

# The Northeast Tennessee Valley COMES BACK STRONG



The Northeast Tennessee Valley region includes 15 counties, 11 in Northeast Tennessee, 3 in Southwest Virginia and 1 in North Carolina. The business hub of the region is centered on the Tri-Cities area of Johnson City, Kingsport, and Bristol. To the west of the Tri-Cities located along the I-81 corridor are Greene, Hamblen, and Jefferson Counties, which form a second manufacturing center in the region.

By TRISHA OSTROWSKI

In the first decade we published SB&D, the Northeast Tennessee Valley was consistently one of the hottest mid-markets in the South.

The recession, however, put most U.S. markets on an economic losing streak, and the 15 counties that make up the Valley felt their share of the pain.

Today, the Northeast Tennessee Valley is coming back strong by building on its natural advantages and proactively creating new ones.

### A "fortunate" location

What's the secret to the comeback? "A unique combination of factors," explained Executive Director of the Northeast Ten-

nessee Regional Economic Development Association (NETVRIDA) Alan Bridwell. "This region is almost exactly the midpoint between Miami and Boston. Also, we offer a base of more than 300,000 workers in a right-to-work state."

The fact that the Valley has one day's truck access to 76 percent of the nation's population via interstates 81, 40 and 25, as well as I-75 and I-77, has helped attract a burst of new projects in the last two years.

Along with location, another geographic advantage is climate. Extreme

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Eastman Chemical Co.'s worldwide headquarters is in the Northeast Tennessee Valley. The company founded its operations there in 1920 and employs 6,600 in Kingsport.

weather conditions rarely impact the area.

"We have a lack of vulnerability to natural disasters. We are not on a hurricane path. Most storms that head this way typically blow out on the North Carolina side of the mountains. We are not on a fault line or in tornado alley," Bridwell explained. "Our lack of vulnerability to storms means that companies typically have an easier time getting insurance and enjoy lower rates."

Abundant water is another natural advantage for the Northeast Tennessee Valley, something continuously moving up on the priority list for many companies.

"We are seeing that water supply is a key factor. Many locations across the country are being forced to ration water or pipe it in from hundreds of miles away. The Northeast Tennessee Valley is blessed with abundant water supplies," Bridwell said.

Examples of new companies that have chosen the Northeast Tennessee Valley in the last couple of years are C&F Manufacturing from Galway, Ireland, which announced plans to hire 450 employees at its first U.S. location in Kingsport, Tenn. In Johnson City, Koyo Corporation of America, an auto compo-

nents manufacturer, and Mullican Flooring both announced new facilities.

### Continued growth of existing companies

Along with new companies coming to the region, the Northeast Tennessee Valley's strong comeback is being driven by growth of existing firms. For example, the area's best-known corporate citizen, Eastman Chemical Company, announced a \$1.6 billion investment in 2013 and the creation of 300 new jobs at its Kingsport headquarters. The expansion will wrap up in 2020, in time for the company's 100th anniversary in the region.

Eastman Chemical Co. might be the largest expansion, but it is by no means the only one. In Morristown, Team Technology, manufacturer of dental, medical, and cosmetic products, and Sonoco Flexible Packaging, both announced sizable expansions. In Sullivan County, Bell Helicopter announced plans to create 125 new jobs at its completion and customer-delivery facility.

"With our recent expansions, we are capitalizing on our history as a manufacturing mecca and we are benefiting from reshoring trends," Bridwell said. "Our

work force has strong manufacturing experience and we can offer a variety of incentives to help manufacturers thrive."

"Reshoring is huge in our area," echoed Marshall Ramsey, president of the Morristown Area Chamber. "This year alone, we have about 500 jobs we can attribute to reshoring."

"We have had around a dozen existing companies expand in the last two years, creating about 1,200 jobs," said Tom Ferguson, president and CEO of Greene County Partnership, one of the areas that make up the Northeast Tennessee Valley. Ferguson notes that in his particular area, which is mostly rural, approximately 27 percent of the work force is still employed in manufacturing.

Another advantage for manufacturers and other companies is a wide variety of shovel-ready sites. One example is the East Tennessee Progress Center, near the junction of I-40 and I-81.

"East Tennessee Progress Center is on 960 acres less than a mile from I-81 for excellent accessibility and visibility. We already have several auto suppliers located in the park such as OTICS USA, Inc. and Kawasaki, and we have several other pad-ready sites," Ramsey said.

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## NE TENN VALLEY



ETSU is home of HLab, designed to help small- to mid-sized international companies startup in America.

Another prime site is Air Cargo Logistics Center in Sullivan County, Tenn., offering 500 acres near Tri-Cities Regional Airport.

### Big automotive growth

One manufacturing area that is particularly hot is automotive parts. In particular, German companies are taking notice of the region, with several locating along I-81.

Morristown, which has deep roots in the furniture industry, has transitioned to become a hub for automotive manufacturing, retraining its former furniture-industry work force. A series of major automotive announcements testify to the area's transition. German company Mahle Engine Components is adding 150 new jobs to its workforce of 1,000. Additionally, JTEKT, a Toyota affiliate is investing \$50 million and creating 125 new jobs.

While most of the nation's manufacturing-based employment rate hovers around 12 percent, the manufacturing sector employment rate in Morristown usually hovers between 22 and 24 percent of its labor force, showing a large available workforce for growing industry.

In Greeneville, German-owned Huf North America recently announced a \$20 million expansion and the addition of 100 new jobs, with "location" as the top



In 2013, auto supplier HUF North America announced a major expansion at its Greene County facility.

deciding factor. Since Tennessee is such a long state, a location in the Northeast Tennessee Valley actually puts the company closer to Detroit than to Memphis.

"From Greene County, Huf is supplying customers in Tennessee, Ohio, Michigan, South Carolina, and Alabama," Ferguson said. "We competed for this expansion with the company's operation in Wisconsin. We worked with the state and put together an aggressive incentive package to attract these new jobs."

"Overall, the large number of automotive companies investing in the

Northeast Tennessee Valley reflects the region's great transportation access to automotive OEMs and supplier networks," said Mitch Miller, CEO of Washington County Economic Development Council. "Companies in the Valley are well-positioned to serve manufacturers in the region like Volkswagen in Chattanooga, Tenn., Nissan in Smyrna, Tenn., and BMW in Spartanburg, S.C., as well as other plants across the Midwest."

### Global focus

With a proven track record for attracting German companies, the Northeast Tennessee Valley has set its sights on even more German and European Union growth.

"Volkswagen's decision to build its facility in Chattanooga, Tenn., has been a game changer in recruiting German investments to our region and our state," Bridwell said.

One proactive step the Northeast Tennessee Valley is taking is establishing the Innovation Lab (I-Lab) on the campus of East Tennessee State University (ETSU). A mission of the I-Lab is to help European companies trying to establish a relatively small U.S. presence, enabling them to capture enough American market share to justify investing in a larger production facility stateside. The



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## NETENN VALLEY



East Tennessee Progress Center offers more than 900 acres near the intersection of I-81 and I-40.

program features a number of partners including ETSU, Germany's Hochschule Bremen University, local companies and a premiere recruiter, Rainer Heumann from Neuss, Germany.

The program targets small and medium-sized companies with niche markets that have proven highly successful in Europe. ETSU's MBA program has a 20-year relationship with Hochschule Bremen in which students can earn dual degrees from both universities. The German MBA students assist NETVRIDA in translation services and hosting company visits, and they gain work experience assisting new companies. The I-Lab provides affordable space with a rental subsidy to enable EU companies to have a "soft landing" and reduce startup costs.

"Many companies want to move slowly while entering a foreign market and the NETVRIDA program provides an organized path with incentives and resources that ease the fear and reduce the risk of a new international venture. The Northeast Tennessee region is an easy sell due to many similarities with Germany. Europeans love the Blue Ridge/Appalachian Mountains which offer tremendous outdoor recreational opportunities similar to those

in Bavaria and other parts of Germany," said Heumann.

The program's success stories include German-based Goessling USA, which has purchased property for a new manufacturing facility, and FWG Special Springs, which has launched a U.S. presence from the ETSU Innovation Lab.

"Firms coming to do business in America are taking a huge step," Bridwell said. "If we treat them well, it is our hope that, down the road, we will be the home for their manufacturing or distribution facilities."

While manufacturing and automotive are strong in the region, some parts of the Northeast Tennessee Valley are proving attractive for innovation-based startups. For example, Johnson City where ETSU is located, has attracted synthetic fibers company Fiber Innovation Technologies, and innovative mattress company Bed In A Box.

"Our status as a university community and the resources that accompany that, including plenty of talented graduates, help drive the success of international firms and other innovative companies in the area," explained Mitch Miller, CEO of the Washington County Economic Development Council.

### Stability and cost differential

With the high-profile financial woes of cities like Detroit, another factor in the Northeast Tennessee Valley's comeback is stability of the local governments.

"Increasingly, companies are doing their homework on the stability of local governments before they determine where to put their investments," Bridwell said. "There is more front-end analysis."

Along with stability, Bridwell also points to lower costs as an advantage. State taxes in Tennessee rank among the nation's lowest and there is no state property tax. Gas, water and sewer rates also are very competitive and electricity generated by the Tennessee Valley Authority, the largest power producer in the nation, costs at least 19 percent below the U.S. average. Cost of living tends to be lower than most regions of the U.S. as well.

In the end, it's a combination of factors that are setting the stage for the Northeast Tennessee Valley's comeback.

"Our region has many advantages," Ramsey explained. "We offer lower costs, outstanding logistics to serve the Southeast as well as the North, a hometown feeling, and a highly trainable workforce." ■



The Northeast Tennessee Valley region is the ideal location for both automotive manufacturers and vendors in the Southeast U.S.

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**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](http://www.netvaly.org)  
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Recently, European auto parts manufacturer **C&F Group** and Ohio-based plastics auto parts supplier **DLH Industries** announced plans to locate facilities in in the region for the following reasons:

- **Workforce** - 375,000+ available employees with manufacturing experience
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