



TENNESSEE: DRIVING TOWARD ECONOMIC SUCCESS

➤➤ Those reports about the demise of the automotive industry were premature. Just ask Tennessee, which continues to build an automotive sector that features both original equipment manufacturers and their suppliers.

“In recent years, we have seen a major comeback in automotive manufacturing,” says Bill Hagerty, commissioner of the Tennessee Department of Economic and Community Development. That renaissance has been fueled by Volkswagen’s sprawling manufacturing facility in Chattanooga and the decision by VW in March to locate a distribution facility in Roane County. In addition, production is on the upswing at the General Motors facility in Spring Hill, and Nissan North America’s Smyrna operation added a third shift earlier this year, creating 810 jobs.

Nissan’s announcement was one of many in Tennessee that proves the maxim that existing employers create the most jobs. In fact, Hagerty says a recent review of economic development in the state revealed that 86 percent of new jobs were created by expansions of native Tennessee companies. “Knowing this, Governor [Bill] Haslam and I placed a renewed emphasis on helping Tennessee companies take advantage of expansion opportunities,” Hagerty says. “Doing so has allowed us to capitalize on existing business clusters that already have natural synergy within the state — areas in which we are already competitive.”

INDUSTRIES AND INNOVATIONS

Communities across Tennessee are taking aim at automotive suppliers. Alan Bridwell, executive director of the Northeast Tennessee Valley Regional Industrial Development

Association, says his area recently landed two Japanese auto suppliers, thanks to strong community-college training programs and interstate access to VW in Chattanooga and the BMW facility in Greenville, S.C.

DOWN TO BUSINESS

Tennessee doesn’t have a personal income tax.

Tennessee offers a standard, an enhanced and a super job tax credit. The super is \$5,000 per job for qualifying companies that make large capital investments or establish headquarters in the state.

A tax credit of 1 percent to 10 percent is available for the purchase, third-party installation and repair of qualified industrial machinery.

Tennessee’s excise tax is 6.5 percent, based on the proportion of the company’s payroll, sales and property in the state, with the sales proportion double-weighted.

The sales and use tax is 7 percent at the state level plus 1.5 percent to 2.75 percent at the local level.

“The Northeast Tennessee Valley area has much to offer automotive suppliers doing business in the Southeastern region of the U.S., which has become a major hub for the auto sector,” Bridwell says. He joined a contingent of economic developers who attended the Automechanika trade show in Frankfurt, Germany, in September, and the result is several prospects. Northeast Tennessee is also an ideal locale for logistics operations. “We’re the exact midpoint between the Miami Metro area and Boston, and an East Coast location,” Bridwell says.

Automotive and logistics are strong in Roane County, where the new VW distribution center will begin operations by March 2013. “We were within that magic 100 kilometers [from the Chattanooga plant] that they wanted for their suppliers,” explains Leslie Henderson, president and CEO of The Roane Alliance. The VW facility is 400,000 square feet with ample room to add another 200,000 square feet if needed in the future. “One of the major reasons they chose us is because of our Roane Regional Business and Technical Park,” Henderson says. “It’s right along I-40, and it’s just a few minutes from where I-40 and I-75 meet. They would not only be close to the new plant in Chattanooga, they would have access to a lot of their customers, which are the dealerships.” The Roane park is also home to H.T. Hackney, one of largest privately owned wholesale grocery distribution centers in the country. Just outside the park’s gates is a regional maintenance facility for shipping giant Crete Carrier Corp.

“Tennessee has an inherent geographical advantage when it comes to logistics,” Hagerty says. “The state’s central location makes it an obvious choice for any company

that needs to move heavy products such as cars, appliances, equipment and machinery. Businesses located here are within a day's drive of many of the nation's major markets. Our success in automotive and advanced manufacturing has seen a natural overlap with the logistics sector, and new players like Amazon are leading the way in developing new approaches to logistics and product distribution." Amazon, in fact, has opened fulfillment center in four Tennessee counties, creating well more than 3,000 jobs.

In 2011, Tennessee ECD "reprioritized its efforts," Hagerty says, to focus on six strategic clusters. In addition to automotive and logistics, target sectors are chemical products and plastics, business services, health care, and advanced manufacturing and energy technologies.

The state has also set its sights on international trade, working to help small businesses identify markets for their products in other countries, particularly in Asia and Latin America. "Tennessee was one of the first states to put a team on the ground in Korea to capitalize on the new U.S.-Korea trade pact that was recently signed," Hagerty says. "Our TN Trade program has upcoming plans to head to Europe and to India next."

Direct foreign investment in Tennessee is strong, too, particularly from Japan.

"Indeed, our partnership with Japan has proven one of the most successful in the world," Hagerty says. "Tennessee houses 180 Japanese companies and has received more than \$14 billion in direct investment."

TALENT AND EDUCATION

Tennessee boasts 51 public universities, colleges and technology centers, as well as many private universities, including renowned Vanderbilt University in Nashville. The 27 Tennessee Technology Centers are the hubs for workforce training initiatives. Community colleges statewide do some of the same. "We're fortunate that we have Volunteer State Community College here," says James Fenton, executive

director of the Gallatin Economic Development Agency. "They're great partners with us." Henderson echoes the same sentiment with regard to Roane State Community College, ranked 27th among the top 500 community colleges nationwide, according to a survey by StateUniversity.com.

Tennessee is also the home of Oak Ridge National Laboratory, located in Roane County near Oak Ridge. ORNL, which houses the most powerful computer in the world, has forged many research partnerships with the University of Tennessee in nearby Knoxville. Last year, Gov. Haslam introduced



If you are in automotive – you need to be here!



The Northeast Tennessee Valley region is the ideal location for both automotive manufacturers and vendors in the Southeast U.S. Automotive-related companies already located in the region and making healthy profits include: HUF Automotive, Mahle, Borla Performance, Universal America Inc., JTEKT, Koyo Corporation, AFC Glass, Cooper Standard, DTR, Exide Corporation, Kawasaki, Jost International, and many more.



Northeast Tennessee Valley Regional Industrial Development Association
423-928-1203
www.netvaly.org
3211 North Roan Street
Johnson City, Tennessee

Recently, European auto parts manufacturer **C&F Group** and Ohio-based plastics auto parts supplier **DLH Industries** announced plans to locate facilities in the region for the following reasons:

- **Workforce** - 375,000+ available employees with manufacturing experience
- **Training** - Top 10 in the nation by site selection consultants
- **Developed Sites, Buildings and Infrastructure** - Available low-cost utilities, natural gas, advanced digital / fiber-optic networks
- **Transportation** - Easy access to 5 major Interstates, rail service, 55 interstate trucking companies, commercial/freight air service and a Foreign Trade Zone
- **16th Lowest Cost of Doing Business, Forbes** - Tax credits, no sales tax on equipment and a right-to-work state
- **Technology Resources** - Universities and outstanding technology colleges



a \$50 million initiative called INCITE, designed to boost innovation-based economic development, entrepreneurial activity and research commercialization. One of the first recipients of that money — \$10 million — was the Memphis Research Consortium, a cancer research collaboration designed to enhance

commercialization partnerships and create research jobs.

ASSETS

There's still room to grow in Tennessee, and that's a top asset touted by economic developers statewide. In Gallatin, for example, northeast of Nashville, work is

under way to expand the Gallatin Industrial Center. "Right now, we're in the process of putting a \$1.8 million road into 200 acres that the city purchased to open up Phase 2," Fenton says. The park is near the Sumner County Regional Airport, where the runway was recently lengthened to 6,300 feet. Fenton says roadwork around the airport also will open up additional space for development, and that land will be rail-served. By June 2014, a new bridge will be complete, resulting in four-lane access to Interstate 40.

Tennessee's rural areas are ripe for development, and the new Select Tennessee program, a site-certification initiative, was launched in 2012 to help those areas attract new business. Select Tennessee is "designed to bring world-class site selection consultants to Tennessee communities to help them prepare their sites for the 21st century marketplace," Hagerty

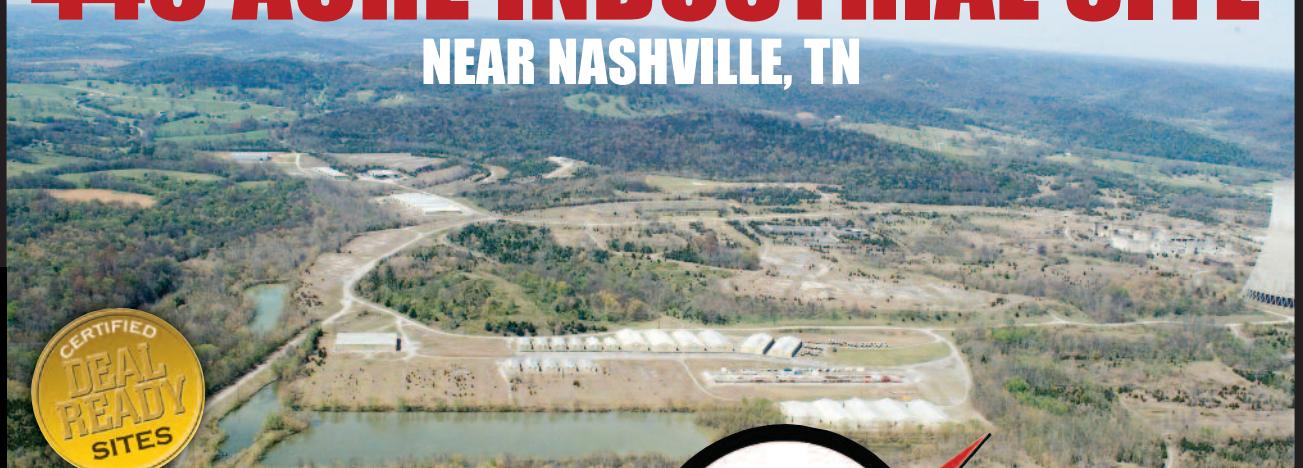
**OUTDOORS
RECREATION**



Fall Creek Falls State Park in Middle Tennessee near Pikeville is 20,000 acres dotted with cascades, gorges, towering timber and fish-filled streams. Fall Creek Falls itself, at 256 feet, is the highest waterfall in the eastern United States. Visit in the spring when the mountain laurel and rhododendron are in glorious bloom. Hungry? Don't miss the bountiful Southern-style buffet, available daily at the Fall Creek Falls Restaurant.

446 ACRE INDUSTRIAL SITE

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says. “The logic was to help rural Tennessee bridge the gap between their current sites and the needs of the modern marketplace and to get our rural inventory of available sites project ready.”

That goal is shared by the Tennessee Valley Authority, which has an active economic-development arm. John Bradley, TVA’s senior vice president of economic development, says, “We’re working real hard on our rural strategy, and we’ve put some additional incentives in those rural areas, trying to help some of the more distressed areas become more successful.” In 2011, TVA hosted its first Rural Leadership Institute and graduated 18 local economic developers who attended four sessions to improve their skills. In 2012, 22 people participated in the program.

TVA has a focus on job retention, too. Three years ago, the public utility launched the Valley Investment

Initiative. “We are actually investing dollars in companies that are investing in themselves,” Bradley says. “If they make a five-year commitment of capital expenditures up to a certain level, we will invest in them as well. In my mind, it’s true retention.” TVA’s investment depends of several factors, including jobs and wages, capital investment by the company and power load.

In October 2012, TVA’s megasite program received a gold award from the International Economic Development Council. The program works with communities to certify huge tracts of land for development. Volkswagen’s Chattanooga location was a TVA megasite; the same is true of the Clarksville site of the Hemlock Semiconductor Group, a producer of polysilicon. A megasite is still available in west Tennessee. This month, TVA rolls out a new version of its property and land database, which can be found at www.tvasites.com.

MORE DETAILS

www.tn.gov/ecd
www.gallatintn-eda.com
www.netvaly.org
www.roanealliance.org
www.tvaed.com

LIFESTYLES

The swath of Tennessee that stretches from Memphis on the Mississippi River to the Appalachian and Smoky mountains offers big-city living and quiet countrysides boasting Southern hospitality. Life in Nashville is a glitzy affair, a fact you’d believe if you’re a fan of the new ABC television drama “Nashville.” In fact, a reimbursable grant from the state of \$7.5 million helped lure the production to middle Tennessee. ❑

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