The Marketing, Development, and Revitalization of La Vergne, Tennessee in an Evolving, Growing and Competitive Market

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Thomas Broeker
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INTRODUCTION

The City of La Vergne, Tennessee is a rapidly growing suburb and direct neighbor of Nashville in the southeast quadrant of middle Tennessee. It is conveniently located in Rutherford County between Nashville and Murfreesboro, the first and sixth most populated municipalities within the state. According to the city’s data partner, Claritas, La Vergne’s population has grown at 24.57 percent over the last decade and now exceeds 40,000 residents.

In addition, the city is home to one of the state of Tennessee’s largest industrial complexes. National companies such as Ingram Content Group, UPS, FedEx, Coca-Cola, Bridgestone, Saks Fifth Avenue, and Cardinal Health among many others are located within city boundaries. The ICEE Corporation relocated its national headquarters to the city in 2020 and Amazon recently announced it is building a distribution hub within La Vergne. Dun and Bradstreet estimates there are nearly 26,000 employees citywide. Previous to COVID-19 on March 31, 2020, the city had the very low unemployment rate of 2.4% according to the Bureau of Labor Statistics. La Vergne’s proximity to three federal interstates (I-65, I-40, and I-24) helps in enticing business and visitors to the city. Interstate 24 runs directly through the city with Tennessee Department of Transportation’s 2019 data showing over 159,000 vehicles passing through the city daily.

Despite these impressive numbers in residential and industrial growth, the City of La Vergne has not fared as well in recruiting retail and bringing commercial businesses into the city. Residents are forced to leave the city to eat and shop and visitors drive past the La Vergne exit as they travel along the I-24 due to lack of retail options. A gap analysis performed by
Claritas shows retail leakage well into the hundreds of millions of dollars throughout all sectors of retail. This equates to enormous sales tax dollars currently lost as 1.36% of every dollar spent directly comes back to the City of La Vergne. This has city leader’s prioritizing finding solutions to curb this massive loss of revenue.

**FORMULATING A PLAN.... WHAT FITS AND WHY?**

Seeing the need to stop this enormous leakage of retail dollars city officials began strategizing and had numerous questions. What were the true needs of the city and its residents? What type of retail fits the local demographic? What similar retail already exists in surrounding markets? The city turned to numerous data sources for these answers and to pinpoint recruitment efforts. This data was used early on to create a community profile / market overview. This report gave general metrics on population, number of households, median income, and density within city boundaries but also more in depth numbers on age and nationalities of the population, traffic counts and trade areas which may exceed the city boundaries. Information provided on this report offers retailers, their brokers or developers quick answers whether their businesses would be a good fit for the city.

Another data set which was integral in defining the needs of the city residents was a retail gap analysis. This report identifies the supply (potential) of a certain retail sector and the demand (sales) for that sector within a geographic area. La Vergne found demand exceeded supply in many sectors and huge amounts of leakage going to surrounding cities. Defining these sectors, with this data, assists in targeting the correct retailers but also helps provide these retailers justification as to why they should consider the City of La Vergne as they expand.
A similar tool that retailers, developers, as well as the City of La Vergne are using is a void analysis. The void report shows which businesses are currently in or their proximity to an existing retail market. Coupled with the gap analysis, this data aided La Vergne in who and who not to actively recruit. For example, the gap analysis may show leakage in the sporting goods sector of a trade area. A neighboring municipality, one mile away, has a Dick’s Sporting Goods. While there may be a need for an additional sporting goods store it is improbable that Dick’s would build another store that close as to not cannibalize its existing store. A competitor, such as Academy Sports, may be a better choice to recruit to fill that leakage. Another potential benefit of a void analysis is it can delineate reoccurring co-tenancy or which retailers like to be located together. This helps in the recruitment process as it can open up conversations with multiple retailers.

Another resource the City of La Vergne is using to justify retail consideration is segmentation. This helps define potential retail matches based upon households within a particular trade area. Each household is classified into types and groupings based upon demographic and socioeconomic characteristics. These types and groupings are more likely to shop at certain stores or eat at particular restaurants based on historical data. This type of data is beneficial to these businesses as it helps them to target their model audience.

The following is a recent example of how the La Vergne team was able to use segmentation in their pitch to Golden Corral. During a conversation, Golden Corral did not hide their preference in the City of Murfreesboro over La Vergne and or surrounding areas. They claimed Murfreesboro was their “model” destination. With some digging and negotiations the team was
able to get Golden Corral’s segments/customer types and ran the numbers. To their great surprise, segmentation data, revealed over 10,000 more “Golden Corral” households in a La Vergne twenty minute trade area versus a similar trade area of their model city, Murfreesboro.

..... A disclaimer to this example: To date, Golden Corral has not built or come to the City of La Vergne but they also haven’t built in Murfreesboro. La Vergne’s economic team believes it was this segmentation data which caused a pause in their original development plans and as of now the city is still under consideration for a future restaurant.

    Newer technologies are providing data that are helping La Vergne further tell their story. Much of this new data is derived from cell phone use. Cell GPS location services illustrate traffic or commute patterns which aid in finding the best sites or locations for businesses. They also show preferences in a trade area. In a recent conference during a meeting with Publix, their representative cited this data to explain their interest in La Vergne. Her data illustrated that 43% of a large La Vergne subdivision drives past a national grocery chain within La Vergne to shop at neighboring city’s Publix. Another data partner, UberMedia, created a heat map showing a large amount of employees commuting to the city’s industrial complex for work only to leave the city at breakfast, lunch, and dinner times due to lack of restaurant options near this area. This, too, is from cell phone data and is a strong visual the La Vergne team is using to attract and recruit all types of restaurants to that area.

    Not to be overlooked in determining what fits is community input. This can be tricky and it is highly unlikely the community will ever come to a consensus. However if the community isn’t onboard there is a good possibility a business will not be successful. The La Vergne team makes
a point of attending and actively participating in neighborhood meetings and opening up lines of communication with the community. Residents are encouraged to attend or join local economic committees and while their preferences might not develop in the city; their voices are heard and valued.

FIELDING A TEAM

Currently the La Vergne Economic team consists of four city employees (Economic Development Specialist, Economic Administrative Assistant, Assistant City Administrator, and the Public Relations Director) and one elected official (The Mayor). This team handles the day to day operations including interaction with new and existing business. They attend the various economic conferences and are responsible for the ongoing networking, retention, and recruitment efforts for the city.

The city also contracts with various national retail partners that supplement retail recruitment, offer vital data sources, and provide consulting services. Past partners include Retail Strategies, Retail Lease Trac, and Buxton. Current team members include NaviRetail, Richard Cohan, 34th Street Partnership, SiteSeer, UberMedia, Claritas, and RealMassive.

A local Economic Development Advisory Committee made up of La Vergne city residents and business owners meet quarterly and add to the team by providing limited oversight and serve as liaisons between private business and city government.

Last but certainly not least is the partnership the City of La Vergne has with the Rutherford County Chamber of Commerce. As the city has prioritized retail and commercial recruitment, the chamber has filled in the gaps in keeping La Vergne an industrial powerhouse. The RCCC has
successfully marketed the City of La Vergne nationally as well as internationally. On numerous occasions they have lobbied federal, state, and local government on La Vergne’s behalf to ensure deals are completed. In addition to marketing, the RCCC has played a huge role in business retention and expansion as well as workforce development throughout the county. As Rutherford County is the second fastest growing county in the state of Tennessee and 38th fastest growing county nationally according to the U.S. Census Bureau, these marketing, retention, and expansion efforts are no small task.

**NETWORKING, NETWORKING, NETWORKING**

City leaders felt they had assembled a great team and were armed with data and the tools to justify consideration from most retailers, but how, where, and to whom would they make their pitch?

The City of La Vergne had a long history of attending and exhibiting at the International Council of Shopping Centers RECon conference. As RECon is the largest and most widely attended ICSC conference each year, elected officials could justify this expenditure. Attendance at RECon proved successful as recent developments such as Wal-mart, Taco Bell, and Bojangles among others, started with conversations at this conference. The La Vergne Economic team lobbied the Board of Mayor and Aldermen for funding to attend more conferences. They felt more face to face time would lead to even more quality development and ultimately additional sales tax revenue. The team believed the city’s strong demographics would sell themselves if
they could get in front of the right people more than just once a year. Bolstered by their early success BOMA agreed.

In fiscal year 2018-19, the team aided by its retail partner, NaviRetail, laid out a fairly aggressive national schedule:

July – ICSC Tennessee / Kentucky Idea Exchange – Louisville, Kentucky
August – ICSC Florida Conference and Deal Making – Orlando, Florida
September – ICSC Western Conference and Deal Making – Los Angeles, California
October – ICSC Chicago Deal Making – Chicago, Illinois
October – ICSC Southeast Conference and Deal Making – Atlanta, Georgia
January – ICSC Red River States Conference and Deal Making – Fort Worth, Texas
February – ICSC West Florida Idea Exchange – Tampa, Florida
March – ICSC Carolinas Conference and Deal Making – Charlotte, North Carolina
April – Retail Live – Orlando, Florida
May – ICSC RECon – Las Vegas

In an effort to be good stewards of the additional funding and not knowing what the response would be, the team only sent one or two team members to the regional shows. National conferences such as RECon, New York Deal Making, and the Southeast Conference required the entire team. Cheaper, early morning flights were booked and the city paid the
registration fees at the public sector rates. The team learned early on to travel on a budget. Additionally ICSC offers numerous training opportunities at these conferences. This training range from a path to certifications to just keeping members up to speed on new trends, regulation, and legislation. The La Vergne team has formed numerous beneficial relationships within these classes and frequently network together to compare experiences and expertise.

Prior to the conferences, the team made the decision to expand their networking to include national brokers and developers in addition to the retailers. They sent out meeting invitations and very much to their surprise, the response was overwhelming across all conferences and regions. Meetings were scheduled in thirty minute intervals throughout the conferences. Many timeslots were double booked and had multiple meetings scheduled. To meet this demand, team members, including NaviRetail, would have to split up. It was clear, the marketing strategy was working. La Vergne had real interest from retailers throughout every region of the country.

Upon returning from these conferences and at scheduled time throughout the year the team follows up with these new contacts. It has happened on more than one occasion that a retailer or developer will “disappear” only to reemerge a year or so later interested in a particular site. One of the main objectives of the team by following up is to keep the City of La Vergne fresh in their minds when they are ready to expand or develop. As brokers frequently represent multiple retailers with different needs it is imperative the team keeps the lines of communication open and current as the City of La Vergne wants to be considered for each possible new project.
An added benefit the team saw with this consistent networking was staying on top of new and emerging retail trends. Understanding the new trends helped the team better target the correct retailers and point them to their optimum sites within the City of La Vergne. For instance, with the city’s median age being 32 years old according to the U.S. Census Bureau, the team is targeting certain restaurants that meet the millennial wants and needs. Millennial diners (those born between 1981 and 1996) average 241 restaurant visits annually and lean towards a creative venue with a story and a social media presence. They prefer healthier ingredients and faster, more convenient options than previous generations. Having learned these trends the team targeted restaurants like Mellow Mushroom, Chipotle, Wild Wing Café, among multiple others for development within the city.

OVERCOMING CHALLENGES

While the game plan appears to have shown some early success the team has faced many challenges. The biggest challenge facing La Vergne is its proximity to Smyrna’s retail corridor. Despite having demographics such as the highest median income in Rutherford County, optimum population density, and extremely high traffic counts, much of La Vergne is less than two miles from Smyrna and Sam Ridley Parkway. This poses issues in recruitment efforts as many retailers which La Vergne would desire have existing stores along Sam Ridley Parkway or are interested in being there due to the high volume of retail activity. The La Vergne team is trying to overcome this challenge in a few different ways. In some cases, they are attempting to recruit competitors who are currently not in either market. The data sources have been used to show noncompeting commute patterns with the goal of showing two separate markets or a
market and a sub-market. This has been successful with retailers such as fast food chains where their trade areas are smaller.

E-commerce or online retailers poses another challenge to traditional brick and mortar retail. While this data varies, Digital Commerce has online sales as high as 16% of total retail sales in 2019, up from 14.4% in 2018 and 13.2% in 2017. Other data sources have this percentage slightly lower but all sources have this trend growing each year since 2010. Many people call this the Amazon Effect due to Amazon’s dominant role in e-commerce and this disruption of the traditional retail industry. Due to this growth some have predicted a “Retail Apocalypse” and the end of in person sales as we have historically known. Whether this is the case remains
to be seen but online sales have reshaped the retail world. Many of the larger “big box” and
mall retailers have vacated their larger existing stores and scaled back to much smaller building
footprints. Retailers that are surviving or even thriving in this newer style of retail are learning
to offer both online and traditional in-person retail options.

Another challenge, especially locally, is changing perceptions or the way the City of La
Vergne is viewed. At one time in La Vergne’s past it was a sparsely populated, rural, blue collar,
lower income municipality. None of which any longer applies. The city now is one of the
densest areas of middle Tennessee at 1,453 people per square mile. Currently there is a 62.9%
white collar versus 37.1% blue collar ratio. Its median income of $71,467 exceeds the state of
Tennessee’s average median income of $52,375 by well over $19,000.

La Vergne has used several data sources to ensure accuracy. On more than one occasion
these numbers have been questioned. These disparities are due to the rapid growth and
change of cities in middle Tennessee and length of time since the last federal census (2010)
according to the city’s data partners. On some occasions these numbers have appeared low,
others times higher but this is an issue especially in a highly competitive market where the
retailers want accurate numbers. In many cases, the team may only have one opportunity to
sell La Vergne and doesn’t want to lose consideration because the numbers appear inflated or
do not match up. In 2018, the City of La Vergne conducted a special census for multiple
reasons. It wanted its full share of state shared revenue but additionally city leaders wanted
accurate population numbers due to the growth and huge disparity in various data sources. The
state of Tennessee allows a municipality to conduct four special census counts between
decennial federal census counts. The La Vergne economic team has lobbied the Board of Mayor and Alderman to take advantage of all four in the coming decade as the explosive growth is projected to continue and clarity in accurate population will remain a priority.

An outdated zoning ordinance within the City of La Vergne has been a major obstacle in bringing quality retail into the city. Although there are numerous sites and thousands of commercial acres available within the city, the wrong use of a key commercial property can change or limit large areas of a commercial corridor from meeting its full potential. The current zoning ordinance within La Vergne was last updated several decades ago. This has led to approval of uses on properties that do not sync up with the city leader’s visions and lack of ability to recruit around these uses. The current Board of Mayor and Alderman realized the issues these outdated ordinances have caused and voted unanimously to contract out a complete update. This entire process will take 12-18 months to complete and when finished will aid The La Vergne Team in the recruitment process. The economic team is also pushing BOMA to execute on its own or contract out a comprehensive plan with a future land use map. The team feels this will be an imperative step in laying out community visions and goals that will overlap political administrations and bring this plan into reality sooner.

There are factors that are unknown presently or out of the control of the city or the team that will play a part in the future of La Vergne. One example of this is individual property owners. Currently there are properties in which the owners are not looking to sell, or their asking price far exceeds its value. In both cases the properties remain idle and undeveloped.
As in every municipality there are elections every few years which means politics, philosophies, and direction can change. Regulation can become more rigid, lax, or inconsistently enforced. Increase or decrease of funding can alter which conferences the team attends or the frequency they can recruit.

Over the last several years that the local and national economy has remained strong and confidence in investing has been high. However, with COVID-19 emerging during 2020, new development appears at a standstill with no current end in sight. Another factor in new development will be the outcome of the November 2020 federal election. Additional taxes or regulation could increase apprehension to building or expanding and a downturn in the economy.

**HOW CAN LA VERGNE HELP STIMULATE LOCAL RETAIL GROWTH??**

In an effort to bring new business to the City of La Vergne in a very competitive market the Board of Mayor and Alderman recently created a city Industrial Development Board. This board has the legal ability to incentivize new business should that be needed. Under state law, an IDB can also purchase properties to be developed for economic development purposes whereas a city or municipality cannot. Retailers and developers benefit from these incentives to bridge the gap between development costs and amounts retailers will pay in lease or rent. In Tennessee, these incentives are in the form of TIFs (Tax Incremental Financing) or PILOTs (Payments in Lieu of Taxes). Creation of this board also helps even the playing field for smaller market cities such as La Vergne. These potential incentives keep them competitive in the recruiting process.
Another incentive available to retailers and developers within the City of La Vergne along the Murfreesboro Road corridor are New Market Tax Credits. This program was started in 2000 by the U.S. Treasury Department. It aims to stimulate business and real estate investment in low income census tracts via a federal tax credit. While the City of La Vergne does not directly administer this program, an investor can be reimbursed up to 39% of total investment over a seven year period by the U.S. Treasury department. It also benefits municipalities as areas of blight are being redeveloped and revitalized.

To expedite development, the City of La Vergne takes pride in partnering with investors and offering a low level of regulation. From the very first meeting it is the team’s goal to work with potential business every step of the way. As time equates to money for the investors, as well as the city, emphasis is on “shovels in the ground” as quickly as possible. Prior to the planning and approval process, city staff will meet to answer any questions or concerns as to minimize any deferrals or withdrawals during planning process. To further separate itself as a business friendly community, current application and impact fees as well as business taxes are among the lowest in middle Tennessee.

CONCLUSION

Retail businesses such as Planet Fitness, Wal-Mart, Marco’s Pizza, RaceTrac, and Dunkin’ Donuts recently have located into the City of La Vergne with additional retailers following very soon. Other deals, however, are currently on hold with uncertainty whether they will return due to the pandemic. Despite this pandemic, sales tax revenues for the month of June 2020 were the highest single month collected since the city’s incorporation. Additionally, annual
sales tax each over the last three years has exceeded projections by more than one million dollars each year.

Short term results indicate that the marketing strategy is working and if all remains unchanged after the pandemic, the team will continue to whittle away at the leakage and residents of La Vergne will finally have the opportunity to shop local. It is understood, however, among the La Vergne team, that this development, redevelopment and revitalization is a marathon not a sprint. It is a process which is evolving and ongoing. Each decision is vital and every development dictates the future standards of the city.

Currently there is a feeling of much unfinished business, but there is pride in the early accomplishments, excitement about the potential of the city, and the economic outlook is brighter than ever in La Vergne.