tennessee Valley Authority (TVA)** administers a number of loan and grant programs for assistance in industrial site planning efforts. The TVA **InvestPrep** program is an annual grant program with similarities to the TNECD SDG program. InvestPrep, too, can make funds available for due diligence and planning studies on a similar cost sharing basis. TNECD SDG and TVA InvestPrep grants are highly competitive and much preparation is needed for the grant application. Thus all the information the local ECD professionals have assembled will make the grant applications more informative and likely more competitive.

Additionally TVA can provide a high level of site planning through their technical staff. This can be a product similar to the property basic property mapping site planning described earlier. The TVA technical staff is limited in the amount of time that can be committed to these sorts of studies. Thus, the information gathered by local ECD personnel is a great advantage to completing these studies. The TVA site models are very useful in estimating earthwork and other construction costs associated with “pad-ready” sites.

Middle Tennessee Industrial Development Association (MTIDA) and similar organizations in various regions are economic development agencies generally funded by electric cooperatives

and municipal electric systems throughout the State. These groups have excellent knowledge of economic development activities, particularly in industrial development. MTIDA professionals can research detailed issues and help solve them or recommend State or federal agencies for assistance. MTIDA technical staff also can provide high level site planning, similar to TVA assistance, for the local ECD staff.

Local ECD professionals cannot be experts in every detail of economic development.

Developing personal acquaintances with professionals within TNECD, TVA, and groups such as MTIDA is crucial to success. Likewise a fundamental knowledge of the programs described, and others is an absolute necessity.

In December 2017 an application for the **TNECD SDG** program was submitted for the **Dickson County South Site** for cost sharing of the due diligence items discussed previously as well as a site Master Plan. The master plan will be used to estimate site development construction costs as well as utility upgrades and extensions, rail spur construction, and roadway improvements. As mentioned, the SDG grant is competitive and Dickson County is currently awaiting news of grant funding. Completion of these items will allow the South Site to be a Certified Site with TNECD. Additionally the South Site is currently being evaluated for a **TVA InvestPrep** cost sharing for funding of a construction project that is a step in being “pad-ready”. The information to apply for both of these grants was developed according to the methodology described earlier.

What are the Opportunities to Fund the Project?

Following this methodology brings one to the critical step of **funding the property purchase and infrastructure upgrades**. In order to offer the property to an industrial prospect the property must be in control of the community, i.e. county, city, or industrial development board. The control can be obvious as ownership by the community entity or perhaps by a long-term purchase option agreement with property owner. This paper will focus on the property ownership by the community.

Property purchases are a huge expense for local rural governments and one must be creative in developing the funding mechanism for this and often for needed infrastructure upgrades. Both the **TNECD SDG and TVA InvestPrep** grant programs include methods for property purchase and infrastructure improvements. However, again, these programs are highly competitive, require local matching funds, and only occur annually. Much study and compiling the property information beforehand is essential and the local ECD staff must be very familiar with the program details. Whether the grant funding is successful or not there still remains a portion of the property or infrastructure funding that must be paid with public financing.

Public Funding of property and infrastructure upgrades are also possible through other grant and loan opportunities. **TVA** offers a loan program for infrastructure and speculative buildings at reasonable financing rates and terms. The **United States Department of Agriculture Rural Development (USDA)** offers two loan/grant programs that can assist rural communities of 50,000 or less in population. The **Rural Economic Development Loan (REDL) and Rural Economic Development Grant (REDG)** programs have been in place for many years. The

loans are offered at no interest often for terms of 35 years or more. Local utilities are provided the funds from USDA by contract and they in turn loan the money to the communities. The loan recipient then pays the funds back to local utility. These funds can be used for a variety of projects including industrial infrastructure development.

Matching funds for grants or loans or, in some cases, fully funding property for industrial use and infrastructure, often must occur through a **bond issue**. This source of funding requires the local ECD professionals to have general knowledge of the process. The State of Tennessee requires, by statute, an application for a **Certificate of Public Purpose and Necessity (CPPN)** to be prepared prior to the bond financing to be issued. Describing the CPPN as an application is a misnomer as it is a voluminous set of information that is submitted to TNECD, reviewed, and then sent to a Finance Committee for recommendation of approval. The information contained in the CPPN consists of technical and accounting data of many forms, local government resolutions, and other information from many sources including legal, banking, and engineering consultants. Assembling the complete CPPN for most rural ECD professionals is normally outside their range of expertise. However, understanding the fundamentals of the CPPN will allow the local ECD staff to prepare and procure many of the documents and data required. The **Tennessee Municipal Bond Fund (TMBF)** is a good source of funding for this activity but also an excellent source of helpful information of the CPPN process.

It is imperative that local ECD staff is knowledgeable of the funding processes and acquainted on a first-name basis with experts that can assist and guide through this effort.

Attracting the Potential Industry to the Community

Waiting for a Request for Information (RFI) from TNECD or TVA or a site consultant is not a good marketing strategy for a rural community. While these RFI's are very, very helpful in a first step of landing an industrial prospect the competition is extraordinary. Having the information described thus in the toolbox is very important, but now the community must be sold to prospective customers. A well-defined, comprehensive, and attractive package of information of the community industrial site must be developed.

A marketing strategy of the community assets should be developed in both a comprehensive form and an abbreviated form. The condensed form is just to get the attention of industrial prospects and their site consultants. The comprehensive material is normally used when a prospect has been "short-listed" and negotiations have begun. Discussing this process is well beyond the scope of this paper but all community assets descriptions concerning "quality of life", workforce availability and training, K-12 and higher education institutions, affordable housing, and many assets should be explored and defined.

As mentioned, waiting for an RFI as the sole marketing strategy is poor. There are many methods to market the rural community and a few ideas are:

- Inventory the goods and services that existing industries in the community and area are currently procuring. Many times product components are manufactured and shipped from other areas to major industries. Marketing your community workforce, available industrial facilities, and location to these suppliers can possibly yield an expansion of the

supplier operation to your community. An example of this is a recent expansion of a wood pallet industry in the Dickson area resulting from contact with a large industry and assisting in the negotiations.

- Likewise inventory the support that larger industries in the region require for equipment maintenance, tool and die manufacturing, raw material supply, etc. These types of inquiries can lead to expansion or creation of new welding and machine shops, expansion of pipefitter, electrical, and electronics shops.
- Make contact with site consultants and stay in contact with them. Most site consultants maintain a database of industrial property inventory and community data and will often, especially for their small and mid-size industrial clients, make their first contact with the local ECD office.
- Keep a good website up to date with site information, especially of TNECD Certified sites. Also **TVAsites** should contain the community industrial site information. These are often the first high level searches conducted by industries considering expansion and their site consultants.

Landing the Industry

If a community site is in the “short list” it is because all of the elements discussed thus far are in the local ECD toolbox. **Project Incentives** are now key. These are discussed as **State Incentives and Local Incentives**.

State Incentives generally are defined within the **TNECD FastTrack** program and the **State Industrial Access (SIA)** program managed by the **Tennessee Department of Transportation**.

Each of these programs are grants administered on a cost sharing basis with the community matching funds calculated on a scale depending on a number of factors that determine a community ability to fund their portion.

The TNECD FastTrack program is generally divided into three possible opportunity grants. The **FastTrack Infrastructure Development Program (FDIP)** is normally used to assist with site and utility development costs that are specific to the prospective industry needs. **FastTrack Training Grant** funds can be utilized for specific training required by the industry and the **FastTrack Economic Development Fund** are often available to industries that are creating jobs having a significant impact to the community. FastTrack grant funding amounts are based on factors such as capital investment, number of jobs created, and total annual salary impact.

The **SIA** program funds are also available on a community cost share basis and can be available to new and expanding industries for highway construction and improvements. TDOT determines the need based upon a cost/benefit analysis of the project.

Again it is recommended that the local ECD professionals educate themselves with the fundamentals of each of these programs beforehand as part of the strategy for industrial recruitment.

Local Incentives can take many forms and are dependent upon local leaders willingness to invest. **Payment in Lieu of Taxes (PILOTS)** are common and expected by the prospective industry. By State statute these must be administered by a local **Industrial Development Board (IDB)** and are a method to increment property taxes on the land, building, and personal property

(normally equipment) invested by the industry over the early years of operation. The time period and graduated tax rate is set by the IDB and is usually a period of five to twenty years. The graduated tax increments are formulated within the time period. The PILOT begins with a math model in spreadsheet form and can be developed by the local ECD staff for review by IDB and other leaders. After gaining familiarity with the calculations of a PILOT, the local ECD staff should create various models of number of years, tax increments, capital investment that also factor in employment numbers, wages and such. This data can be used to develop, perhaps by a consultant, into cost/benefit scenarios that can be used by the IDB for guidance when negotiating with the prospective industry.

Tax Increment Financing (TIF) is a newer approach to assist in the development of a community. Though not regularly used in industrial development, it can be. Generally a TIF has similarities with a PILOT in that it offsets a portion of property tax payable over a period of time. A TIF differs somewhat in that the tax increment applicable to the reduced property tax of a development is the increase of the property value due to the development. The TIF proceeds are normally used to develop community assets such as roadway, sidewalks, etc. but the uses are varied and legal counsel should be employed to study the alternative ways to utilize them.

It is absolutely essential that local ECD professionals learn the fundamentals of industrial recruiting discussed herein and this should commence with the **Tennessee Certified Economic Developer** program. Successful recruiting requires great local and State leadership and local ECD professionals with knowledge and skills to guide the process. Recently **Dickson County**

was successful in competing for and recruiting an industry with a \$140 million capital investment and 245 jobs over five years. After the successful effort, an analysis of the number of persons directly involved with the project was determined by reviewing email messages, numerous meetings, local official meetings and votes, and the legal, financial, and engineering consultants that were engaged. A group of almost 100 persons were directly involved in the project and the number of others indirectly involved or “working behind the scenes” are uncounted. Coordinating these efforts is a formidable task for an ECD professional.

Conclusion: Expanding industrial job opportunities for the workforce in our communities begins with a strategic approach to identifying, developing, and marketing sites to prospective industries then concludes with tactical decisions during the negotiations. It is a competitive business and rural communities must develop sensible and logical approaches to attract these opportunities.

Applicable TCED Coursework:

- “Strategy for Economic Development”
- “Tennessee Fundamentals of Economic Development Finance”
- “Marketing and Attraction”

Links to Resources

- www.assessment.cot.tn.gov
- www.tnecd.com
- www.tva.gov
- www.mtida.org
- www.rd.usda.gov
- www.tml1.org
- www.tn.gov/tdot