

ECONOMIC DEVELOPMENT ELEMENT





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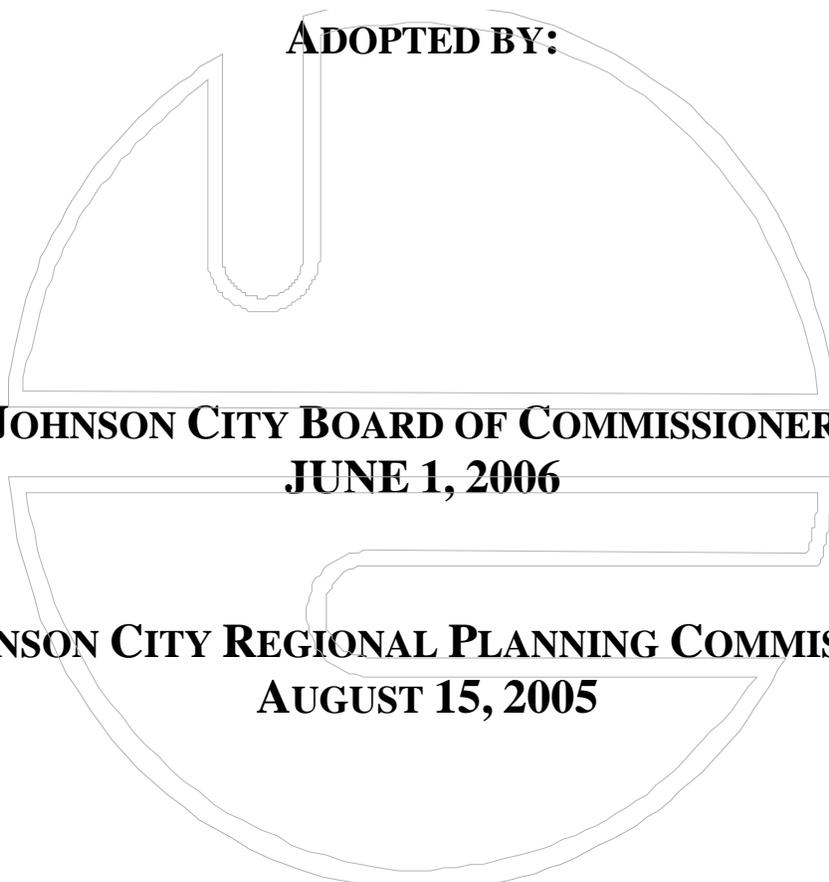
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ECONOMIC DEVELOPMENT ELEMENT JOHNSON CITY COMPREHENSIVE PLAN

ADOPTED BY:



**JOHNSON CITY BOARD OF COMMISSIONERS
JUNE 1, 2006**

**JOHNSON CITY REGIONAL PLANNING COMMISSION
AUGUST 15, 2005**

PREPARED BY: CITY OF JOHNSON CITY PLANNING DEPARTMENT

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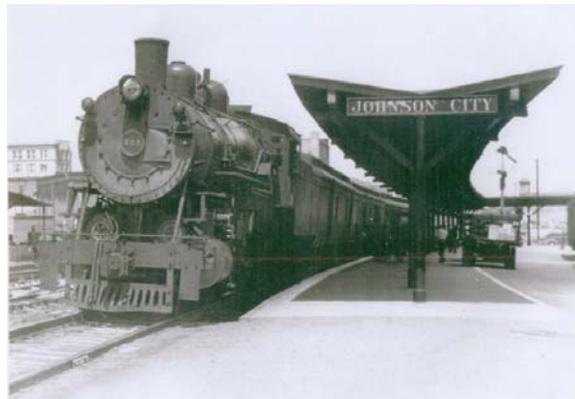
What is Economic Development?

Economic development can be defined as the “process of creating wealth through the mobilization of human, financial, capital, physical, and natural resources to generate marketable goods and services.” Because the economy plays such a vital role in all aspects of community life, it is important to carefully examine the economy in the comprehensive planning process. A healthy economy can serve as a tool to help accomplish other goals, therefore it is important that the Economic Development Element be integrated into all of the elements of the Comprehensive Plan.

The goals of economic development will help guide and provide direction for Johnson City decision makers in the years to come. Economic development occurs when more goods and services and better quality products are produced per person because of new technologies, new companies, and better-trained workers. The keys to this greater productivity are innovation, creativity, and public and private investment. The private sector is the primary source of economic activity, but the public sector plays an important role particularly in the areas of education and the provision of the necessary infrastructure.

History of Economic Development

Economic development programs have been around since the settlement of the United States. For example, dozens of North American communities were established as company or railroad towns, which attracted new families and businesses to new communities. In this century, economic development has been called “community betterment”, “industrial development”, and “retail trade recapture”, among others. But most of the economic development policies and programs in use today were developed shortly after World War II. The shortcoming of many of these local economic development efforts is that they have not been integrated into a community comprehensive planning process, and sometimes have occurred with little thought of community character or long-term need.



Picture: Clinchfield Depot: 1939

Appalachian Region- Economic Overview

The Appalachian Region’s economy has become significantly more diversified over the past 15 years. Once highly dependent on heavy industry, agriculture, and mining, the region today is becoming increasingly reliant on jobs in service industries, retailing, and government.

In 1965, one in three Appalachia residents lived in poverty. By 1990, the poverty rate had been cut in half. These gains have transformed the region from one of almost uniform poverty to one of contrasts: some communities have successfully diversified their economies; some are still adjusting to structural changes in declining sectors; and some severely distressed areas still require basic infrastructure, such as water and sewer systems.

These contrasts are not surprising in light of the region's size and diversity. The region includes 410 counties in 13 states. It extends more than 1,000 miles, from southern New York to northeast Mississippi, and is home to nearly 23 million people (Appalachian Regional Commission).

Regional Support of Economic Development Efforts

The globalization of the economy is a factor in competitive regionalism. The main economic linkages of metropolitan regions, such as those involving information, skill, trade, and investment, are increasingly tied to the global economy rather than with the national economy. Even the perception within regions themselves is that other regions both nationally and internationally, rather than the adjacent central city or suburbs, are their main competitors in the global economy. There is increasing awareness on the part of the public, private, and nonprofit sectors that in order to be competitive in the global economy, they must work together to formulate regional economic development policies and strategies that are customized to their own particular regional characteristics.

Regions whose cities and suburbs succeed in finding ways to work together will fare better than those whose constituent governments choose to go-it-alone. Whatever the direction of causality, cities and suburbs are linked together through the integration of their regional economies. Whether they like it or not, or even whether they are aware of it or not, cities and suburbs are their region's primary stakeholders.



Planning for Economic Development

Planning for economic development requires recognition of the city's assets and liabilities. Future economic development strategies will emphasize and strengthen positive attributes and reduce perceived weaknesses. By including economic development within the framework of the Comprehensive Plan, the city will have a long-term plan to attract economic growth and remain competitive in the marketplace over the next 20 years. Effective planning sets the stage for sustainable economic growth to support Johnson City in the years ahead. As the city prepares to manage growth, it must also maintain and expand its economy so that the desired quality of life is realized and people and businesses continue to invest in the community.

Johnson City has always been known as a desirable place to work and live. One of the most important factors that determine whether people or businesses locate here is the area's livability. Among the factors that influence livability are the area's ability to provide employment opportunities, healthy businesses that provide goods and services, the quality of public services, the area's natural beauty, affordable housing, good schools, strong neighborhoods, and efficient traffic circulation. Maintaining our community's livability requires that we maintain a strong, sustainable, economic climate.

Events of the last 20 years have shown that the economic future cannot be predicted with precision. Therefore, economic policies and regulations should be flexible. The goals and policies in this element reflect the need for flexibility.

Johnson City's Efforts to Support Economic Development



Picture: Economic Development Board/ Chamber of Commerce

The city of Johnson City takes a multi-facet approach to economic development to attract and retain new and existing businesses. Through assisting groups such as the Johnson City Chamber of Commerce, which was established in 1915, "to promote business, enhance economic and community development, and serve as a catalyst for improving the overall quality of life in the community and region." In addition, the city of Johnson City financially supports organizations such as the Johnson City Economic Development Board, whose

number one priority is providing support to existing businesses to expand in our area, and the Johnson City Development Authority, which focuses its resources on downtown development. While the city's commitment to economic development has been high over the years, interest lies in expanding the city's role in economic development particularly higher paying and skilled employment opportunities.

Beginning in 2003, an emerging effort of local leaders, government agencies and non-profit organizations formed a public/private partnership that holds an annual "Summit" to discuss the process that is defining the community's economic future and how it will be achieved. The members of the Summit have formed several focus groups, which help define specific areas of emphasis. In defining such goals, these focus groups are tasked with the challenges to prioritize specific goals that may be achievable within a reasonable time frame. With continued support from both public and private funding, grassroots organizations such as this will prove to be successful over time, and improve the overall long-term economic health of the city.

Johnson City's Economic Structure

Understanding Johnson City's local economic structure is essential for designing a long-term economic development program. The Economic Development Element assesses the economic climate of Johnson City by examining past labor and economic trends in the community, and then projects these trends into the future. It is important to note, however, that several factors other than economic are necessary in assessing the economic climate of the city. Some of these include: quality of life, local population characteristics, local community assets, and local physical conditions and resources. These factors, which are considered in greater detail in other sections of the Comprehensive Plan, are brought together in this element to give an accurate assessment of Johnson City's economic structure.



Picture: First Tennessee Bank

Cost/Benefit Considerations

The city acknowledges that there are costs as well as benefits associated with economic activity. These include the direct costs of providing additional government services as well as the costs of providing and maintaining an adequate infrastructure. While exacting fiscal analysis is not necessary, the costs and the benefits of growth should be considered when developing regulations and procedures. For example, increased taxes could provide revenues to meet immediate needs, but may create a negative business climate or one, which is detrimental to the survival of tax-paying, job-producing businesses. Quantitative issues should also be taken into account, such as: would policy or regulatory complexity be increased or decreased with the adoption of this regulation? Prior to modifying or adding new regulations, the consequences of any action should be identified and the costs measured against the benefit.

Members of Johnson City's Regional Planning Commission, Planning Department staff, and many other interest groups involved in economic development spent many hours discussing the economy and the progress the community has made to ensure economic stability for our region, as well as ways to ensure an improved economic future for generations to come. Many economic issues were raised consistently throughout the process and serve as the foundation for the goals and policies that guide decisions regarding Johnson City's economic future. Although the focus of discussion was on city issues, the goals and policies also reflect a regional approach to the economy, given that the economies of the region and city are inherently linked.

1) Diversify the economy and broaden the tax base

The importance of a diverse economy should not be overlooked. Similar to the philosophy of investment brokers, putting all your resources in one category puts your investment in jeopardy. The same principles apply in local markets; a well-diversified economy will better sustain economic shifts, and will be more suitable to provide for a healthy economic base. Therefore, having a well-diversified economy likewise diversifies the tax base, which will provide the local economy with a sense of stability. It is also relevant to mention the importance of determining focus areas of a market, and recognition of niche¹ markets to target in business recruitment. This philosophy will help strengthen these "cluster²" markets, and in return increase local economic return.

2) Increase per capita income for Johnson City residents

As Johnson City achieves relatively low levels of unemployment in an era of fairly strong economic growth, Johnson City decision-makers need to think increasingly about the quality of jobs rather than quantity, more about becoming prosperous rather than simply getting bigger (e.g., more jobs and people). Most metro economies, even big ones, still see getting bigger as the main goal of economic development.

In the last 20 years, the transitional period between the old and the new economy, "getting big" made sense because economic growth was slow and unemployment high. However, even when metro economies were weak, job growth was at best a means to two possible ends; 1) raising the average standard of living in the metropolitan area, or 2) helping reduce poverty by employing those at the fringe of the labor market. The first of these two ends is now more effectively achieved by focusing on income growth per se and not job growth as a means, particularly with the unemployment rate at 4.6 percent in February 2005. The second, is now largely a matter of structural or social reform, such as job training, K-12 improvement, and solving the problem of spatial isolation in low-

¹ **Niche Market-** a smaller portion of a larger market. It generally refers to a group whose needs are not being addressed by mainstream providers.

² **Cluster Market-** a group of businesses or organizations who, owing to the goods they produce and/or services they provided have common customers, technology or use similar specialist skills. They group together in order to enhance their overall competitive advantage of individual companies.

income, inner-city neighborhoods. It is difficult to see how programs aimed at undifferentiated job growth that are not focused on higher wages or higher-skill jobs can provide more opportunities for the poor than that which already exist in most metro economies, unless those areas are losing jobs or have high unemployment.

Focusing on income growth makes sense for a second reason. Most large metropolitan areas face increasing traffic congestion, poor air quality, urban sprawl, rising housing prices, and a shortage of skilled workers. As a result, the new goal for economic development should be to raise average per capita incomes through higher-wage jobs, while working to reduce poverty and to expand opportunity for economically disadvantaged residents, all the while boosting the region's quality of life.

This does not mean that Johnson City should oppose growth and adopt regulations limiting it; it does mean that Johnson City should not pursue job creation for its own sake. This is not to say that the strategy should remain fixed. If, unlikely as it is, productivity growth rates decrease significantly in the next decade and unemployment increases, the appropriate goals and strategies should be evaluated. But for now and the foreseeable future, the economic strategy should focus on raising incomes rather than simply attracting jobs.

TABLE 1: Beliefs about Economic Development in the Old and New Economies

In the old economy, people believed that:	In the new economy, people believe that:
Being a cheap place to do business was the key.	Being a place rich in ideas and talent is the key.
Attracting companies was the key.	Attracting and retaining educated people is a key.
A high-quality physical environment was a luxury, which stood in the way of attracting cost-conscious businesses.	Physical and cultural amenities are important in attracting knowledgeable workers.
Regions won because they held a fixed competitive advantage in some resource or skill.	Regions prosper if organizations and individuals have the ability to learn and adapt.
Economic development was government-led.	Only bold partnerships among business, government, and the nonprofit sector can bring about change.

Source: Progressive Policy Institute

3) Enhance employment opportunity for young adults that offer higher quality jobs, along with greater range and selection of careers.

Johnson City, much like many mid-sized American cities, loses a significant portion of the young workforce to larger metropolitan markets every year. Therefore, it is vital to retain young professionals in Johnson City, and ensure quality employment can be found in the regional market. Likewise, it is important to attract a young workforce because research has proven young adults tend to foster a more creative, and enthusiastic business climate.

4) Improve and protect the natural and built environment as assets that attract economic development opportunities and enhance Johnson City's quality of life.

The importance of the city's high quality of life as a contributor to a favorable business climate is likely to influence business decisions on where to locate. Good schools, good infrastructure, and public services, high quality neighborhoods, an attractive community appearance, natural environment, a variety of recreational opportunities, clean air and water attract both business and residents. These attributes serve as economic development tools and must be protected in order to continue to function as attractions to potential businesses and residents.

Individual programs and policies that respond to a particular business need may be of limited success in encouraging firms to expand or attracting new firms if they are not part of a comprehensive effort to upgrade the quality of life of the city. Improving the city's quality of life can have a significant impact on decisions firms make regarding location and workforce changes.

In achieving these broader goals, four primary target sectors will be the focus:

5) Healthcare/Medical/Technology/Education

Industry clusters have proven successful in driving economic growth in other regions. Economic growth within any industry cannot occur without a workforce possessing the education and applicable skills needed to produce the industries' goods or services. The local economy must also be capable of absorbing new technologies, expanded roles, and redesigned work environments as the industry changes over time.

The healthcare industry helps patients, the workforce development system helps employers and workers, and the learning network helps students. As the healthcare industry organizes around workforce development issues, it must remain mindful of the complexities and interconnectedness of partner relationships.

Industry clusters are designed to further the needs of the demand side of the workforce equation, namely, the employment needs of area establishments. To do so, clusters draw on the skills and expertise of a variety of education and training providers, government

programs, and support service providers who offer programs and services to the emerging, incumbent, and dislocated workforce.

Cluster initiatives should build on existing organizations rather than just creating new organizations. Efforts should be focused on aggregate needs, and collective problems or issues rather than the establishment of programs or employer specific activities. By forming regional strategic alliances, the cluster can combine and leverage resources to the greater good.

Because the healthcare industry is facing critical workforce shortages, and the increasing economic base Johnson City presents in the industry, issues surrounding workforce development were chosen as the focus around which collaborative relationships and practices can be built. Once industry leaders gain confidence with each other, and understand the interconnectedness of the industry with education and service providers, the cluster concept will be used to advance other economic development outcomes, such as the production of new goods or services. Therefore, Johnson City finds itself in a very fortunate situation to pursue an industry cluster in the Medical and Healthcare Industry.

Educational institutions such as East Tennessee State University's medical college and pharmacy school can provide the region with the ability to train and re-train the workforce to meet current and future market demands. The healthcare market includes the Veterans Administration Hospital, Johnson City Medical Center, Mountain States Health Alliance and MedTech Park. With this foundation, it is pertinent to continue as an emerging market in the Medical/Healthcare industry. The healthcare industry is known for providing employers with good paying jobs, an industry that is environmentally friendly, and one that is virtually recession proof. The findings of the Economic Summit 2003/04 and the City Commission's goals and objectives support the medical and healthcare industry's expansion and growth in Johnson City in its efforts to become a regional market.

6) Downtown Revitalization

Throughout American cities, downtowns were once vibrant areas that served the public in many ways. Frequently neighborhoods were built on the fringes of commercial centers, which allowed pedestrian friendly access throughout downtowns. Much of what American history was founded upon was the productivity of a downtown center and the image it portrayed. However, the dependence on the automobile has not only encouraged sprawl, but has discouraged businesses to locate in downtown districts.

It is the hope to return Downtown Johnson City into a mixed-use vibrant community where people have the opportunity to live, work, and enjoy themselves. For the Downtown to succeed, the historic core of the city must be viewed within the context of the region, serving the needs of residents, businesses, and visitors by offering unique uses in the areas of culture, entertainment, housing, retail, and professional and governmental services.

Contained in the Citizen Survey 80 percent of the participants indicated any attempt to improve downtown should be funded with both public and private funds.

7) Manufacturing

As the economy improves and new investments are made, East Tennessee is well positioned to provide the technology, hardware, and manufactured goods to meet many of the challenges we face in this era of homeland security and to supply the free world with the materials necessary to maintain productivity and prosperity.

According to a United Parcel Service (UPS) analysis, Johnson City is within a two day drive of 65 percent of the nation's population that spans from Maine to Florida and as far southwest as Louisiana, and Northwest as Wisconsin. Johnson City is also well-served with two major railroads, the CSX and the Norfolk Southern. The Tri-Cities Regional Airport offers regional businesses with a Foreign Trade Zone (FTZ) which allows importers to reduce, defer, or eliminate their payments of U.S. Customs duties.

Tennessee is listed among the nation's ten strongest economies with regional taxes ranking among the nation's lowest-a key factor for businesses choosing to locate in the Tri-cities Region. Manufacturing facilities benefit from competitive wage rates and lower cost of living benefits, as well as a pro-business environment.

Now is the time when the city needs to look to the past in order to see into the future. The city must retain our heritage in manufacturing while staking its claim to the technologies of the future. By transitioning into a modern, technology-based manufacturing economy, the city will build, make, and export the products of tomorrow which will provide a legacy of jobs and opportunity for generations to come. Below are successful facts of Tennessee's competitive programs and location advantages:

- Tennessee's FastTrack program ranked #6 on list of the Top 10 most innovative economic development initiatives - *Southern Business & Development Magazine*
- Corporate decision-makers ranked Tennessee as their third favorite location for a new facility - *Plants, Sites, and Parks*
- Tennessee ranked in the top 10 of the top 25 State Business Climate Rankings - *Site Selection*

8) Tourism

Tourism is becoming increasingly important to the U.S. economy. A conservative estimate from the Federal Reserve Board in Kansas, based on 2000 data, indicates that basic travel and tourism industries accounted for 3.6 percent of all U.S. employment. Even more revealing, data from the Travel Industry Association of America indicates that one out of every 18 people in the U.S. has a job directly resulting from travel expenditures.

The importance of tourism to local economies varies across the U.S. with some areas having an enormous investment in tourism. Nevertheless, the future of tourism is full of potential for small business owners. With the increases in security concerns for international travel and travel to large metro areas, many rural tourist companies are moving in with their own offerings. Many of these low-risk rural areas may be able to rely on tourism as an important part of their economy. Maine—where more than 40 percent of small and home-based businesses are involved in some kind of tourist enterprise—is a good example of this impact.

A wide variety of tourist opportunities exist throughout rural America and continue to expand as increasing numbers of local entrepreneurs identify new ways to market previously untapped local resources and attractions, and draw tourists.

In order for Johnson City to take advantage of its many existing natural, recreational, historic and cultural resources, tourism must be viewed as a business that requires planning, coordination, and leadership. It will be essential in planning for tourism to not only focus on Johnson City's attractions, but to focus on the Tri-Cities region as a whole. To be successful in attracting and retaining tourists for extended periods of time, it will be crucial to market the entire region. Attracting tourists into the area will benefit Johnson City in an indirect manner. Because of the many hotels, restaurants, and entertainment facilities Johnson City offers in comparison to the region, regional tourism will benefit Johnson City's economy.

East Tennessee is home to many scenic wonders, and natural amenities. As part of the Appalachian mountain chain, the region hosts opportunities for hiking, biking, camping, and fishing, along with other outdoor activities. Sections of the Appalachian Trail meander through the valleys and ridges of East Tennessee. Buffalo Mountain is a close drive for Johnson City residents, providing hiking trails, picnic facilities, and scenic overlooks. It is also the picturesque backdrop for Johnson City.

In and around the Tri-Cities area visitors can take advantage of many different types of tourist destinations. The Bristol Motor Speedway for example hosts NASCAR racing and National Hotrod Association (NHRA) events twice a year, along with other events periodically. Recreational activities such as whitewater rafting in Unicoi County on the Nolichucky River, water sports on Boone and Watauga Lake, and youth sports in Washington and Sullivan County are outdoor activities enjoyed by many.

A recent event in paleontology history has been the discovery of fossils in Gray. The fossil site will become a tourist destination, with the proposed 50,000 square-foot visitors Interpretative Center. The center will include a museum, education center, preparation lab and workshop to display construction and assembly of the fossils. "The potential for regional tourism and worldwide recognition for the work going on at Gray (fossil site) is tremendous", said ETSU President Paul Stanton.

This area is also rich in American history and culture. A short drive to Jonesborough is the home of the International Storytelling Convention Center, and the oldest city in

Tennessee. East Tennessee is home to fifteen state parks, and four are within a one hour drive from Johnson City. Bristol, Tennessee/Virginia is also known as the Birthplace of Country Music, where Appalachian heritage runs deep.

It is apparent that East Tennessee and surrounding areas (Southwest Virginia and Western North Carolina) are home to many tourist-related destinations, as outlined in this short non-conclusive list of activities. Therefore, it is important to market tourism as a region and not as separate destinations of interest. The region has the ability to attract people with diverse interests and backgrounds, and in a collaborative effort throughout the Tri-cities the city should support efforts to market tourism as a regional endeavor.

For the sake of simplicity, the analysis of economic trends considers the Johnson City economy in terms of *demand* and *supply*. *Demand*, in this case, comprises all those factors that influence the growth of existing enterprises, the development of new enterprises, the creation of jobs, and the demand for labor in Johnson City. *Supply* comprises the supply of labor required to fill the jobs that have been created, and all factors that hinder or help that supply.

There is a complex and dynamic interrelationship between demand and supply. A newly created job will provide a worker with a wage that, if expended in the local economy, will create further demand for goods and services and, eventually, more jobs. This cyclical process can be viewed as a multiplier effect and stimulates the local economy. However, rarely are the components of demand and supply in balance.

This analysis recognizes that the community is affected at many levels by the imbalance between the demand for and the supply of labor in the local economy. It therefore focuses on the constraints to future growth and the opportunities that will arise as a result of the changing economy and the potential impact of both on the local labor market.

This analysis also recognizes patterns and trends of the Johnson City economy, as well as any weak sectors in the economy. These patterns and trends are used to identify economic diversification opportunities and requirements and economic growth areas.

The analysis is comprised of three parts. The first section compares Johnson City's labor statistics to Tennessee, Washington County and the Tri-Cities area. The second part, describes Johnson City in terms of "Comparable Cities"³ – cities within 200 miles with a population similar to Johnson City's. Lastly, the third part describes the entire Tri-Cities Metropolitan Statistical Area (MSA) and compares it with other regional MSAs. These three comparisons serve to help explain Johnson City's position in the local economic hierarchy, and provide direction for the city's future.

Labor Force

Participation Rates

A key measure to describe a population's labor force status is the percent of population in the labor force (i.e. labor force participation rate). Figures 1 and 2 show the labor force participation rates for Johnson City and Tennessee for the decennial census years 1990 and 2000. In 1990 and 2000, Johnson City had a slightly lower percentage of persons in the total labor force than the State of Tennessee. Labor force participation rates for Tennessee remained relatively unchanged between 1990 and 2000, whereas Johnson City's labor force participation rate grew by 2.3 percent during that time.

³ The cities included in the "Comparable Cities" survey include: Asheville, NC; Bristol, TN & VA; Gastonia, NC; Greenville, SC; Hickory, NC; High Point, NC; Kannapolis, NC; Kingsport, TN; Maryville, TN; Morristown, TN; Oak Ridge, TN; and Spartanburg, SC.

Figure 1: Labor Force Participation Rate, 1990

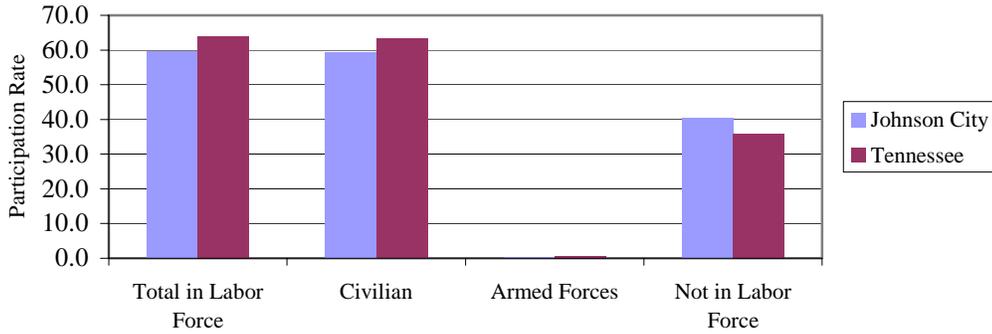
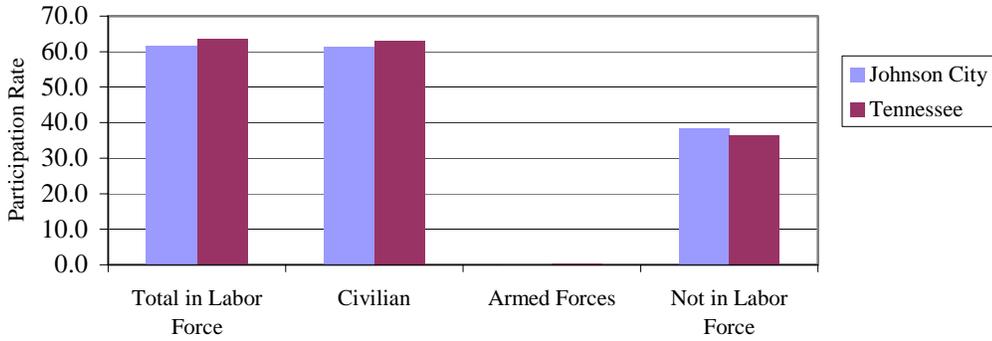


Figure 2: Labor Force Participation Rate, 2000



Source: U.S Bureau of the Census, 1990-2000

Describing labor force participation rate composition provides detailed information about the labor force characteristics. Labor force participation rates by gender are shown in Figures 3 and 4 for 1990 and 2000. Figure 3 indicates that 67 percent of the male population who are eligible (16 and over) were actually in the labor force in 1990. Of the female population eligible to be in the Johnson City labor force, only 50 percent were actually in the labor force. In 2000, both the Johnson City and state of Tennessee participation rates declined significantly, especially in the male populations. Males participated at a rate of 53 percent in Johnson City, versus 54 percent for the state as a whole, and female participation rates for both the city and state were also relatively similar.

Figure 3: Labor Force Participation Rates by Gender, 1990

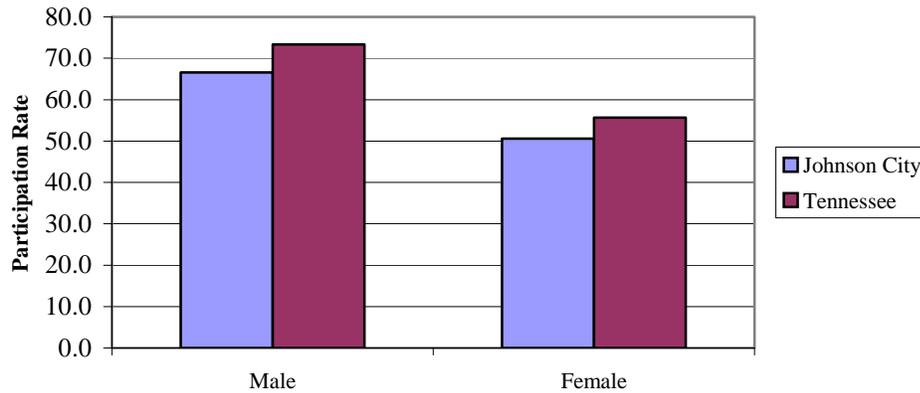
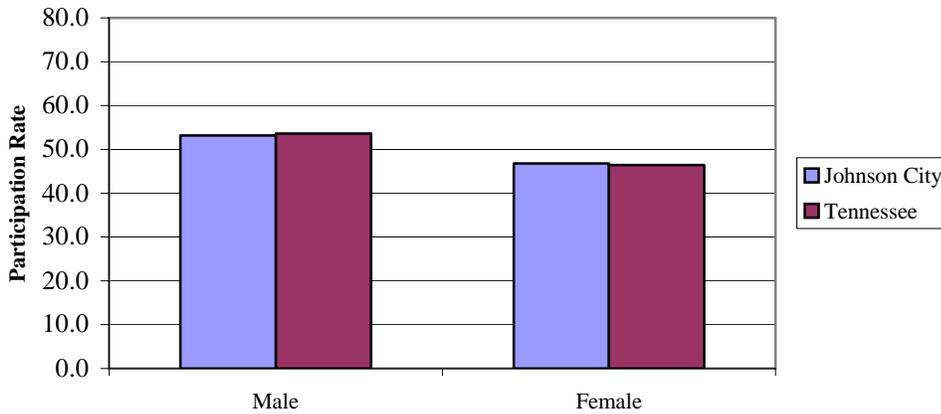


Figure 4: Labor Force Participation Rates by Gender, 2000



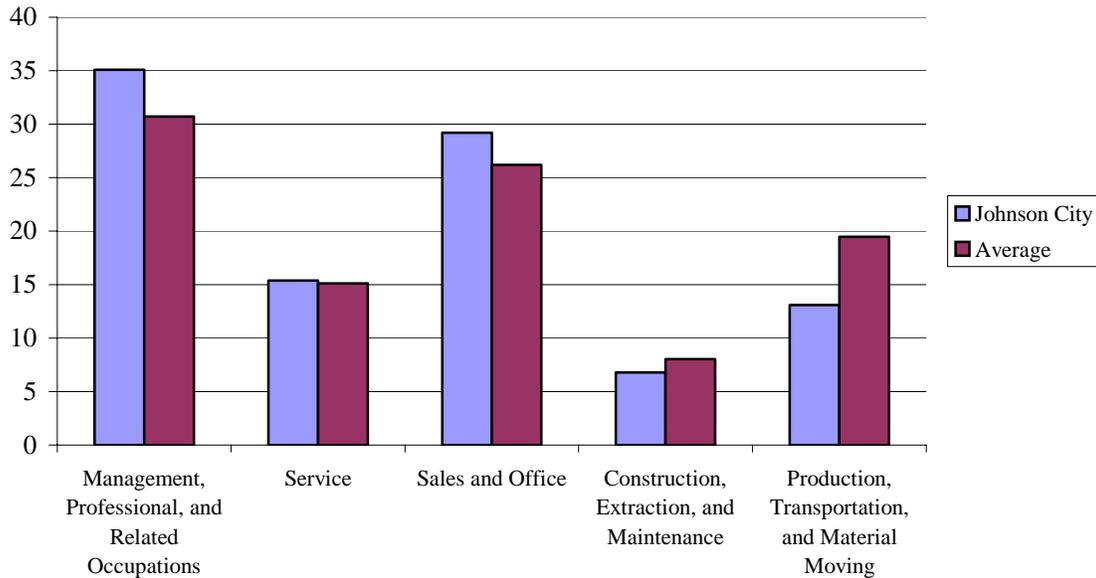
Source: U. S. Bureau of the Census, 1990-2000

Occupation

The occupation of the labor force is helpful in describing the employment requirements and future trends of a labor force. Employment patterns in the community identify what human resources are available or required for economic development and what portion of the existing labor force requires assistance. The U.S. Census Bureau defines occupation as the job worked during the census reference week, or the most recent job worked in the last five years. Persons with more than one job were asked to report on the job where they spent the most hours during the reference week.

Figure 5 depicts the percentages of total employment by occupational classification for Johnson City and the average from the “Comparable Cities” for 2000. In 2000, approximately 64 percent of Johnson City’s labor force was in Management, Professional, and Related Occupations including Sales and Office Occupations, all of which typically require an education level beyond high school. Blue-collar employment comprised the remaining occupations in Johnson City in 2000.

Figure 5: Percentage of Labor Force Employed by Occupation, 2000



Source: U.S. Bureau of Census 2000

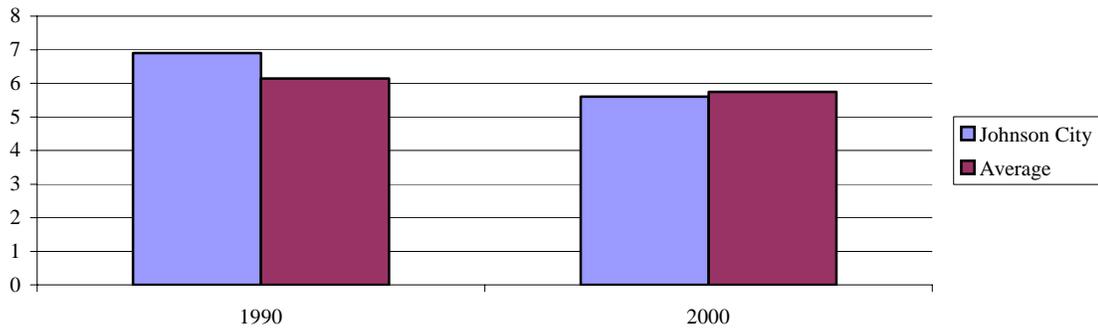
Similar to Johnson City, the Comparable Cities had approximately 59 percent of their residents working in Management, Professional, and Related Occupations or Sales and Office Occupations in 2000. As such, Johnson City had approximately five percent more persons employed in these occupations. Occupation data from 1990 was not available, as the U.S. Census Bureau classified occupations under different titles.

Unemployment Rates

The unemployment rate is calculated as the proportion of the civilian labor force that is currently unemployed. Persons not employed and not looking for work are not counted as being in the labor force and are not counted as unemployed.

Figure 6 illustrates how Johnson City unemployment rates have compared with those of the Comparable Cities in 1990 and 2000. In 1990, Johnson City's unemployment rate was above the average of the Comparable Cities, 6.9 percent versus an average of 6.1 percent. However, in 2000, Johnson City's average was 5.6 percent, similar to the Comparable Cities' average of 5.7 percent.

Figure 6: Average Annual Unemployment Rates, 1990 & 2000



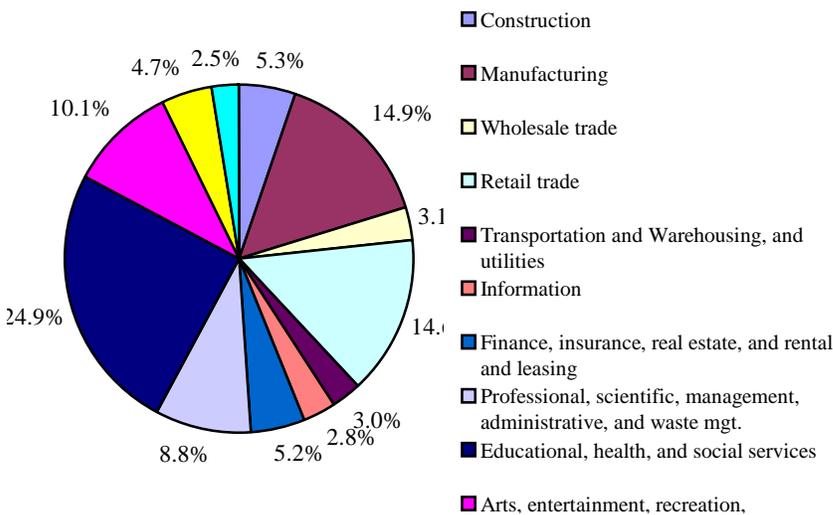
Source: U.S. Bureau of Census 1990-2000

Employment in Johnson City

This section focuses on the trends and characteristics of Johnson City employees. This is different than the city’s labor force described in the section above, as workers employed in Johnson City do not necessarily reside in the county. Moreover, the census data described above are a residence-based survey and does not include data from the places of business.

The data presented in Figure 7 is based upon the total Johnson City employment of 26,531 workers in 2000. During this time, Educational, Health, and Social Services employment represented the largest percent (24.9 percent) of workers. The Manufacturing sector was the second largest at 14.9 percent followed by the Retail Trade sector at 14.6 percent. Agricultural and Mining employment has been omitted, as they represented less than one percent of Johnson City’s total work force.

Figure 7: Percentage of Labor Force Employed by Industry, 2000



Source: U.S. Bureau of Census 2000

In Johnson City, the largest employers include health care providers, educational institutions, and public agencies. Figure 8 shows the ten largest employers in Johnson City. These ten employers account for 75 percent of all jobs among Johnson City's major employers.

Figure 8: Ten Largest Employers, Johnson City, 2005

Employer	Number of Jobs
Mountain States Health Alliance	3,541
East Tennessee State University	1,990
CITI Commerce Solutions	1,700
James H. Quillen VA Medical Center	1,259
American Water Heater Company	1,194
Cingular Wireless	895
Johnson City School System	851
City of Johnson City	843
Superior Industries International	540
Frontier Health	500

Source: Johnson City Economic Development Board, 2005

Note: As reported by individual company during 2005

After these, manufacturing companies comprise the next largest group of employers. The county's manufacturers represent a diverse range of industries, encompassing heaters, textiles, electronic components, automobile parts, metal products, glass products, building and manufacturing supplies and other items.

Telecommunications service centers, or "call-centers" comprise a third, emerging type of employment for the Johnson City area. These facilities -- which may represent companies in virtually any industry sector -- provide services encompassing credit card order processing, reservations, shipping logistics, telemarketing, electronic sales, etc. The city's two largest telecommunications employers (CITI Commerce Solutions and Cingular Wireless) provide such services.

Economic Trends and Characteristics – Tri-Cities

Regional Economic Base and Trends

Employment in the Tri-Cities area has grown steadily. According to Table 2, since 1990, total non-agricultural employment has increased from 136,300 to 191,800. The service sector has comprised the largest component of this overall growth, nearly doubling its share of total employment, from 12.5 percent in 1980 to 24.7 percent in 1999.

The manufacturing sector's share of employment, on the other hand, has diminished by nearly one-third, from 39 percent in 1980 to 24.4 percent in 1999. During this period, the total number of manufacturing jobs has declined from 54,600 to 46,800. Among the other industry sectors, trade has substantially increased its share of employment; whereas

the percentage of government employment has declined. Most other sectors have grown in approximate correspondence with the region's overall employment growth.

Overall, manufacturing, services, and retail trade account for a combined 75 percent of total employment in the region. The Tri-Cities' relatively low representations in other sectors may be partly attributable to the fact that, until recently, the area has not approached the scale necessary to attract larger, national or regional firms. As Johnson City and the Tri-Cities continue to grow, these firms will begin to enter the market and open new regional offices, and it is likely that the transportation/communications/ utilities and Finance, Insurance and Real Estate (F.I.R.E) sectors will represent increasing shares of metro area employment.

Table 2: Employment Distribution Trends, Tri-Cities MSA, 1980-1999

	<u>1980</u>	<u>1990</u>	<u>1999</u>
Total Nonagr. Employment	136,300	174,000	191,800
Manufacturing	53,100	54,600	46,800
Percent	39.0%	31.4%	24.4%
Construction/Mining	7,300	7,500	11,200
Percent	5.4%	4.3%	5.8%
Transportation/Comm./Utilities	5,800	6,200	7,800
Percent	4.3%	3.6%	4.1%
Trade	24,100	40,000	45,800
Percent	17.7%	23.0%	23.9%
F.I.R.E.*	4,400	5,500	6,200
Percent	3.2%	3.2%	3.2%
Services	17,100	35,200	47,300
Percent	12.5%	20.2%	24.7%
Government	24,400	25,000	26,700
Percent	17.9%	14.4%	13.9%

*Finance, Insurance, and Real Estate

Source: State of Tennessee, Dept. of Employment Security; Center for Business and Economic Research, Univ. of Tennessee, Knoxville; ZHA, Inc.

Washington County Economic Base

Within the regional economy, Washington County (including Johnson City) has experienced significant growth in its retail trade and services sectors. Rapid retail development has increased employment from approximately 8,500 in 1990 to 12,100 in 1998, an increase of 42 percent. In services, Washington County employment grew even more rapidly. Business and legal services represented a prominent share of this growth; these professional service employment categories increased from 2,100 to 5,300 workers, an increase of nearly 150 percent.

As compared to the Tri-Cities regional economy, employment patterns in Washington County rely to a lesser extent on manufacturing industries. As shown in Table 3, manufacturing accounts for approximately 20 percent -- compared to 24 percent in the Tri-Cities MSA (Table 2) -- of Washington County employment. At the same time, manufacturing employment has been growing in Washington County, indicating that the county's businesses -- especially its durable goods manufacturers -- have been thriving. Local sources indicate that many of the county's manufacturers have been expanding, providing further evidence of the current health of Washington County's industrial base.

TABLE 3: Employment by Industry Sector, Washington County Businesses: 1990-1998

	1990		1998		Change	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Annual %</u>
Agriculture/Forest/Fishing	88	.2%	197	.4%	109	10.6%
Mining	--	n/a	--	n/a	n/a	n/a
Construction	1,727	4.1%	2,477	4.7%	750	4.6%
Manufacturing	8,236	19.7%	10,867	20.4%	2,361	3.5%
Durable	4,403	10.5%	7,600	14.3%	3,197	7.1%
Nondurable	3,833	9.2%	3,267	6.1%	-566	-2.0%
Transp./Comm./Utilities	1,025	2.5%	1,034	1.9%	9	.1%
Retail Trade	8,538	20.4%	12,143	22.8%	3,605	4.5%
F.I.R.E.	1,225	2.9%	1,289	2.4%	64	.6%
Services	9,738	23.3%	15,751	29.6%	6,013	6.2%
Health	4,593	11.0%	6,063	11.4%	1,470	3.5%
Legal/Business	2,144	5.1%	5,301	10.0%	3,157	12.0%
Government	3,342	8.0%	7,115	13.4%	3,773	9.9%
Other	5,750	13.8%	--	n/a	n/a	n/a
TOTAL	41,768		53,187		11,419	3.1%

Source: Tennessee Dept. of Labor and Workforce Development, ZHA, Inc.

Employment

The Washington County and Johnson City labor forces are skewed toward the service-producing sectors of the regional economy. In Washington County, the service-producing sectors employ nearly 72 percent of the resident workers; by 2020 this share is projected to reach 74.6 percent.

Table 4: Employment by Industry Sector, Washington County Residents: 1990-2020

	<u>1990</u>	<u>% of Total</u>	<u>2000</u>	<u>% of Total</u>	<u>2010</u>	<u>% of Total</u>	<u>2020</u>	<u>% of Total</u>
Ag/Forestry/Fishing	837	1.9%	835	1.6%	725	1.2%	685	1.0%
Construction	2,416	5.6%	2,710	5.2%	2,895	4.8%	3,095	4.5%
Manufacturing								
Non-Durable	4,742	11.0%	5,215	10.0%	5,430	9.0%	5,775	8.4%
Durable	4,987	11.6%	5,890	11.3%	6,635	11.0%	7,220	10.5%
Transp/Comm/Utilities	2,368	5.5%	2,815	5.4%	3,200	5.3%	3,505	5.1%
Wholesale Trade	2,326	5.4%	3,130	6.0%	3,800	6.3%	4,605	6.7%
Retail Trade	8,732	20.2%	11,105	21.3%	13,335	22.1%	15,605	22.7%
F.I.R.E.	1,760	4.1%	2,295	4.4%	2,775	4.6%	3,370	4.9%
Services								
Business/Repair	1,782	4.1%	2,240	4.3%	2,715	4.5%	3,230	4.7%
Personal/Entertainment/Rec.	1,651	3.8%	2,030	3.9%	2,415	4.0%	2,815	4.1%
Health	4,532	10.5%	5,785	11.1%	7,060	11.7%	8,385	12.2%
Educational	3,776	8.8%	4,015	7.7%	4,285	7.1%	4,605	6.7%
Other Professional	2,037	4.7%	2,815	5.4%	3,740	6.2%	4,400	6.4%
Public Administration	1,180	2.7%	1,250	2.4%	1,330	2.2%	1,445	2.1%
TOTAL	43,126		52,130		60,340		68,740	

Source: Johnson City Planning Department; ZHA, Inc.

In Johnson City, according to Table 5, service-producing sectors are expected to account for 76 percent of (2000) residential employment, and 77 percent of the city's 2020-employed work force. Among the goods-producing sectors, manufacturing accounts for more than 18 percent of the resident jobs. This figure is higher than manufacturing's share of the national economy, but well below the (approximately) 25 percent share of the regional (Tennessee Service District 1) economy⁴.

⁴ Tennessee Dept. of Labor and Workforce Development. Tennessee Service District 1 comprises an area that is similar but not identical to the Tennessee portion of the Tri-Cities MSA, encompassing the counties of Washington, Sullivan, Carter, Johnson and Unicoi.

Table 5: Employment by Industry Sector, Johnson City Residents: 1990-2020

	<u>1990</u>	<u>% of</u> <u>Total</u>	<u>2000</u>	<u>% of</u> <u>Total</u>	<u>2010</u>	<u>% of</u> <u>Total</u>	<u>2020</u>	<u>% of</u> <u>Total</u>
Ag/Forestry/Fishing	144	0.6%	140	0.5%	135	0.4%	125	0.3%
Construction	1,015	4.5%	1,245	4.5%	1,520	4.5%	1,810	4.5%
Manufacturing								
Non-Durable	1,858	8.2%	2,215	8.0%	2,605	7.7%	3,060	7.6%
Durable	2,526	11.2%	3,035	11.0%	3,645	10.8%	4,250	10.6%
Transp/Comm/Utilities	1,117	5.5%	1,300	4.7%	1,485	4.4%	1,690	4.2%
Wholesale Trade	1,063	4.7%	1,305	4.7%	1,595	4.7%	1,910	4.7%
Retail Trade	4,846	21.5%	6,090	22.0%	7,570	22.4%	9,135	22.7%
F.I.R.E.	1,126	5.0%	1,410	5.1%	1,755	5.2%	2,135	5.3%
Services								
Business/Repair	920	4.1%	1,245	4.5%	1,655	4.9%	2,130	5.3%
Personal/Entertainment/Rec.	961	4.3%	1,245	4.5%	1,555	4.6%	1,890	4.7%
Health	2,647	11.7%	3,265	11.8%	4,055	12.0%	4,870	12.1%
Educational	2,433	10.8%	2,770	10.0%	3,210	9.5%	3,580	8.9%
Other Professional	1,331	5.9%	1,800	6.5%	2,300	6.8%	2,860	7.1%
Public Administration	546	2.4%	610	2.2%	710	2.1%	805	2.0%
TOTAL	22,533		27,675		33,795		40,250	

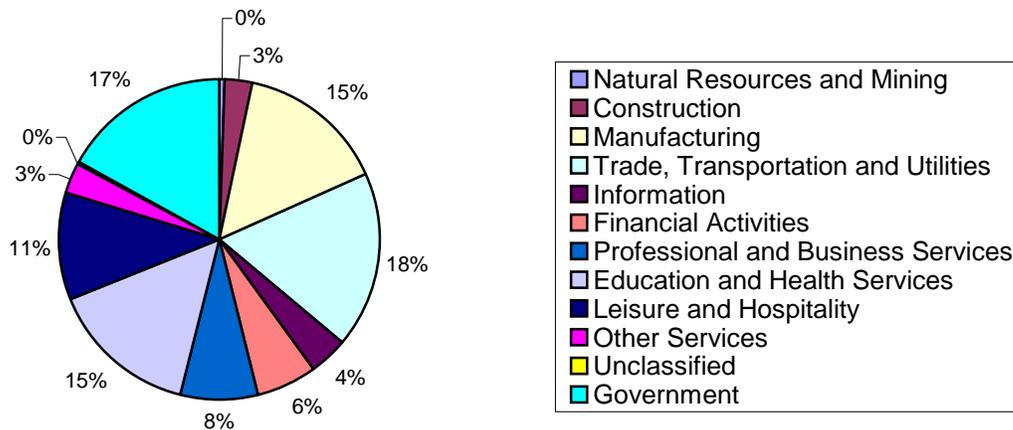
Source: Johnson City Planning Department; ZHA, Inc.

According to the Planning Department's analysis, a declining portion of Johnson City's workers hold jobs located in Johnson City. While 87.6 percent of the resident workers worked in the city in 1960, this share has declined to 75.1 percent in 1980 and 66.4 percent in 1990.

Notwithstanding the community's low unemployment rates, significant out-commuting activity indicates labor resources may be available to new employers in Johnson City. To the extent that employment in Johnson City and/or Washington County continues to outpace population (or labor force) growth, increasing numbers of workers currently working outside the community will seek positions in the city and/or county. In addition, if employment growth in Johnson City outpaces employment growth in other parts of the Tri-Cities, in commuting from neighboring communities is likely to increase.

According to Table 6, in 2003 Washington County had approximately 56,000 covered⁵ employment jobs, of which 46,000 or 82 percent were in the private sector. Washington County’s economy is dominated by service providing, government and manufacturing, with the greatest proportion occurring in Johnson City. Approximately 65 percent of all jobs in the county are in services; manufacturing and government employ about 31 percent, and less than 4 percent of all jobs in Washington County are in construction. Washington County’s employment is distributed among 2,500 firms, with each firm varying in size by industry. For example, manufacturing firms employ 54 people on average, service and retail businesses employ only 15 people, and construction firms about 8 people.

Figure 9: Percent of Total Employment – Washington County, 2003



Source: Tennessee Department of Labor & Workforce Development

⁵ Covered employment includes those workers that are covered by State unemployment insurance laws and Federal workers covered by the Unemployment Compensation for Federal Workers (UCFW) program. Employment data reflects the number of covered workers who worked during, or received pay for, the pay period including the 12th of the month. Excluded are members of the armed forces, the self-employed, proprietors, domestic workers, unpaid family workers, and railroad workers (U.S. Department of Labor, Bureau of Labor Statistics).

Table 6: Industry Profile, Washington County – 2003

INDUSTRY	2003 Units	2003 Average Employment	Percent of Total Employment	2003 Average Wages
County Total*	2,581	55,813	100.0%	\$28,350
Private Ownership Total	2,373	46,453	83.2%	\$27,339
Natural Resources	7	39	<1%	18,014
Construction	239	1,830	3%	30,140
Manufacturing	152	8,215	15%	33,408
Trade, Transportation & Utilities	685	10,105	18%	25,006
Information	47	2,064	4%	35,682
Financial Activities	247	3,565	6%	30,447
Professional & Business Services	382	4,378	8%	26,384
Education & Health Services	270	8,198	15%	34,641
Leisure & Hospitality	248	6,220	11%	11,290
Other Services	252	1,814	3%	19,063
Unclassified	6	28	<1%	20,037
Government	47	9,360	17%	36,273

Source: Tennessee Department of Labor & Workforce Development, ES 202 Covered Employment and Wages

Retail Development Implications

Retail Development

This section presents projections for retail development in Johnson City. The section focuses first on recent development trends, and then analyzes Johnson City's position as a net "exporter" or "importer" of retail goods and services. Taking these findings into consideration, the analysis then presents a reasonable scenario of the retail development that is likely to occur over the next 20 years.

As a preliminary issue, for the purposes of this document, "retail" shall carry a broad meaning, referring to businesses engaged in the sale to the general public of goods and services for personal or household consumption. This definition excludes businesses engaged in wholesale trade or industrial activities other than those that are incidental to sales (e.g., food preparation). General retail store categories include:

- Building materials, hardware, garden supplies
- General merchandise (department stores, variety stores)
- Food stores
- Automotive dealers and gasoline service stations
- Apparels and accessories
- Home furniture, furnishings, equipment
- Eating and drinking establishments
- Miscellaneous (drugs, liquor, hobbies, jewelry, gifts, optical, etc.)

Market Dynamics

Johnson City's retail core is located along North Roan Street and State of Franklin Road. These areas have witnessed dramatic growth in the 1990s. This growth is reflected in statistics provided by the Johnson City/Jonesborough/Washington County Economic Development Board, which show that in the eight-year period from 1990 to 1998 (as Washington County's population increased from 93,200 to 101,700, or 9 percent), retail sales grew from \$343.3 million to \$1.1 billion, an increase of 221 percent.

Various factors have spurred this growth including the opening of State of Franklin Road, along with continued household growth. In addition, Johnson City's increasingly dominant position as a regional retail center has played an important role in driving recent retail development. National franchise restaurants and retailers have targeted this area for their first outlets in the Tri-Cities region. In particular, large-format retailers⁶ seeking to locate and capture a market share in the Tri-Cities region have created new stores, attracting shoppers throughout the region. This trend has helped establish and enhance Johnson City's position as the primary retail center for the Tri-Cities region and surrounding area.

As shown in Table 7, during the 1990s Washington County has captured an increasing share of Tri-Cities retail sales, while Sullivan County's market share has declined.

Table 7: Comparative Retail Sales, Selected Areas, 1993-1998

	Tri-Cities MSA <u>Sales</u>	Washington County <u>Sales</u>	<u>MSA Share</u>	Sullivan County <u>Sales</u>	<u>MSA Share</u>
1993	\$3,276,245	\$782,115	23.9%	\$1,344,202	41.0%
1994	\$3,735,983	\$915,341	24.5%	\$1,468,915	39.3%
1995	\$3,958,891	\$979,576	24.7%	\$1,523,443	38.5%
1996	\$4,043,251	\$1,015,076	25.1%	\$1,506,850	37.3%
1997	\$4,125,894	\$1,042,057	25.3%	\$1,525,363	37.0%
1998	\$4,339,543	\$1,104,972	25.5%	\$1,597,139	36.8%
5-Yr. Growth	\$1,063,298	\$322,857		\$252,937	
Avg. Annual Growth	5.8%	7.2%		3.5%	

Source: Sales & Marketing Management; ZHA, Inc.

⁶ Large-format, or "big box" retailers are large, industrial, style buildings or stores with footprints that generally range from 20,000 square feet to 200,000 square feet.

Inflow/Outflow Analysis

The opportunity to capture spending drives retail development. Combinations of household growth, increased household wealth, and an ability to penetrate expanded market trade areas in turn encourage such opportunities. As noted in the preceding section, Washington County -- primarily Johnson City -- has emerged as a dominant regional center, penetrating an increasing share of its surrounding market areas.

Table 7 presents an analysis of the relationships between household retail spending and retail store sales in Johnson City, Washington County, and the Tri-Cities metropolitan area. This “inflow/outflow” analysis measures the spending potential of resident households against the retail sales achieved at the area’s stores. In this analysis, a “net capture” equal to 100 percent indicates that the community’s spending is equivalent to the sales achieved at the community’s retail stores. Where the capture exceeds 100 percent, retail sales exceed local spending potential, thereby indicating that visitor sales, or “inflow,” exceeds the outflow of local household spending. In summary, the community’s stores capture retail sales in excess of the demand generated by the community’s resident population. Conversely, where net capture falls below 100 percent, the community suffers a net “outflow,” indicating that the outflow of local household spending exceeds the sales derived from visitor inflow spending.

Table 8: Retail Inflow/Outflow Analysis Less Automotive Sales (\$millions)

	<u>Johnson City</u>	<u>Washington County</u>	<u>Metro Area</u>
Spending Less Vehicles	\$314	\$532	\$2,365
Total Sales less Auto Sales	\$926	\$1,027	\$3,972
% of Sales from Inflow	295%	193%	168%

Source: American Business Information, Inc.; Claritas, Inc.; ZHA, Inc.

As shown in Table 8, Johnson City has achieved a net inflow of 295 percent. This indicates that the city’s retail sales exceed local spending potential by 195 percent.

While Washington County and the Tri-Cities SMSA also achieve net inflows, these inflow rates of 193 percent and 168 percent respectively are more typical of other metropolitan areas that serve as retail centers for surrounding rural areas.

An inflow/outflow analysis focusing on non-prepared foods -- basic groceries to be consumed at home -- provides a better understanding of a market area’s regional position. The rate of inflow or outflow for essential goods and services indicates the level of inflow/outflow that is attributable to local shopping patterns. Table 9 shows that Washington County, with a 113 percent capture rate, essentially captures its own resident household spending. Johnson City achieves a slightly higher capture rate, indicating that some of its grocery stores have been able to draw some of their customers from the

outlying areas of the county, as well as from the nearby portions of Sullivan and Carter Counties. The Tri-Cities metropolitan area achieves a similar inflow, indicating an ability to draw from outlying areas outside the metro area's boundaries. These patterns are fairly typical of metropolitan areas: in most cases, urban centers contain more stores and destinations than their outlying areas, and are thereby able to achieve a net spending inflow for basic goods and services.

Table 9: Retail Inflow/Outflow Analysis, Food (At Home) Spending and Sales (\$millions)

	<u>Johnson City</u>	<u>Washington County</u>	<u>Metro Area</u>
Total Spending	\$86.6	\$148.7	\$681.1
Total Sales	\$121.1	\$168.1	\$986.1
Net Capture	140%	113%	145%

Source: American Business Information, Inc.; Claritas, Inc.; ZHA, Inc.

In comparison to the inflow/outflow analysis for grocery foods, a similar analysis for eating and drinking spending and sales provides an indication of an area's ability to draw discretionary spending, or a household's non-essential spending for leisure activities. Table 10 shows that Johnson City achieves a net capture rate of 266 percent, meaning that eating and drinking sales amount to 3.66 times the spending generated by its own residents. In comparison, capture rates for Washington County and the overall metropolitan area are 173 percent and 131 percent, respectively. These figures indicate that Johnson City has been able to attract restaurant/bar spending from throughout the county and metropolitan area. This capture rate is comparable to rates achieved at tourist destinations, and indicates that Johnson City maintains a dominant market position as a destination for eating and drinking, and possibly other leisure-oriented activities.

Table 10: Retail Inflow/Outflow Analysis, Eating & Drinking Spending and Sales (\$millions)

	<u>Johnson City</u>	<u>Washington County</u>	<u>Metro Area</u>
Total Spending	\$61	\$103	\$451
Total Sales	\$163	\$178	\$590
Net Capture	266%	173%	131%

Source: American Business Information, Inc.; Claritas, Inc.; ZHA, Inc.

Projected Sales

Retail sales in Johnson City will increase in accordance with:

- Local household growth; and
- Continued capture of spending from the households within the regional market.

Assuming -- conservatively -- that household incomes and spending patterns do not change significantly, local retail business should expand commensurately with the forecasted household growth rate.

In regard to outside spending, over the next 20 years, Johnson City is not likely to increase its net capture rate. The current inflow capture rate of 295 percent is driven not so much by the desire to visit Johnson City as by: (1) the superior supply of retailers in Johnson City; and (2) the availability of prime retail development sites in Johnson City. As the region grows, as store types establish themselves in Johnson City locations, new opportunities will emerge for these retailers -- or their competitors -- to establish additional stores elsewhere in the metropolitan area; many of these will occupy new sites situated to capture the Kingsport and/or Bristol markets.

Given this projection, it is likely that, over 20 years, Johnson City's net inflow capture rate will decline slightly. Table 11 projects that the inflow rate will decline from the current rate of 295 percent (with outside sources exceeding local spending potential by 195 percent) to 255 percent (with outside sources exceeding local spending by 155 percent). This rate indicates a slightly diminished but still dominate market position in the regional retail market. Based on these assumptions, retail sales growth is projected to increase from roughly \$926 million in 1999 to \$980 million in 2010 and more than \$1 billion in 2010. These represent increases of \$53.2 million over the next ten years, and \$43.4 million in the following decade.

Table 11: Projected Retail Sales Growth, Johnson City: 1999-2020

	<u>1999</u>	<u>2010</u>	<u>2020</u>
Households	24,525	27,845	31,360
Avg. Retail Spending	\$12,793	\$12,793	\$12,793
Total Retail Spending	\$313,748,325	\$356,221,085	\$401,188,480
Inflow Capture Rate	195%	175%	155%
Inflow Capture	\$612,651,675	\$623,386,899	\$621,842,144
Retail Sales	\$926,400,000	\$979,607,984	\$1,023,030,624
Retail Sales Growth		\$53,207,984	\$43,422,640

Source: ZHA, Inc.

Projected Net New Development

Given these retail sales projections, applying an assumption that retail space can achieve gross sales ranging from \$190 to \$240 per square foot, according to Table 12 approximately 400,000 to 500,000⁷ square feet of net new retail development is likely to occur in Johnson City over the next 20 years.

Table 12: Projected Net New Retail Development, Johnson City: 1999-2020

	<u>2000-2010</u>	<u>2010-2020</u>	<u>Total</u>
Retail Sales Growth	\$53,207,984	\$43,422,640	\$96,630,624
<u>Scenario A:</u>			
Sales/s.f. Assumption	\$240	\$240	\$240
Net New Retail Space (s.f.)	221,700	180,928	402,628
<u>Scenario B:</u>			
Sales/s.f. Assumption	\$190	\$190	\$190
Net New Retail Space (s.f.)	280,042	228,540	508,582
Source: ZHA, Inc.			

As *net new* development, these figures include gross new construction *less pre-existing space that may be demolished, abandoned, or converted to other uses*. Thus, where a large-format retailer occupying a 100,000 square-foot building moves to a new building containing 140,000 square feet, and the 100,000 square-foot building is converted to office use, this new construction of 140,000 square feet adds net new development of 40,000 square feet, calculated as:

$$\begin{array}{r}
 140,000 \text{ square feet (gross new development)} \\
 \text{less } - \underline{100,000 \text{ square feet (space converted to non-retail use)}} \\
 \text{equals } 40,000 \text{ square feet (net new retail development)}
 \end{array}$$

In recent years, notwithstanding the aggressive pace of retail construction along State of Franklin Road, much of this development has replaced older (currently empty) retail buildings in older parts of Johnson City; only a portion of this new construction has comprised net new retail development.

For the most part, since new retail development will be driven in large part by new residential development (as opposed to ongoing net new expansions of large-format retailers), new retail development will focus primarily on:

- Community centers, typically containing 60,000 to 100,000 square feet, anchored by a grocery store containing 40,000 to 50,000 square feet; and

⁷ Current development trends indicate the numbers to be low and will likely be reached within 2007.

- Convenience-oriented retail centers (excluding gas/auto service stations), typically featuring drug stores, convenience stores, florists, hardware stores, liquor stores, sandwich/ice cream shops, dry cleaners, stationery stores, etc.
- Small, specialty-oriented shops and restaurants may be developed in downtown Johnson City and other areas, but much of this activity will represent reuses of existing structures, and will not represent net new space.

New power centers, typically consisting of three or more stand-alone “big boxes” or major “category-killer”⁸ tenants, will not likely comprise a significant portion of new retail development. To the extent that such development does occur, it will most likely occur:

1. On remaining land along State of Franklin Road; or
2. In Gray, Boones Creek, or other areas that offer: flat, easily developable land; convenient access to the I-26; and relatively convenient proximity to Bristol and/or Kingsport.

As discussed above, where new large-format retailers are developed, in many cases they will replace older stores or outlets, and will only partially comprise *net new* development.

Office Development Implications

Market Overview

For much of its history, the office market in the Tri-Cities has consisted primarily of the following subsectors:

- Shopping center space, typically containing 1,000 to 2,500 square feet. These spaces lease for approximately \$10 to \$14 per square-foot on a gross basis.
- Mid-rise bank buildings. Constructed in the 1970s and 1980s, these command rates ranging from \$12 to \$14 per square-foot on a gross basis.
- Single-story office centers, typically containing three to five 6,000 to 7,000 square-foot buildings. Medical office buildings comprise a substantial portion of this market segment; these offices maintain occupancies close to 100 percent.

Office tenants include medical service providers, financial institutions, insurance agencies, real estate agencies, attorneys, accountants, and other service-oriented businesses. For the most part, these tenants have served a household (as opposed to

⁸ “Category-killers,” which carry extensive selections within narrowly defined product categories; these are nicknamed for their ability to wipe out competition within their niches. Examples include Office Depot, Bed Bath and Beyond, etc.; Discount Department Stores such as Wal-Mart and Kmart, which cover a broad range of product categories, offering limited selections at discounted prices; and Warehouse clubs such as Sam’s Club and Costco, which offer goods in bulk quantities.

corporate) market. Vacancy rates have been stable, with very little vacancy among higher-quality spaces. While no official estimate exists, the total inventory of office space (including government, multi-tenant, owner-occupied, etc.) in the Johnson City market has been estimated at approximately 1.5 million square feet.

Trends and Projections

In addition to professional, household-serving businesses, office tenants in other metropolitan area markets serve corporate (or government) needs, or a national or regional range of households. These tenants tend to be larger, and seek larger spaces. Offices for these tenants serve three types of business functions: (1) corporate executive functions; (2) research and development; and (3) “back-office” or “call-center” functions encompassing customer service, order processing, reservations, e-commerce connections, shipping logistics, telemarketing, and other such functions.

In recent years, the Johnson City development community has embarked on projects designed to broaden its office market and attract these types of office tenants. The city has achieved significant successes in attracting call-center tenants. Call-center offices in Johnson City and Gray include some of the area’s largest employers, and the Johnson City/Jonesborough/Washington County Economic Development Board reports that additional companies have expressed interest in new telecommunications service facilities. While various telecommunications service providers seek different locational characteristics, many seek space in vacant shopping centers, which meet their essential needs for (1) inexpensive space; and (2) ample parking for employees.

In attracting the higher end corporate and research and development functions, the city currently offers two business park sites, as well as a planned mid-rise building on State of Franklin Road. The first and larger of the business park sites is the Med Tech Park, located at State of Franklin Road and Knob Creek Road. The Med Tech Park has 22 sites, contained on 90 acres of developable land. This project expects to attract a mix of users incorporating medical providers, corporate headquarters, and high-technology businesses. The Park has a development capacity for approximately 1 million square feet; marketing representatives anticipate a build-out of approximately 10 years. The second new business park offers 11 acres, located off State of Franklin Road to the north of the Med Tech Park. This park will be able to accommodate about 160,000 square feet. New tenants will include two high-technology companies, including an Internet service provider, which will occupy 40,000 square feet, and a new startup company. Gross leases at these parks are expected to establish a new high end of the market, with anticipated leases ranging from \$19 to \$21 per square-foot at Med Tech Park.

Projected Office Employment Growth

In projecting office employment growth, reliable figures for current office employment are unavailable, as are data regarding existing office inventories. In the absence of such data, this analysis presents alternative techniques that will define a reasonable range of supportable office development.

The first technique applies the figures shown in Table 13. These projections, produced by the Tennessee Department of Employment Security, project employment in various occupations for the period from 1996 through 2006. Among the various occupations, executive, administrative, managerial, professional, technical, sales, marketing, and administrative support occupations furnish the primary sources of demand for office space. In Service District 1, employment in these occupations will increase by approximately 1,800 jobs per year.

Table 13: Employment by Occupation: Estimates and Projections, Service District 1 (Excluding Virginia Areas): 1996-2006

	1996 Estimate		2006 Projection		Change	
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Average</u>
Total	161,260		191,680		30,420	
Exec/Admin/Managerial	10,520	6.5%	13,110	6.8%	2,590	259
Professional/Technical	28,740	17.8%	35,900	18.7%	7,160	716
Marketing/Sales	17,740	11.0%	21,900	11.4%	4,160	416
Admin. Support	23,020	14.3%	27,150	14.2%	4,130	413
Office Worker Subtotal:	80,020	49.6%	98,060	51.2%	18,040	1,804
Service	23,960	14.9%	32,020	16.7%	8,060	806
Ag/Forestry/Fishing	1,410	0.9%	1,450	0.8%	40	4
Precision Products/Craft/Repair	22,450	13.9%	24,230	12.6%	1,780	178
Operators/Fabricators/Laborers	33,420	20.7%	35,920	18.7%	2,500	250

Source: State of Tennessee, Department of Employment Security; ZHA, Inc.

These types of occupations comprise the basic components of the office market. Applying a standard ratio of 225 square feet per worker, 1,804 new office employees would create a demand for approximately 406,000 square feet of net new office space in the five-county Service District. Based on current regional employment patterns, Johnson City could reasonably expect to capture 20 to 30 percent of this total, or approximately 80,000 to 120,000 square feet per year, as shown in Table 14.

Table 14: Projected Annual Office Space Demand: Johnson City, Forecast 1

Regional Office Employment Growth	1,804
Square ft / office worker	225
New Office Space / year	405,900
Johnson City Capture at:	
20% Market Share	81,180
30% Market Share	121,770
Source: ZHA, Inc.	

The second forecasting technique examines the employment by-residence projections shown previously. The industry sectors that emphasize office employment are the

F.I.R.E., business, health and “other professional” services, and government. Over the next 20 years, resident employment in these sectors amounts to:

12,800 (2020 jobs) - 8,330 (2000 jobs) = 4,470 net office jobs in Johnson City.

Assuming that Johnson City can build and enhance its position as a regional office employment center, it can be projected that the city would attract a net 20 to 40 percent inflow of additional office workers from outside Johnson City. This would create:

4,470 x (120 percent to 140 percent) = 5,360 - 6,260 new office jobs.

Applying reasonable space-per-employee ratios of 225 square feet per worker, this would amount to 1.2 million to 1.4 million square feet over 20 years, or an average of 60,000 to 70,000 square feet per year.

Table 15: Projected Annual Office Space Demand: Johnson City, Forecast 2

2000 Office Sector Employment	8,330	
2020 Office Sector Employment	12,800	
Resident Office Employment Growth	4,470	
Commuter Factor(s):	20%	40%
Office Employment Growth	5,364	6,258
Square ft / office worker	225	225
New Office Space	1,206,900	1,408,050
New Office Space / yr.	60,345	70,403
Source: ZHA, Inc.		

Combining the results of the above techniques in Table 15, a range is defined as roughly 60,000 to 100,000 square feet of net new office development annually that would be likely to occur in the Johnson City market. Over 20 years, this would amount to a total range of approximately 1.2 million to 2 million square feet.

Locations

The likely locations for new office development projects will vary with the type of office development:

- For high-end corporate tenants, medical service providers, and research tenants, the Med Tech Park, the Armory Site, the planned mid-rise building near ETSU, and the State of Franklin Road corridor will be able to capture the majority of new office absorption.
- The office niche for various professional household service providers (legal services, insurance, real estate, financial planning, eye care, travel agencies, etc.), will continue to be served in smaller office parks and shopping centers, which will

continue in the existing North Roan Street and State of Franklin Road corridors, and will, in addition, follow residential growth to the north and west of the city.

- Call-centers vary in their locational preferences. Corporate, in-house centers may seek to project upscale images, and will locate in high-quality buildings in the Med Tech Park. Others seek inexpensive space and expansive parking areas, and may locate in older retail buildings, or in industrial-grade buildings. Locations for these types of buildings will include areas along State of Franklin Road and North Roan Street, as well as readily developable lands in the Gray area.
- Various office tenants -- legal services providers, nonprofit agencies, public agencies, utility providers, call-centers, and other such tenants -- may locate in downtown Johnson City, possibly in renovated buildings converted from other uses.

Industrial Development Conditions / Implications

Employment Trends

Industrial business growth drives growth in capital investment and employment, which in turn drives industrial development. As shown previously in this study, over the last 20 years manufacturing's share of metropolitan area employment has decreased from 39 percent to 24 percent. Notwithstanding this trend, various sources indicate that the number of manufacturing workers has increased in Johnson City and Washington County – and will continue to increase over the next 20 years. Table 16 shows various estimates and projections for city and county manufacturing employment. While these vary, they all indicate that net job growth has occurred, and will likely continue, in manufacturing sectors.

Table 16: Manufacturing Employment Trends and Projections

	<u>Johnson City</u>	<u>Washington County</u>
At-Place Employment: 1990-1998	--	2,631
Avg. Annual ¹	--	329
Estimated Resident Employment Growth: 1990-2000	866	1,376
Avg. Annual ²	87	138
Projected Resident Employment Growth: 2000-2020	2,060	1,890
Avg. Annual ²	103	95

¹ Tennessee Dept. of Labor and Workforce Development

² Johnson City Planning Dept.

Source: City of Johnson City; First Tennessee Development District; ZHA, Inc.

Development Patterns

The industrial employers located in Johnson City are concentrated primarily in the following areas of the city:

- Downtown Johnson City;
- A corridor running east from downtown along a rail line, Watauga Road, and Woodlyn Road;
- A corridor running southeast into Carter County, in proximity to rail lines and South Roan Street;
- Princeton Road; and
- The I-26/Highway 75 intersection at Gray.

These areas contain few large-scale (50+ acre) business parks containing major manufacturing or distribution facilities.

Recent industrial employment growth has been generated primarily by expansions in existing companies, rather than by new facilities or companies moving into the region. In Washington County, expansions have accounted for approximately 75 percent of new employment over the ten-year period from 1989 to 1998. During this period, 14 new facilities were constructed, while 229 existing businesses expanded their industrial facilities.

Land Constraints: Costs and Availability

High land costs, difficult topography, and limited land availability will constrain significant development of new industrial facilities in Johnson City. According to local sources, there is limited industrial land available for new development. Most industrial uses will seek inexpensive land (typically valued below \$30,000 per acre), Johnson City cannot deliver new land parcels at competitive prices. While the areas to the east and south may offer inexpensive land, steep slope issues will increase development costs prohibitively. Conversely, while milder slopes are available to the north and west, land prices in these areas generally exceed \$50,000 per acre.

Given the constraints on new industrial construction, industrial development will rely primarily on expansions to existing facilities and redevelopment of existing areas. According to local experts, some -- but not all -- of the existing companies have sufficient land to accommodate expansions. As internal growth continues, some of these businesses may eventually seek new locations where relatively flat, inexpensive land is available.

MAP

MAP

Industrial Development Outlook

Notwithstanding a projected increase in manufacturing employment, the scarcity of large developable tracts, the costs of land, and the costs of land development will constrain the construction of new industrial buildings in Johnson City. Accordingly, much of the new employment in manufacturing industries will be office-oriented rather than production-oriented. Such employment is typically contained in corporate headquarters (regional) office buildings, “flex” space that can accommodate office and/or light industrial uses, and call-center buildings for telecommunications functions ranging from order processing to customer service. The likely volumes and locations of these types of developments are discussed in the Office Market Analysis.

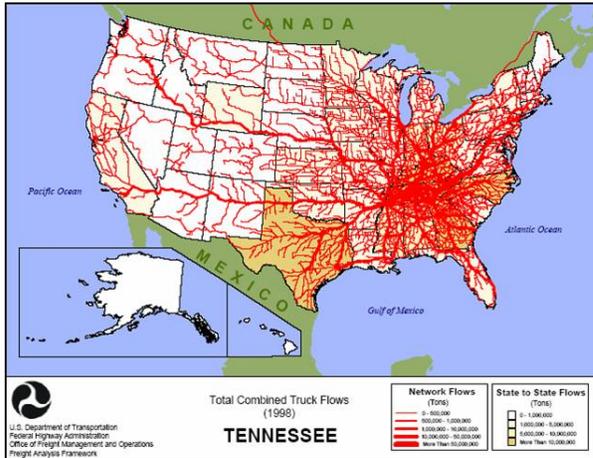
Industrial development will most likely be limited to smaller developments in multi-tenant buildings, or stand-alone buildings on sites occupying less than five acres. Given the areas of development activity and available land, this new space would most likely be located in the following areas:

- Downtown Johnson City, in converted existing buildings.
- Behind the retail uses lining the city’s commercial corridors.
- Available parcels along Interstate 26, especially to the southeast of downtown Johnson City.

These types of developments -- or conversions -- will produce minimal net new space. However, given continued business growth in the region, it would be reasonable to expect that over the next 20 years, industrial uses could occupy approximately 150,000 to 200,000 square feet of new space, in various infill locations.

Transportation/Distribution (I-81 and I-26)

Johnson City is in close proximity to the intersection of two major interstate routes, Interstate 81 (I-81) and Interstate 26 (I-26). Following the ridgeline of the Appalachian Mountains, Interstate 81 extends 854 miles and provides a link between the



major cities in the northeast and Canada to points in the Mid-Atlantic States. I-81 terminates at its intersection with I-40 east of Knoxville. Because it avoids major cities, it is appealing as a major trucking route. The 2004 average daily trips (ADT) along I-81 at the intersection with I-26 were 23,880 trips.

Interstate 26 begins at the Virginia state line and extends 338 miles in a southeasterly direction toward the Atlantic Coast and Charleston, South Carolina. Major cities along the route

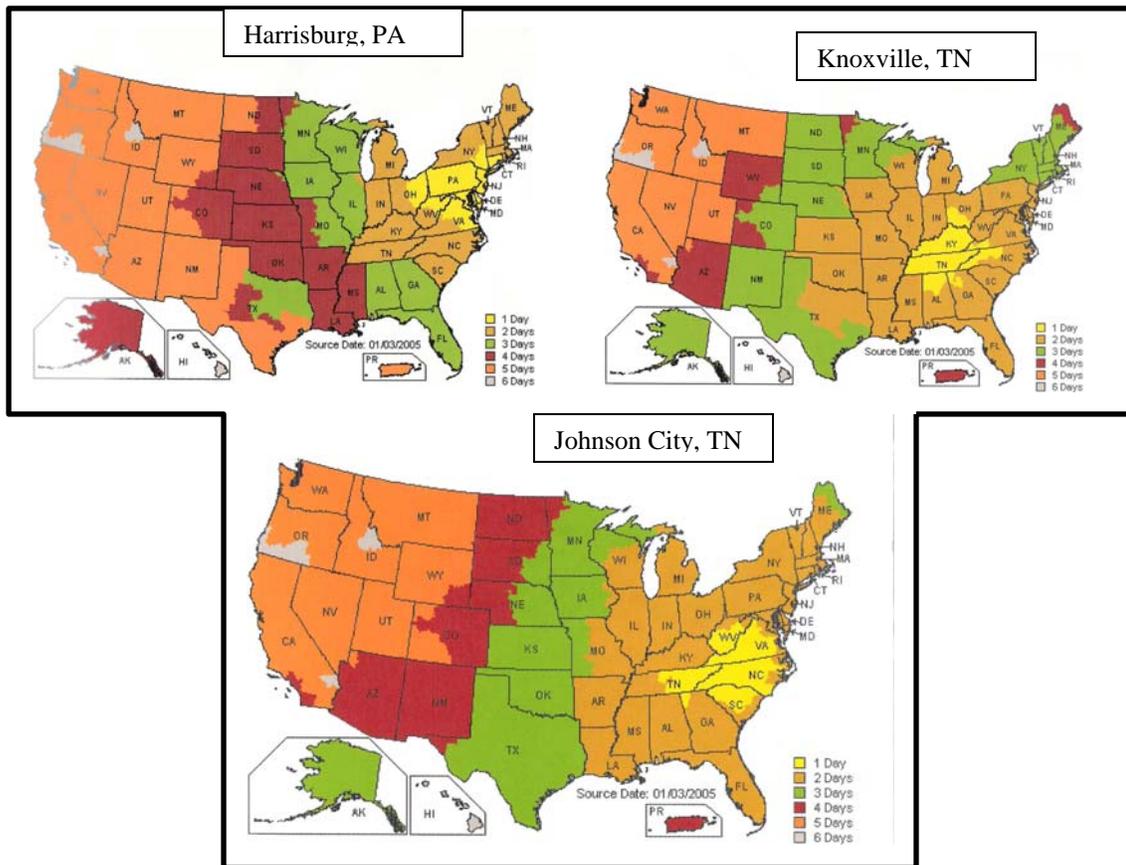
include Asheville, North Carolina and Spartanburg, Columbia, and Orangeburg, in South Carolina. With the opening of the nine-mile six-lane freeway from the North Carolina state line to Mars Hill, North Carolina on August 5, 2003, the former U.S. 23 Highway was officially re-designated Interstate 26, a designation that was extended from the original terminus at Interstate 40/240 in Asheville, North Carolina to the Interstate 81/181 junction. The 2004 ADT along I-26 between West Market Street and Watauga Avenue was 46,754 vehicle trips. With the highway's recent re-designation to I-26 traffic volumes are expected to increase significantly as well as the interstate's impact on Johnson City.

It is clear that Johnson City is situated in a key location for logistics and goods distribution. For example, ⁹Technipak a full-service order fulfillment company announced in October 2004 of moving its headquarters to Johnson City from the Denver, Colorado area due to its success in East Tennessee. Technipak chose Johnson City for its national U.S. operations headquarters due to its unique position in offering 2-day UPS coverage to 65 percent of the nation including population centers in Florida and New York.

Technipak originally considered Harrisburg, Pennsylvania and Knoxville before deciding on Johnson City. Johnson City has an extremely advantageous position for order fulfillment and distribution with its central location and the improved interstate highway system. Much of Johnson City's future economic base will be driven by geographic advantages related to Interstates 26 and 81.

⁹ Information on Technipak was retrieved from the Economic Development Board

MAPS OF COMPARABLE UPS DISTRIBUTION LOCATIONS



Source: Johnson City Economic Development Board, 2005

Economic Trends and Characteristics – Comparable Communities

In the previous section, Johnson City is compared with Washington County and the Tri-cities MSA, and a description of the city’s future is proffered. This future is based upon the assumption that Johnson City’s growth will continue in the direction of historical trends. In this section, the foundation of an alternative future is described – a future where Johnson City decides how to grow without relying upon historic precedent. This future is based on comparable communities that Johnson City may choose to emulate, thus allowing the city to grow by mirroring other successful cities rather than simply mirroring its own successful past.

The Comparable Communities below were chosen based upon their population and location. Specifically, these twelve cities have populations between 20,000 and 100,000 and are located within 200 miles of Johnson City.

The selected cities are as follows:

- Asheville, North Carolina
- Bristol, Tennessee & Virginia
- Gastonia, North Carolina

- Greenville, South Carolina
- Hickory, North Carolina
- High Point, North Carolina
- Kannapolis, North Carolina
- Kingsport, Tennessee
- Maryville, Tennessee
- Morristown, Tennessee
- Oak Ridge, Tennessee
- Spartanburg, South Carolina

NOTE: For the purposes of this element, Bristol, Tennessee and Bristol, Virginia are treated as a single city. Also, Blacksburg, Virginia fits the population and geographic characteristics of the other listed cities, but due to the city's nature as a "college town," the city's demographics and economic data were judged too aberrant for comparison.

Income

Tables 17 and 18 show the 1990 and 2000 Median Family Income and Per Capita income of Johnson City and all comparable communities. The U.S. Census Bureau defines a family as a group of two or more people who reside together and who are related by birth, marriage, or adoption.

Table 17: Median Household and Family Income, 1990-2000

	Median Family Income		
	1990	2000	Change
Johnson City	31,421	40,977	30.4%
Bristol	27,485	36,070	31.2%
Kingsport	30,279	40,183	32.7%
Asheville	28,629	44,029	53.8%
Gastonia	31,205	44,873	43.8%
Greenville	30,997	44,125	42.4%
Hickory	33,303	47,522	42.7%
High Point	30,643	48,057	56.8%
Kannapolis	28,237	42,445	50.3%
Maryville	32,442	49,182	51.6%
Morristown	23,930	33,391	39.5%
Oak Ridge	42,345	57,087	34.8%
Spartanburg	29,304	36,108	23.2%
Average	31,131	43,990	41.3%

Source: U.S. Census

Table 17 shows that Johnson City has historically lagged behind the other cities in terms of family income. Interestingly, Table 18 shows the opposite in terms of per-capita income. Per capita income is an average obtained by dividing aggregate income by the total population of an area.

Table 18: Per-Capita Income, 1990-2000

	1990	2000	Change
Johnson City	13071	20364	55.8%
Bristol	12358	18031	45.9%
Kingsport	13825	20549	48.6%
Asheville	13079	20024	53.1%
Gastonia	12684	19592	54.5%
Greenville	14708	23242	58.0%
Hickory	15433	23263	50.7%
High Point	13324	21303	59.9%
Kannapolis	11031	17539	59.0%
Maryville	13420	21556	60.6%
Morristown	10490	15894	51.5%
Oak Ridge	17661	24793	40.4%
Spartanburg	12142	18136	49.4%
Average	13070	19874	52.1%

Source: U.S. Census

The reasons why Johnson City’s per capita income is above average while the city’s median household and median family income are below average are twofold. First, per-capita income is an average of all incomes, while the other two are medians. A median is derived by finding the point where half of the population makes more than a certain income and the other half makes less. If a small number of individuals have an income considerably higher than the median, they can skew the average higher while not affecting the median. Secondly, per capita income is based on the entire population, and Johnson City has a much lower school-age population than any of the comparable cities, meaning that there are less people in the population that do not generate an income.

Poverty Status

Another way of comparing Johnson City’s economic success with other cities is by reviewing poverty data. This data is displayed in Table 19.

According to the U.S. Census Bureau, Johnson City’s poverty rate was above the average of the comparable communities’ in 1990 and 2000.

Table 19: Percent of Population under Poverty Line, 1990-2000

	Percent of Population Under Poverty Line			Percent of Minors Under Poverty Line			Percent of Senior Citizens Under Poverty Line		
	1990	2000	Change	1990	2000	Change	1990	2000	Change
Johnson City	17.3	14.9	-13.9%	22.7	9.9	-56.4%	16.7	9.8	-41.3%
Bristol	16.1	15.1	-6.2%	29.8	11.2	-62.4%	13.7	11.6	-15.3%
Kingsport	18.1	16.5	-8.8%	29.8	14.0	-53.0%	13.7	11.5	-16.1%
Asheville	15.9	15.0	-5.7%	24.7	11.7	-52.6%	15.1	9.7	-35.8%
Gastonia	14.2	14.7	3.5%	22.0	14.9	-32.3%	17.7	11.7	-33.9%
Greenville	17.7	15.1	-14.7%	28.3	10.6	-62.5%	18.1	16.9	-6.6%
Hickory	11.3	11.0	-2.7%	18.0	11.4	-36.7%	12.4	6.5	-47.6%
High Point	12.7	12.9	1.6%	18.2	13.5	-25.8%	16.3	10.8	-33.7%
Kannapolis	11.8	10.3	-12.7%	15.4	8.3	-46.1%	16.1	10.1	-37.3%
Maryville	13.9	9.5	-31.7%	19.6	6.4	-67.3%	15.1	8.2	-45.7%
Morristown	20.1	18.9	-6.0%	30.8	14.5	-52.9%	21.4	15.7	-26.6%
Oak Ridge	9.5	10.8	13.7%	14.0	12.5	-10.7%	6.6	5.2	-21.2%
Spartanburg	21.8	22.0	0.9%	34.5	23.9	-30.7%	22.1	14.8	-33.0%
Average	15.4	14.4	-6.8%	23.7	12.5	-47.1%	14.6	10.2	-30.5%

Source: U.S. Census

Educational Attainment

Measuring educational attainment is another important factor in identifying the economic vitality of an area, as better-educated individuals tend to be employed in higher-income occupations.

As shown by Table 20, Johnson City has historically had an above average percentage of high school and college graduates¹⁰. This is due in large part to the presence of a sizeable university, as well as the high concentration of medical service jobs in the city.

Table 20: Percent of Population High School Graduate or Bachelor's Degree, 1990-2000

	Percent High School Graduate or Higher			Percent Bachelor's Degree or Higher		
	1990	2000	% Change	1990	2000	% Change
Johnson City	71.1	78.8	10.8%	25.9	29.4	13.5%
Bristol	64	74.7	16.7%	16.4	17.3	5.5%
Kingsport	67.9	76.5	12.7%	20.3	23.6	16.3%
Asheville	75.1	82.3	9.6%	23	30.4	32.2%
Gastonia	62.4	72.2	15.7%	16	20.2	26.3%
Greenville	72.5	79	9.0%	29.3	34.2	16.7%
Hickory	72.1	79.1	9.7%	23.4	28	19.7%
High Point	68.2	77.2	13.2%	18.1	25.5	40.9%
Kannapolis	58.7	69.4	18.2%	7.7	12	55.8%
Maryville	71.7	81.5	13.7%	23.7	27.3	15.2%
Morristown	57.4	64.5	12.4%	11.2	13.6	21.4%
Spartanburg	65.9	72.4	9.9%	23.4	26	11.1%
Average	67.3	75.6	12.5%	19.9	24.00	20.6%

Source: U.S. Census

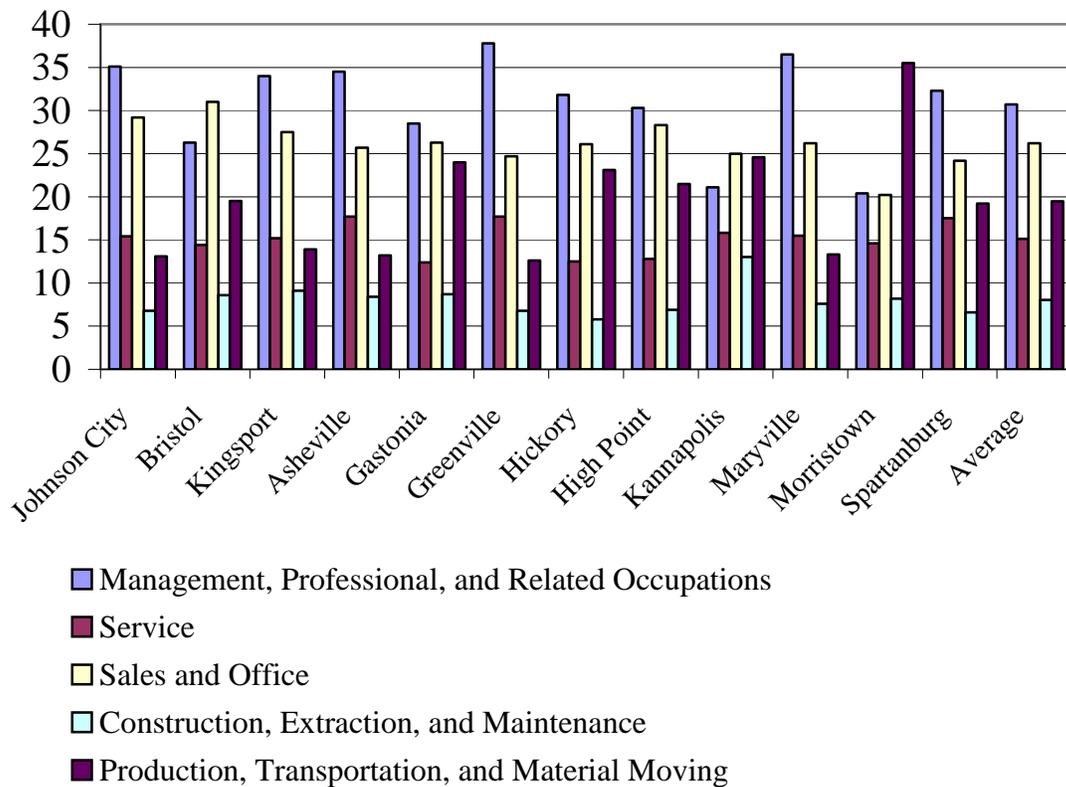
¹⁰ Numbers do not include ETSU students with temporary addresses in Johnson City.

Occupations

In Figure 10, the occupations of Johnson City’s workers were compared with the average of all comparable cities. A detailed breakdown of that information can be found in Figure 10.

This chart shows that only Greenville, SC and Maryville, TN have higher percentages of employees in the fields of “management, professional, and related occupations”, and Bristol, TN & VA is the only city with a higher percentage of employees in the service occupations.

Figure 10: Percentage of Labor Force Employed by Occupation, 2000



Source: U.S. Census

Meanwhile, only Greenville, SC and Oak Ridge, TN have a lower percentage employed in production, transportation, and material moving.

Table 21 expands upon this information, by depicting in which industries employees in Johnson City and comparable communities are employed. According to this data, the construction, manufacturing, wholesale trade, transportation & warehousing, and public administration industries employ the Johnson City labor force at well below the local community average.

Table 21: Percentage of Labor Force Employed by Industry, 2000

	Construction	Manufacturing	Wholesale trade	Retail trade	Transportation and Warehousing, and utilities	Information	Finance, insurance, real estate, and rental and leasing	Professional, scientific, mgt., admin., and waste mgt. services	Educational, health, and social accomodation, and recreation, and food services	Other services (except public administration)	Public administration	
Johnson City	5.3	14.8	3.1	14.5	3.0	2.8	5.2	8.7	24.8	10.0	4.7	2.5
Bristol	5.1	20.4	4.2	15.6	4.2	3.0	5.4	5.5	18.8	8.6	5.1	3.2
Kingsport	7.7	20.7	3.7	13.5	2.9	1.9	5.6	6.8	18.7	10.0	5.1	2.7
Asheville	6.6	12.7	3.4	12.8	2.9	2.8	4.5	8.3	24.1	12.4	5.7	3.0
Gastonia	5.8	26.8	4.0	11.6	5.8	2.0	6.7	5.9	17.2	5.9	4.7	3.4
Greenville	5.4	14.6	3.7	11.1	2.8	4.3	6.9	9.8	24.0	10.6	4.3	2.1
Hickory	4.6	30.7	4.3	13.2	3.3	1.3	4.6	6.2	17.2	7.4	4.5	2.1
High Point	4.8	25.1	4.9	11.8	5.4	2.2	8.0	7.6	16.7	6.7	3.8	2.7
Kannapolis	9.1	24.6	3.7	12.1	4.8	2.4	6.0	5.7	16.6	6.9	4.3	3.1
Maryville	5.6	13.2	4.4	11.1	4.5	1.9	6.0	7.7	25.6	9.0	4.9	4.7
Morristown	5.6	36.6	3.6	11.2	3.9	1.3	4.2	4.5	13.3	7.8	4.3	2.3
Spartanburg	4.9	21.0	3.8	11.1	2.7	2.3	4.7	8.0	23.0	10.6	4.7	2.6
Average	5.9	21.8	3.9	12.5	3.9	2.4	5.7	7.1	20.0	8.8	4.7	2.9

Source: U.S. Census

Economic Trends and Characteristics – Comparable Metropolitan Statistical Areas

Comparison of MSA's

In this final section, a wider view of economic development will be examined, as the Johnson City/Kingsport/Bristol MSA will be compared with other regional MSAs. The impetus behind this examination is the fact that the Johnson City MSA has a population of 480,000, larger than Asheville, NC (pop. 226,000) and even Chattanooga (pop. 465,000). The size of the Johnson City MSA raises a question that the architects of the region's future must ask: In the next 20 years, will Johnson City continue to compete against Kingsport and Bristol for growth, or will the Tri-Cities join together and compete against the larger, more nationally known areas? As the information from the previous section has shown, Johnson City is one of the most economically vital cities in the area, but on a national scale Johnson City is much less significant. By joining with Kingsport and Bristol, East Tennessee can become a focus of economic growth and a true national player, should that be the choice of the residents of Johnson City and the Tri-Cities.

In order to illustrate the Tri-Cities MSA's stature, comparable MSA's have been chosen. The choices were once again based upon population and location. Specifically, these twelve MSA's have populations between 100,000 and 1,000,000 and are located within 300 miles of Johnson City.

The chosen MSAs are as follows:

- Asheville, North Carolina
- Charlottesville, Virginia
- Chattanooga, Tennessee & Georgia
- Clarksville/Hopkinsville, Tennessee & Kentucky
- Columbia, South Carolina
- Fayetteville, North Carolina
- Greenville/Spartanburg/Anderson, South Carolina
- Hickory/Morganton/Lenoir, North Carolina
- Knoxville, Tennessee
- Richmond/Petersburg, Virginia
- Roanoke, Virginia
- Rocky Mount, North Carolina

Income

Table 22 shows the 2000 Median Household, Median Family, and Per Capita income of the Tri-Cities MSA and all comparable MSAs. According to this data, no local MSAs have lower Median Household or Median Family Incomes, and only Clarksville/Hopkinsville and Fayetteville have lower Per Capita Incomes.

Table 22: Median Household, Median Family, and Per Capita Income, 2000

	Median Household Income	Median Family Income	Per Capita Income
Tri-Cities	28,588	34,534	16,524
Asheville	36,179	43,999	20,010
Charlottesville	44,356	55,455	23,533
Chattanooga	37,600	45,500	20,000
Clarksville/Hopkinsville	36,500	40,000	16,338
Columbia	41,207	49,454	20,385
Fayetteville	34,983	38,350	16,479
Greenville/Spartanburg/Anderson	37,634	47,728	19,465
Hickory/Morganton/Lenoir	37,818	44,475	18,723
Knoxville	36,411	47,089	19,869
Richmond/Petersburg	47,700	57,086	23,797
Roanoke	39,288	48,206	21,366
Rocky Mount	34,795	41,102	17,142
Average	37,928	45,614	19,510

Source: U.S. Census

Poverty Status

The poverty data shown in Table 23 reflects the income information shown in Table 22. Only the Rocky Mount MSA has more total individuals, minors, and seniors living below the poverty line. This indicates the need for higher paying jobs in the Tri-Cities MSA.

Table 23: Percent of Population under Poverty Line, 2000

	Percent of Population Under Poverty Line	Percent of Minors Under Poverty Line	Percent of Seniors Under Poverty Line
Tri-Cities	13.7	12.5	13.5
Asheville	11.4	10.2	10.1
Charlottesville	10.8	11.3	5.5
Chattanooga	11.6	10.2	11.0
Clarksville/Hopkinsville	11.1	9.5	10.9
Columbia	11.1	9.9	10.2
Fayetteville	12.0	10.1	13.2
Greenville/Spartanburg/Anderson	11.5	10.5	11.9
Hickory/Morganton/Lenoir	9.6	8.5	10.8
Knoxville	11.7	10.9	9.4
Richmond/Petersburg	9.0	7.8	8.0
Roanoke	9.2	8.0	7.6
Rocky Mount	15.5	13.3	15.9
Average	11.4	10.2	10.6

Source: U.S. Census

Educational Attainment

In keeping with the data presented in the last two tables, the Tri-Cities MSA is once again near the bottom for educational attainment, as shown in Table 24. Only the Hickory/Morganton/Lenoir MSA and the Rocky Mount MSA have lower percentages of their population possessing high school or college educations. In order to attract higher paying industries to the area, an educated work force will be required.

Table 24: Percent of Population High School Graduate or Bachelor’s Degree, 2000

	Percent High School Graduate or Higher	Percent Bachelor's Degree or Higher
Tri-Cities	73.3	16.6
Asheville	80.8	24.5
Charlottesville	84	40.1
Chattanooga	77	19.7
Clarksville/Hopkinsville	81.9	17
Columbia	84.3	29.2
Fayetteville	85	19.1
Greenville/Spartanburg/Anderson	75.4	20.7
Hickory/Morganton/Lenoir	70.3	13.6
Knoxville	79.6	23.5
Richmond/Petersburg	82.6	29.2
Roanoke	80.9	22.5
Rocky Mount	71.8	13.9
Average	79.0	22.3

Source: U.S. Census

Occupations

The result of the lack of an educated workforce in the Tri-Cities is illustrated in Table 25. The Tri-Cities MSA has a below-average percentage of its labor force employed in the lucrative Management & Professional category, but is above average in all other categories, especially the Construction and Production & Transportation categories, which employ the less educated and offer lower wages. In order to compete with nearby MSAs such as Asheville and Columbia, a higher number of professional jobs must be recruited to the Tri-Cities.

Table 25: Percentage of Labor Force Employed by Occupation, 2000

	Management, Professional, and Related Occupations	Service	Sales and Office	Construction, Extraction, and Maintenance	Production, Transportation, and Material Moving
Tri-Cities	27.1	14.0	25.9	11.1	21.1
Asheville	31.7	15.4	25.1	10.3	17.0
Charlottesville	45.2	14.3	23.6	8.3	7.7
Chattanooga	29.9	13.5	26.8	9.8	19.8
Clarksville/Hopkinsville	26.6	16.6	25.3	10.7	20.1
Columbia	33.0	11.3	27.0	9.0	10.5
Fayetteville	20.4	12.6	19.1	7.7	14.5
Greenville/Spartanburg/Anderson	27.3	12.0	23.7	11.9	20.5
Hickory/Morganton/Lenoir	22.2	11.8	21.9	9.3	34.2
Knoxville	31.6	12.6	28.0	8.7	13.3
Richmond/Petersburg	35.7	14.0	28.0	7.8	13.4
Roanoke	31.8	13.8	30.3	9.1	14.7
Rocky Mount	25.6	13.5	25.4	11.1	23.2
Average	29.9	13.5	25.4	9.6	17.7

Source: U.S. Census

Industry

In Table 26, the percentage of the labor force in each industry is illustrated. As illustrated, the industries in which the Tri-Cities have above-average employment are those areas which are not high paying industries. Construction, Manufacturing, and Retail Trade employ far greater proportions of the labor force in the Tri-Cities than in the comparable MSAs, while FIRE, Professional & Management, and Public Administration employment is far below average.

Table 26: Percentage of Labor Force Employed by Industry, 2000

	Construction	Manufacturing	Wholesale trade	Retail trade	Transportation and Warehousing, and utilities	Information	Finance, insurance, real estate, and rental and leasing	Professional, scientific, and waste mgt.	Educational, health, and admin. services	Arts, entertainment, recreation, accomodation, and food services	Other services (except public administration)	Public administration
Tri-Cities	7.7	22.0	3.4	13.5	4.4	2.1	4.4	6.1	19.4	7.5	4.8	3.0
Asheville	8.1	16.6	3.8	12.5	3.8	2.1	4.5	7.1	22.5	9.2	5.1	3.3
Charlottesville	7.2	7.2	2.0	10.4	2.9	3.7	6.3	9.0	33.2	8.0	4.7	3.5
Chattanooga	6.8	19.6	3.7	11.2	6.8	1.7	8.3	7.2	18.5	7.1	5.2	3.3
Clarksville/Hopkinsville	7.2	17.5	2.4	12.7	5.2	2.5	4.4	6.0	21.1	8.1	4.7	6.2
Columbia	6.3	9.2	5.6	10.6	4.7	1.9	8.0	4.6	19.8	5.1	6.4	8.4
Fayetteville	5.3	11.7	1.2	10.4	3.0	1.3	2.8	3.6	15.7	7.6	4.7	6.6
G'ville/Spartanburg/Anderson	8.6	25.6	4.4	9.8	4.7	1.8	3.8	8.5	15.3	5.7	4.8	2.4
Hickory/Morganton/Lenoir	5.6	39.4	3.5	10.6	4.5	1.0	2.8	4.0	15.5	5.1	4.2	2.7
Knoxville	7.1	10.2	3.5	13.6	4.8	2.4	6.0	10.7	20.3	8.3	4.3	3.2
Richmond/Petersburg	5.8	12.9	4.0	11.7	5.2	2.7	10.3	8.6	17.5	6.4	6.1	7.5
Roanoke	6.2	13.0	4.4	14.7	6.7	2.5	8.3	7.2	20.3	7.2	5.2	3.5
Rocky Mount	8.2	22.9	4.1	12.0	4.3	2.7	4.8	5.5	17.5	6.6	4.5	4.5
Average	6.9	17.5	3.5	11.8	4.7	2.2	5.7	6.8	19.7	7.1	5.0	4.5

Source: U.S. Census

While national forces play a part in business location decisions, state and local factors including tax structure and laws, incentives, regulations, and the presence of infrastructure typically play an even more significant role. The following, is an inventory of business resources/incentives at the local, state, and federal levels.

Local Agencies Related to Economic Development

Economic Development Board

Before it was the EDB, it was called the Johnson City Area Industrial Development Commission, which was founded in 1965. The Industrial Development Commission re-named the organization in 1984 to the Economic Development Board (EDB). Currently, the EDB consists of an Executive Director, secretary and two part-time staff members. The Johnson City Board of Commissioners, County Board of Commissioners, Johnson City Power Board, Sprint, and Atmos provide funding for the EDB. EDB's vision is to develop an economy in Washington County and Johnson City that provides its residents with incomes that are higher than the national average. Its primary goals are to focus on business retention, expansion, and recruitment.

Johnson City/Jonesborough/Washington County Chamber of Commerce

Organized in 1915, the Chamber of Commerce is a non-profit organization that derives its funding primarily from local members. Its main goal is to promote orderly community development to adequately meet the needs of the expanding population. The Chamber is active in promoting industrial, commercial, and tourism developments for Washington County/Johnson City.

Johnson City Power Board

The Johnson City Power Board (JCPB) has been serving the energy needs of Johnson City and surrounding areas since 1945. The JCPD offers economic development assistance programs to its users. Programs offered include Revolving Loan Fund, Enhanced Growth Credit, Fixed Price Interruptible, and Small Manufacturing Credit.

Tennessee Small Business Development Center

The Tennessee Small Business Development Center (TSBDC) is a network of professional business consultants with 12 centers and 2 satellite offices in 14 cities throughout the State of Tennessee. The TSBDC provides expert business advice to all types of businesses whether they are a manufacturer, retailer, service provider, or a professional. The TSBDC offers free assistance to help business owners develop and expand successful, thriving businesses. TSBDC also maintain an International Trade Center and a Technology and Energy Services Center for those in need of specialized help.

Innovation Laboratory-East Tennessee State University

Mission: To partner with entrepreneurs and investors to affect the successful establishment of technology-based start-up and spin-off companies in order to achieve technology transfer, create jobs, and enhance economic development within the region.

Objectives:

- Create an environment that facilitates collaboration, innovation, and shared learning which results in successful companies;
- Provide opportunities to keep our best and brightest at home;
- Focus on the creation of high quality jobs and wealth creation with emerging technology-driven companies;
- Promote, stimulate, and support economic development throughout the region through a virtual incubator component; and
- Enhance opportunities for "real world" experiences for faculty, staff, and students.

The Innovation Laboratory, in cooperation with East Tennessee State University's College of Business and Technology, offers infrastructure and logistical support along with reasonable rent that might not be available in other locations.

Johnson City Development Authority

The Johnson City Development Authority (JCDA) was organized in the fall of 1989 for the purpose of implementing development and redevelopment activities throughout the city of Johnson City, with special attention to the downtown area. The establishment of the JCDA was the result of a task force study conducted by the Chamber of Commerce in which a large number of citizens, community leaders, and elected officials participated. Enabling legislation from the State of Tennessee and the City Board of Commissioners outline the parameters of the JCDA's activities and authority.

The Board currently consists of 17 members appointed to three-year terms by the City Commission. A set of bylaws adopted by the Board governs the operations and procedures of the organization, and an Executive Director administers the daily activities.

The JCDA: (1) provides assistance to investors and businesses seeking to locate and to expand in Johnson City and selected geographic areas (i.e. downtown); (2) makes recommendations and implements projects to improve the business climate and overall appearance of downtown; and (3) recruits business and development projects to downtown.

Med Tech Business Park

The Johnson City Med Tech Park is a research park jointly developed by the city of Johnson City and the Johnson City Medical Center. Its mission is to be the region's premier address for business and research functions and to be the prime generator of technology employment. In association with East Tennessee State University, the Med-

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Tech Park also serves a function of technology transfer, involving the transformation of intellectual capital to commercial applications in the marketplace.

First Tennessee Development District

The First Tennessee Development District provides economic and community development services to its member communities. Through grant writing, the District assists communities in obtaining state and federal funds. Since 1986, the District has assisted communities with funding of 291 grant/loan projects in the amount of \$85.3 million. For the year of 2002, the District assisted communities with 28 projects totaling \$10.1 million.

Foreign-Trade Zone/ Tri-Cities Regional Airport

Foreign-Trade Zones (FTZ) are becoming increasingly more popular as businesses look for ways to compete in the era of global reach and free trade. Foreign companies often have an advantage over domestic manufacturers due to lower production and labor costs, and FTZs present a unique solution to closing the gap. As companies look for ways to improve their bottom line, FTZs are becoming an attractive option.

On October 18, 1994, the U.S. Department of Commerce, Foreign-Trade Zones Board awarded a Grant of Authority to the Tri-Cities Airport Commission (TCAC) to establish, operate and maintain FTZ No. 204. The TCAC is the Grantee of FTZ No. 204, and administers the zone through the Air Cargo and Trade Development Department. The zone currently comprises eight (8) general-purpose sites and one (1) sub zone.

FTZ No. 204 allows importers to reduce, defer, or eliminate their payments of U.S. Customs duties. FTZ users also reduce expenses on customs broker fees, merchandise processing fees, and customs duties on products that are destroyed or scrapped. In addition, FTZ users benefit by avoiding the customs entry process at overcrowded seaports and airports by shipping directly into their manufacturing or distribution facility. This allows importers to streamline their supply chain and better manage inventories.

Tri - Cities Economic Development Alliance

The Tri-Cities Economic Development ALLIANCE, when fully-funded by private and public sector partners has a goal of placing the Tri-Cities region on the lists of site specialists and corporate real estate executives that make relocation and expansion decisions. The ALLIANCE provides regional leaders the best opportunity to build regional cooperation and a culture that recognizes that any new business or industry locating in the region benefits everyone who lives, works, or has business interests in the Tri-Cities.

Local programs

- *Revolving Loan Funds*-Revolving Loan Funds (RLF) are available through nine development districts in Tennessee. The development districts operate subsidiary community development corporations that perform the actual lending. The RLF combines funds from the Economic Development Administration and Rural Development, USDA with regional funding sources. The RLF then provides new or expanding businesses with financing at or below market rates.
- *Tax Increment Financing (TIF)*-TIF is used to fund development and redevelopment projects having a public purpose. TIF allows for infrastructure and other types of improvements to occur by earmarking a defined portion of future tax revenues from specified areas as a source of income to pay the costs of making the improvement.
- *Business Incubator (ETSU)* - The ETSU Innovation Lab is a full-service incubator designed to support entrepreneurs and investors to affect the successful establishment of technology-based start-up and spin-off businesses in order to achieve technology transfer, create jobs, and enhance economic development within the region.

State of Tennessee

The Tennessee Department of Economic and Community Development has a broad-range of technical and financial assistance programs designed to assist businesses to successfully launch or expand operations. Services and programs include business planning, site selection, working capital, permitting, employee training, and research and development. Although not comprehensive, the list below outlines available resources and programs. A complete list can be found at www.state.tn.us/ecd/bizdev_incentives.htm.

- *Appalachian Regional Commission Program*- Each state is enabled to establish its own priorities for the use of ARC funds in the non-highway program. Highway funds are earmarked for specific highways by congressional action, and the administrative money for the development districts is earmarked for that purpose. Within Tennessee, the first priority for the use of ARC funds is industrial infrastructure (similar to the FTIP program) where water, wastewater, rail, etc. is provided to a locating or expanding industry. Second priority is for the provision of basic water and wastewater service in rural areas where such services are missing or inadequate. A third "opportunity projects" priority is the ability of the Governor to respond to unique problems or opportunities that are presented by a community.
- *Community Development Block Grants-(CDBG)* Eligible economic development projects include grants for industrial infrastructure (similar to the FTIP program) and loans for industrial buildings and equipment. Projects are eligible for grants if they are in the public domain, and available for use by a large segment of the community (i.e. infrastructure). CDBG assistance is in the form of a loan when the asset being financed is for the exclusive use of one industry (i.e. buildings and equipment).

- *Small Business Energy Loan Program*- The Tennessee Small Business Energy Loan Program provides low-interest loans of up to \$100,000 to qualified Tennessee-based businesses to help upgrade the level of energy efficiency in their buildings, plant, and manufacturing processes. Firms with fewer than 300 employees or less than \$3.5 million in annual gross sales or receipts are eligible to apply for loans to install insulation, double paned windows, energy efficient heating, cooling and ventilation equipment and energy efficient lighting. Measures that can be shown to save energy or decrease demand are eligible for funding. Free energy audits are available to help interested firms identify potential sources of energy efficiency. Loans can be repaid over a period of time not to exceed 7 years.
- *FastTrack Infrastructure Program*- The FastTrack Infrastructure Development Program (FIDP) funds may be used for infrastructure improvements. Funds may not be used for "speculative" projects but are restricted to situations where there is a commitment by certain private sector businesses to locate or expand in the state and to create or retain jobs for Tennesseans.
- *FastTrack Training Services Program*- Training assistance for new and existing business and industry is available as an incentive by the state of Tennessee when associated with new investment for facilities, equipment, and new job hires. FastTrack staff helps a company plan, develop, and implement a customized training program that meets initial training needs with follow-up to insure each phase of the training program is effective and flexible.
- *Enterprise Demonstration Project (EDP)* - The Enterprise Demonstration Project is a revolving loan fund that requires a loan participation of a one-to-one match with a financial institution. The fund is administered and operated by the West Tennessee Venture Capital Corporation.

Federal

- *Rural Business and Cooperative Development Loans*- The U.S. Department of Agriculture, through the RBS, guaranties loans to nonfarm businesses in rural areas and in cities with less than a 50,000 population. Eligible purposes include, but are not limited to: start-ups, expansions, repair or modernization, infrastructure, equipment, machinery, inventory, and working capital.
- *Small and Minority Owned Telecommunications Business Assistance Program*-This program encourages the creation and support of small and/or minority-owned telecommunications businesses by issuing loan guaranties to banks for qualified borrowers.
- *U.S. Small Business Administration 504 Loan Program*-The U.S. Small Business Administration's 504 Direct Loan Debenture Program is designed to stimulate job creation and to increase private sector involvement in the financing of long-term, fixed assets for small businesses. Through the pooling of projects, the SBA 504 Direct Loan Program allows a small business to take advantage of the open capital markets, but avoid much of the costs associated with entry into these financial markets.

- *Small Business Administration (SBA) Loan Guaranty Programs-* The U.S. Small Business Administration has traditionally been the primary government-backed financing program available in Tennessee. The financing consists of guaranties of varying amounts to commercial lenders. The point of contact for all SBA financing products is a commercial lender. Most banks have loan officers familiar with SBA programs. Small Business Development Centers, listed in Chapter Six, can assist in preparing loan requests.
- *U.S. Small Business Administration Micro-Loan Program-* The U.S. SBA Micro-Loan Program assists small businesses, which require small amounts of financial assistance. Under this program, SBA makes direct and guaranteed loans to Intermediaries who use the proceeds to make micro-loans to eligible borrowers.
- *Tennessee Valley Authority Economic Development Investment Funds-* TVA is a major source for economic development information and services in the seven-state TVA region: Tennessee, Georgia, Alabama, Mississippi, Kentucky, Virginia, and North Carolina. Whatever a site selection or business expansion need may be, TVA and its partners can enhance business success with a wide-range of financial, technical, and informational resources.

Understanding Johnson City’s local economic structure is essential for designing a long-term economic development program. The Inventory and Analysis section assesses the economic climate of Johnson City by examining past labor and economic trends in the community, and then projecting these trends into the future. It is important to note, however, that several factors other than economic factors come into play in assessing the economic climate of the city.

Two trends dictate growth of a community. One is of natural circumstance. The movement of people and economic growth happens because of natural incidents. Two, growth may also occur because it was planned for (business expansion, zoning changes to allow greater development, etc.) Some of these include quality of life, local population characteristics, local community assets, and local physical conditions and resources. The purpose of this section is to identify and discuss the types of strategies that Johnson City will use to achieve its economic goals.

- Livable Communities/Quality of Life
- Workforce Development
- Entrepreneurship Development
- Infrastructure Development
- Existing Business Retention/Expansion
- Business Attraction
- Infill Development
- Marketing Campaign

Livable Communities/Quality of Life

In today’s world, money is not the only motivator when it comes to selecting a community to live, work, and raise a family. Everything the community has to offer in terms of quality of life is considered important. While Johnson City has many assets that make it a very livable community, some of its assets must be fine tuned or developed in order to ensure that the city offers a high quality of life for all its residents. These assets are integral to Johnson City’s economic vitality, since a high quality of life attracts more people to Johnson City and in turn helps the city continue to grow. These assets include the city’s natural beauty/scenery, physical appearance, strong sense of culture, historic and viable downtown, affordable housing, low crime, efficient city services, available shopping and dining, entertainment venues and recreational facilities, high quality schools, health care and exercise facilities/programs, as well the city’s offerings of cultural and community events, activities, and festivals.

While Johnson City is sufficient in all of these areas, improvements can be made to most and significant improvements can to be made to several. One of the areas requiring improvement is the physical appearance of the community, and this is supported by the findings of the 2003 Citizen survey, in which over 60 percent of the respondents identified the loss of scenic beauty and the physical appearance of the community as major issues. This is also supported by the results of “Connecting Johnson City”

community workshops, the goals stated in the City Commission Strategic Plan, and the ideas of the Regional Planning Commission's Vision Statement.

Sprawl has negatively impacted the attractiveness of the community and its scenic beauty, and subsequently created a need for connected green spaces and neighborhood parks, improved entrances and gateways to Johnson City, and improved appearance of buildings. The more attractive a community is, the more inviting and livable it is. Thus, physical appearance is a significant factor in enhancing a community's livability and quality of life.

Most recently, this community livability issue was supported by the results of the 2003/04 Economic Summit: "Work to improve the city's gateways, signage, and beautification" is one of the top eight priority action items. A subcommittee of the Livable Communities taskforce has been working on this item, and has selected several major gateways for development and beautification. Currently, work is underway to improve the U.S. Highway 11-E Market Street area; trees will be planted in redeveloped grass medians and a standardized set of specifications for signage is in the process of being implemented for the area.

According to a 1998 report from the American Medical Association, 60 percent of Americans lead completely sedentary lifestyles, and 40 percent are clinically overweight. The health benefits of regular physical activity are far reaching: reduced risk of coronary heart disease, stroke, and other chronic diseases; lower health care costs; and improved quality of life for people of all ages. The city of Johnson City should encourage programs that integrate physical activities into daily routines and continue to support policies that enhance bicycling and walking facilities into the community design process. The positive results of physical activity such as bicycling and walking as healthy modes of transportation, or as purely recreational activities, span across many aspects of our lives (further discussed in the Johnson City Bikeway/Greenway Plan). A transportation system that is conducive to bicycling and walking can reap many benefits in terms of reduced traffic congestion, an improved quality of life, and a healthier work force.

The revitalization of the downtown is another improvement area related to enhancing Johnson City's livability and quality of life. The results of the "Connecting Johnson City" Community Workshops confirm the significance of the downtown: the participants viewed downtown revitalization as the primary issue in improving the community and making Johnson City a better place to live. A thriving, lively downtown functions as a focal point and builds a stronger sense of community and culture for the city, and it also enhances city pride. These sentiments are reflected in the City Commission's Strategic Plan as well as the Regional Planning Commission's Vision Statement.

The results of the Economic Summit of 2003/04 were also consistent with other community input sources. Designing an arts and entertainment district for the downtown area was one the top eight priority action items. A task force is currently developing a plan for the development of an identifiable Arts and Entertainment District that includes

50 identified venues in the downtown area. This plan is part of the overall redevelopment plan of the Downtown District.

Workforce Development

Over the last decade, the U.S. economy has evolved into what has commonly come to be referred to as the new economy or knowledge economy. This new economy is based on the production and application of knowledge instead of the production of physical goods. Therefore, a factor that is critical to Johnson City experiencing more economic growth in today's economy is an adequately educated and trained workforce¹¹. In addition to attracting and retaining higher paying occupations, the workforce will increase business retention and attract new businesses. While Johnson City has a high percentage of citizens employed in the high-paying management and professional categories, it also has a significant percentage of people employed in low paying, unskilled labor occupations in sales and services. In order to start bridging this gap, the city needs to develop ways to provide higher paying job opportunities to more of its citizens. With the proximity of East Tennessee State University and Northeast State Technical Community College, the city needs to fully-utilize these assets through developing public/private partnerships to help retain the city's young workforce. The majority of ETSU graduates in high-tech fields such as computer science leave the city believing they will find expanded employment opportunities elsewhere. The City Commission Strategic Plan's Goal 1 reflects these sentiments, as does the 2003/04 Economic Summit Action Plan.

Workforce Development was also a key issue at the 2003/04 Economic Summit, and the number one priority action item was to create a specific three-year plan for workforce development. It is critical for the city to create a specific plan for implementation. After a person completes high school/higher education or gets laid off from a job, and he/she begins looking for employment, there are two categories the person falls into: those who have adequate skills that meet employers' needs and those who don't.

Currently, a sub-committee from the Economic Summit is building a comprehensive website to address workforce development related issues. The website can be accessed by people looking for jobs, as well as employers desiring to hire or research the potential of the community workforce. The biggest challenge in trying to make this happen is engaging effectively with employers and creating a much needed conduit or umbrella organization, which connects employers with the workforce and coordinates activities between them, now, and in the future. As for people looking for jobs but don't have adequate skills, an umbrella organization is needed that can provide training funds and provide direction a person should take to seek opportunities to build their skills by working with training organizations. Currently, many employment resources and training organizations/agencies are involved with workforce development, but there is no one coordinating organization with the exception of information the website may provide. The Tennessee Career Center is seen as one possibility. There are also several initiatives

¹¹ The study by Dr. Karen Ann Tarnoff of East Tennessee State University labeled "The Skills Gap in Our Region" helps define the regions workforce needs.

in process for businesses to be involved with schools, at both high school and higher education levels. However, similarly, there is not a conduit that connects all the initiatives and strengthens the ties between business and education communities. Thus, Johnson City should develop a Workforce Development plan that outlines what the city needs to do in order for businesses and education communities to come together to strengthen connections and form a conduit, as well as address what needs to be done in order for the various agencies involved in workforce development to come together to strengthen a conduit.

The findings of the summit's Workforce Development Taskforce support these conclusions. These findings lead to the conclusion that a conduit for schools and workforce development organizations is needed to be able to effectively engage and involve specific employers. The plan includes profiling the current workforce supply to identify areas of workforce development needs according to what the workforce demand is by industry. By identifying what employers need and making those needs known to higher education institutions, the plan hopes to foster a conduit between business/industry and schools. By coordinating these groups, business with education and business with workforce placement, the plan's implementation will hopefully create a network of organizations that will benefit both the workforce and the employers.

Entrepreneurship Development

Entrepreneurship involves ensuring the stability of an organization, growing the organization, initiating change, and motivating and leading others. Small and medium-sized enterprises play a critical role in the economy by increasing competitiveness of the economy, creating jobs, serving as a source of innovation, and in many cases acting as suppliers to larger firms. Small businesses:

- provide approximately 75 percent of the net new jobs added to the economy.
- represent 99.7 percent of all employers.
- employ 50.1 percent of the private work force.
- provide 40.9 percent of private sales in the country.
- account for 39.1 percent of jobs in high technology sectors in 2001.
- account for 52 percent of private sector output in 1999.
- represent 97 percent of all U.S. exporters. (Small Business Administration)

The argument is made that big businesses, profit from "economies of scale," and can produce far more efficiently than small businesses. But small business is often where the innovations take place. Swifter, more flexible and often more daring than big businesses, small firms produce the items that line the shelves of shops and homes.

Start-up businesses have a failure rate of 80 percent during their first four years of operation. With increased importance placed on small firms, the reduction of this failure rate has become the focus of many developers. The small business incubator offers one method for reducing this high failure rate.

A small business incubator is a facility that offers adaptable space and support services at a discounted rate. Incubator support services include office space, financial assistance, and management training. Most incubators are designed to house multiple tenants, thereby reducing the individual cost to tenants of acquiring support services. Incubators are designed for flexibility and supply space, which can easily be adapted to meet the needs of many types of operations. This permits the tenant firm to allocate resources and time to the development of a product and become established in the market.

Business incubators such as ETSU's Innovation Lab nurture the development of entrepreneurial companies, assisting them to develop during the start-up period, when they are most vulnerable. Innovation Lab provides client companies with business support services and resources tailored to new firms. These services and resources include management guidance, assistance with business planning, and obtaining financing. Incubators typically also offer companies rental space with flexible leases, shared basic office services, and access to equipment. The main goal of most business incubation programs is to produce companies that create jobs and wealth in their communities.

Angel and Venture Capital provide tools for funding business ideas of entrepreneurs and start-up businesses. Entrepreneurs attract such capital knowing that they can assist not only in providing working and development capital, but also business skills and expertise and the "right" contacts.

Venture capital is a fund raising technique for companies who are willing to exchange equity in their company in return for money to grow or expand their business. It can be raised for all types of business, both technology and non-technology. Venture Capital also invests across stages – from the early stage seed venture, to later stage Mezzanine¹² financing. Venture capital firms usually require a high rate of return on their investment (20 percent + per annum) and finance provided to the business is typically in the range of \$500,000 to several millions of dollars.

An angel investor generally wants less control of the company and a slower return on investment, however the criteria for investment are likely to be similar. Angel investor groups are great sources of private capital and frequently invest angel money into new companies. Angel investments typically range from \$25,000 to several million dollars. It follows that both venture capitalists and angel investors are looking for capital growth and revenue increases and evidence that the business can deliver continued growth over time, to provide a return on investment.

The Tennessee Small Business Development Center (TSBDC) Regional Office was established at East Tennessee State University in 1983 as part of a statewide, university-based resource partner of the U.S. Small Business Administration. It was created with the

¹² Mezzanine finance has become an important source of capital for commercial real estate acquisitions, development, and refinancing, as traditional first mortgage providers have become more reluctant to finance projects at loan-to-value (LTV) ratios in excess of 65%.

mission to use the expertise of the staff and university faculty to develop and implement programs of management assistance and training. These programs are designed to improve the equity, profit, and growth potential of small business and to develop jobs in the private sector.

In today's ever-changing workplace, it is fundamental that students develop the skills necessary to succeed and make valuable contributions to their communities. Community entrepreneurship is one of the elements most needed to change the attitudes and the economy of small communities. Today's youth need to realize they don't have to leave their communities to find employment. They can create their own opportunities and lead fulfilling, independent lives.

Infrastructure Development

Infrastructure is like clean air and water. Everyone takes it for granted until there is an obvious problem.

Local government infrastructure is a fundamental building block for communities across America. The city of Johnson City is responsible for the essential infrastructure networks such as local roads, water and sewer, drainage, recreation facilities, parks, and open space. Johnson City also delivers other infrastructure services such as cultural, civic, and library facilities.

Infrastructure such as transportation, utilities, and communication networks drive productivity and economic growth by making it easier, and therefore cheaper, to do business. Investment in infrastructure assists economic expansion by increasing productivity levels and enabling the extraction of more output from a given input of resources. Input costs are reduced, efficiency is enhanced, and rates of return to both public and private capital are increased. Physical infrastructure fuels economic development through facilitating access to new resources and raw materials and enhancing the mobility of final products, workers, and consumers. It also helps ensure that an educated and informed workforce is able to both work and communicate efficiently and effectively.

A region's industrial and employment base is closely tied to the quality of the transportation system. Good, dependable transportation infrastructure allows businesses to receive inputs to production facilities and to transport finished goods to market in an efficient manner. An efficient transportation system allows companies to lower transportation costs, which lowers production costs and enhances productivity and profits. Funds invested to upgrade or maintain the quality of roads enable firms currently operating to ship goods more cheaply (trucks can reach destinations without major delays) and to improve service (delivery schedules become more reliable). Subsequently, more timely and reliable deliveries allow firms the opportunity to minimize their stationary inventories, thereby saving inventory and storage costs and enhancing productivity. Collectively, this translates into higher productivity for local, state, and national economies. Likewise, some of these same principles have been outlined at the

annual Economic Summit to improve Infrastructure Development, and the City Commissions vision and goal is to “expand our road systems – more effective way of moving around town.”

Along with continued support in “hard” and “soft” infrastructure for Johnson City, a new wave of infrastructure may be evolving. To stay abreast with other communities, it will be pertinent that Johnson City not only support the infrastructure of yesterday, but also consider the new ideas of tomorrow. Therefore, it is critical to invest in an Infrastructure for Innovation. Innovation will drive productivity growth in the New Economy, which places an emphasis to get “better before getting bigger.” Therefore, Johnson City should support policies that encourage “better business”, such as encouraging a modern telecommunications infrastructure. Research supports that few knowledge- and information-based companies will locate in an area where they cannot get reasonably priced access to high-speed telecommunications. Therefore, Johnson City should promote policies that encourage the provision of high-speed telecommunications access to both business and households. Other key factors that have recently been examined and may prove to be beneficial logistics in Johnson City is the possibility of an Inter-modal station. The intermodal approach has much to recommend it, including more efficient use of the nation's transportation infrastructure, better service, more convenience, and more choices for users. In these times of fiscal restraint, in particular, intermodal transportation brings many opportunities to gain maximum benefits from minimum resources spent.

Business Retention/Expansion

In Johnson City, gaining new business is important but supporting existing industries is essential. **Nationwide existing businesses and industry are the source of nearly 80 percent of new jobs and capital investment.** Many programs can be offered in Johnson City from the state of Tennessee and administered through the Economic Development Board such as, technical assistance, grant and loan programs, and workforce development. Existing industries have already discovered the advantages of Johnson City’s location, infrastructure and quality of life, and with a pro-business environment, Johnson City is a place where business can thrive.

It is important for Johnson City to continue to support local businesses that will have a positive long-term cyclical effect upon the economy, and focus time and resources in niche markets. As such, the Healthcare industry is an example of a market that has transformed Johnson City into a regional market. This cluster market may offer the citizens of Johnson City the ability to have more jobs, good paying jobs, an industry that is environmentally friendly, and help broaden and increase the tax base. Once industry clusters are brought into an area, it provides a positive returning effect upon the economy as a whole, and increases the overall quality of life. Therefore, it is important to identify such cluster markets and provide support to ensure success. As Tennessee Governor Phil Bredesen said, “In an ever-increasing global competition, we must work to better educate our workforce, train for tomorrow’s jobs, and give businesses the tools and incentives they need to thrive.”

In fact, in Tennessee, existing industries have some home advantages to assist in their growth through infrastructure, building and equipment financing, energy loan programs, state-of-the-art training resources, and statewide career centers.

Business Attraction

In the “New Economy” a skilled workforce is the most important factor of production, the location of knowledgeable workers is a key factor determining a place's economic success. In the past, workers moved to where companies were locating. In the New Economy, increasingly companies look to locate where knowledgeable workers live. Because they are in greater demand and have some ability to be selective about who they work for and where they work, knowledgeable workers can afford to choose locations that provide more than just a good job with a good income. There are numerous factors that go into making a region attractive to knowledgeable workers, and one of the most important is quality of life. Most metropolitan areas face a number of challenges in creating a great quality of life, including amenities, low-crime, and efficient transportation.

Another large component to business attraction is the ability to offer infrastructure. Infrastructure can be broken into two main categories, 'hard/physical' infrastructure networks such as local roads, water and sewer, drainage, recreation facilities, parks, and open space; and 'soft' infrastructure services such as cultural, civic and library facilities amongst other amenities. The city of Johnson City offers both physical and soft infrastructure throughout the city. Along with these amenities, Johnson City is fortunately placed between two major interstates, and a well-connected rail system, which the city was founded upon. In conjunction with these services it is imperative the city or a representative agency maintain an inventory of land that would suit businesses interested in relocating to the city. As discovered in the 2004 Economic Summit, Johnson City has a need to develop industrial parks, or other places for business attraction.

Another successful key component to business attraction is promoting our niche markets in Johnson City. Focus should be placed on the Healthcare/Medical industry which will attract good paying jobs, environmentally friendly manufacturing jobs, and the expansion of the Tourism and Hospitality industry in Johnson City. These have proven to be niche markets the city can continue to build upon and focus our efforts to make this area a better place. Such focus on niche markets will produce a cyclical effect in all parts of the local and regional economy.

Outlined in the Local Agencies section of this study, are several groups to promote business attraction into the area. The Economic Development Board primarily focuses on two main objectives, Business and Industrial recruitment into Johnson City, Jonesborough, Washington County, and existing business retention and expansion, which creates a net positive effect in the local economic structure. Another lead agency in business attraction is the Johnson City Chamber of Commerce. The Chamber's role in economic development is essential, it provides networking opportunities for existing

businesses in a local scope. It is also tasked with marketing and promoting Johnson City as a regional tourist destination. Lastly, Innovation Lab is supported by the Tennessee Small Business Development Center and East Tennessee State University is a lead agency in Entrepreneurship Development, and Business Attraction. The main goal of Innovation Lab is to foster a business climate that is conducive for successful business start up and growth. Business Incubators will attract businesses from the region that may locate and expand in Johnson City.

Although it is imperative to attract businesses to Johnson City for a healthy economy, it is equally important to recognize the specific markets to target and to attract quality businesses into our market. Quality businesses are companies that raise the per capita income, operate under environmentally friendly practices, are capable of using the workforce in our region, and will diversify our local economy. Providing Johnson City residents with an area where the Quality of Life is superior may prove to be the number one attraction of businesses in the future. As mentioned earlier, it will be essential to have a trained workforce that can meet the ever changing market needs. Therefore, East Tennessee State University, Northeast Tennessee Community College, Milligan College, and other regional educational institutions will become increasingly essential to compete in the future economy. Equally important will be an infrastructure system that meets the basic needs of businesses and provides technological innovative solutions.

Finally, it is crucial for the city to strive for two important responsibilities. One, Johnson City should continually review the development permitting process to ensure it is accomplished in an efficient manner that is friendly to sustainable development. Also, as development takes place in Johnson City, it should be noted that development in and around the region is also important. Regional partnerships should be formed to strengthen the overall business climate. Because of Johnson City's regional attraction in the retail market, any increases in the strength of the regional economy will provide Johnson City with a net positive financial effect. Therefore, we recognize the importance of businesses in Johnson City, but also distinguish the optimistic influences of regional partnerships that will increase the entire climate of business in and around the region.

Infill Development

The cleanup and revitalization of brownfields represents one of the most intriguing, and challenging environmental and urban initiatives in the world. Brownfields are abandoned, idled, or under-used industrial or commercial properties where expansion or redevelopment is hindered by real or perceived contamination. A brownfield site is also defined as developed real estate, generally in an urban setting, which is contaminated to some degree by years of use. The term "brownfield" was first used to



Picture: Brownfield site located off State of Franklin Road. It was demolished in 2005-6.

distinguish developed land from unused suburban and rural land referred to as "greenfield" sites.

A brownfield site could be as small as the vacant corner gas station that once held underground storage tanks, or as large as a several hundred acre factory that may have dumped wastes on its property.

Very similar, however somewhat different are grayfields. Grayfields are considered blighted areas that are ready for redevelopment. The main difference between a grayfield and a brownfield is that a grayfield does not have substantial groundwater or soil pollution. Grayfields are typically abandoned lots or buildings in urban areas that may have adequate infrastructure already in place (water/sewer, roads, and rail).

Currently, there are many incentive programs offered by the federal government to the local level. For example, the Brownfields Economic Development Initiative (BEDI) is a key competitive grant program that Housing and Urban Development (HUD) administers to stimulate and promote economic and community development. BEDI is designed to assist cities with the redevelopment of abandoned, idled, and underused industrial and commercial facilities. BEDI grant funds are primarily targeted for use with a particular emphasis upon the redevelopment of brownfield sites in economic development projects and the increase of economic opportunities for low-and moderate-income persons as part of the creation or retention of businesses, jobs, and increases in the local tax base. The purpose of the BEDI program is to spur the return of brownfields to productive economic use through financial assistance to public entities in the redevelopment of brownfields, and enhance the security or improve the viability of a project financed with the Section 108-guaranteed loan authority.

In regards to grayfields, the Economic Development Board has taken the initiative to compile a list of vacant lands and buildings around Johnson City and Washington County on its website. Grayfields should be recognized as an important part of infill development and the economic and community benefits of such programs should be emphasized. Because grayfields are identified as properties where infrastructure has already been established, and these sites are considered urban, a cost/benefit analysis should be established in comparison to development in a "greenfield" or undeveloped parcel of land. Therefore, the city should adopt policies supporting incentive programs in the development of such grayfield and brownfield properties.

Successful infill development can offer these rewards to communities:

- Provide housing (both affordable and market rate) near job centers and transit;
- Increase the property-tax base;
- Preserve open space at the edge of regions (reduce sprawl);
- Provide new residents to support shopping districts and services;
- Capitalize on community assets such as parks, infrastructure, and transit; and

- Create new community assets such as child-care centers, art districts, and shopping areas.

Marketing Campaign

The idea of a Marketing Campaign was developed to create a focused and consistent message that could be used by various segments of the community. This message will position the community in the region and places the region nationally, which provides maximum benefit for growth. The basic premise of the campaign is to showcase Johnson City and the region as a great place to work, learn, live, visit, shop, and play.

Since Johnson City has an already growing regionally diverse economy, a strong tax base, and high quality of life, one may ask why the city decided on this campaign? The answer is simple. Keeping what is available involves effort. Like any successful company, Johnson City needs to continue to be on the cutting edge to market its products and services. When companies or residents look at locating in Johnson City they look at the community as a whole: schools, parks, housing, amenities, higher education, public safety, health and medical care. The goal is to collectively market Johnson City, and to help maintain a healthy community.

It is equally important to market the regional product. The Northeast Tennessee, Western North Carolina, and Southwest Virginia regions have many amenities, a rich past, strategic location, and extraordinary community spirit. To successfully market capital to the area a collaborative effort between all the communities in the region must take place. Marketing Campaigns should showcase points of interest, amenities, and successes throughout the region.

With input from the Planning Commission Sub-Committee, Economic Development professionals, and Planning Department staff this collaborative effort helped capture the "essence" of Johnson City in developing a theme, and four areas of focus:

- 1) Promote tourism regionally and in Johnson City;
- 2) Attract manufacturing companies regionally and in Johnson City;
- 3) Promote and support efforts to revitalize downtown Johnson City; and
- 4) Market Johnson City as a regional and growing leader in the Healthcare/Technology sector.

This report identifies 4 primary goals for Economic Development:

- 1) **Diversify the economy and broaden the tax base;**
- 2) **Increase per capita income for Johnson City residents;**
- 3) **Enhance employment opportunities for young adults that offer higher quality jobs, along with greater range and selection of careers; and**
- 4) **Improve and protect the natural and built environment as assets that attract economic development opportunities and enhance Johnson City's quality of life.**

In addition, four primary market sectors were identified which are to be supported and emphasized:

- 5) **Healthcare/Medical/Technology/Education;**
- 6) **Downtown Revitalization;**
- 7) **Manufacturing; and**
- 8) **Tourism.**

The Economic Development Plan is a collection of adopted policies and actions designed to achieve the identified goals and promote the primary market segments. Policies and actions which are more general and which do not relate directly to a specific market segment are listed first (Policies 1.1 through 1.20 are reflective of Goals 1-4). Those policies and actions which relate to specific market segments are grouped together by market segment.

Policy 4.1.1: It is the policy of Johnson City to support business investments that provide economic and employment opportunities for all residents (with reasonable time and resources provided).

This policy is to be implemented by the following action:

1. The city shall provide infrastructure and reliable city services to all businesses in the Urban Service Area (USA) which promotes employment opportunities.

Policy 4.1.2: It is the policy of Johnson City to support efforts in business retention that will help retain companies and promote their expansion.

This policy is to be implemented by the following action:

1. The city shall support the Economic Development Board, the Johnson City Development Authority, Work Force Development focus group, and the Chamber of Commerce to conduct periodic surveys of local businesses to understand existing strengths and concerns, to take a proactive approach to providing assistance, and to offer solutions to their needs.

Policy 4.1.3: It is the policy of Johnson City to encourage entrepreneurship development.

This policy is to be implemented by the following actions:

1. The city shall support future efforts in incubator programs that provide start-up businesses a higher success rate.
2. With increased participation in internet business, the city shall ensure zoning regulations continue to support home-based business in residential districts.

Policy 4.1.4: It is the policy of Johnson City to maintain a balanced tax system that is competitive for business and residential investment.

This policy is to be implemented by the following actions:

1. The city will review its tax structure annually to ensure it is competitive compared to the Tri-cities region, state, and federal tax structures.
2. The city shall consider taxed-based incentive programs to attract businesses.

Policy 4.1.5: It is the policy of Johnson City to support the Economic Summit and its focus groups.

This policy is to be implemented by the following actions:

1. Support focus group efforts in creating successful websites that will provide citizens, businesses, and public officials' information.
2. The city shall provide staff support, facility access, and financial assistance if deemed appropriate.

Policy 4.1.6: It is the policy of Johnson City to maintain cooperative working relationships with local, regional, statewide, and federal organizations that pursue economic development activities consistent with the goals and objectives of this Element.

This policy is to be implemented by the following actions:

1. The city shall continue to research and pursue federal and state grants that will benefit the city.
2. The city shall support organizations involved in regional economic development efforts such as the Economic Development Board, the Chamber of Commerce, the Industrial Development Alliance, and others associated with economic development activities.

Policy 4.1.7: It is the policy of Johnson City to ensure seamless, professional teamwork among local economic development related organizations.

This policy is to be implemented by the following action:

1. Representatives from organizations such as, the Economic Development Board, Johnson City Development Authority, Johnson City Chamber of Commerce, Johnson City Power Board, Tri-Cities Airport Commission, First Tennessee Development District, Med Tech Park, Tennessee Small Business Development Center, and Innovation Park will meet quarterly to ensure increased communication and coordination between organizations.

Policy 4.1.8: It is the policy of Johnson City to maintain its position as a regional retail center.

This policy is to be implemented by the following action:

1. The Johnson City Comprehensive Plan Land Use Element identifies locations ideal for retail development which will be implemented through the city's zoning regulations, and other necessary actions to provide needed infrastructure.

Policy 4.1.9: It is the policy of Johnson City to develop and nurture visionary leadership within the community.

This policy is to be implemented by the following actions:

1. The city shall encourage citizens to participate in the local decision-making process, through appointments on a variety of committees and groups.
2. The city will support groups such as, the Citizens Police Academy, Chamber Leadership 20/15, Economic Summit, and Johnson City 101.

Policy 4.1.10: It is the policy of Johnson City to encourage high-speed telecommunications access to both businesses and households.

This policy is to be implemented by the following actions:

1. The city will partner with telecommunication providers to install fiber optic cable to promote connectivity.
2. The city will ensure that wireless telecommunication receivers can be located in strategic places.
3. The city will work with high-speed telecommunication companies who provide reasonably priced services to citizens.

Policy 4.1.11: It is the policy of Johnson City to support efforts by organizations that attract quality¹³ business and industry into our area.

This policy is to be implemented by the following actions:

1. The city will support the Economic Development Board in recruiting business and industry that will assist in raising the city's per capita income.
2. Business recruitment shall be based on Johnson City's future economic development goals and target market sectors.
3. Businesses will be recruited that can grow under the market assets Johnson City can provide.

Policy 4.1.12: It is the policy of Johnson City to align education and workforce development to business needs to ensure that our educational system is providing the skills that are essential in the local, regional and global economy.

This policy is to be implemented by the following actions:

1. The Johnson City school system shall ensure students are being educated in programs that are relevant to the local and regional workforce needs, and will provide students with marketable skills.
2. The city should examine the K-12 educational curriculum in the Johnson City School System to ensure students are educated in fields that are applicable to our local economy.
3. The city will encourage local colleges and universities to form partnerships with local businesses to ensure workforce development needs are being met with educated employees.
4. The city will partner with state and local economic development organizations to assess workforce education needs and to create an action plan accordingly.

Policy 4.1.13: It is the policy of the city to support beautification projects that enhance arterial gateways into Johnson City.

¹³ *Quality* will be clearly defined in the Strategies section under Livable Communities/Quality of Life

1. The city will concentrate beautification projects in the following areas:
 - a. West Market Street (U.S. 11 E)
 - b. I-26 Perimeter green areas
 - c. I-26 medians
 - d. SR 67 (University Parkway)
 - e. SR 36 (Kingsport Highway)
 - f. Bristol Highway
 - g. Boones Creek Road
 - h. SR 75 (Suncrest/Bobby Hicks Highway)
2. The city of Johnson City shall encourage the participation of local civic clubs, garden clubs, businesses, and individuals in gateway beautification projects.
3. The city of Johnson City shall provide continuing maintenance for beautification projects on city streets.

Policy 4.1.14: It is the policy of Johnson City to strengthen the city’s image and attractiveness by improving the appearance of the landscape and signage at entries to the city on major arterial roads.

Gateway signage should be placed at the following gateways into Johnson City:

1. Interstate 26
2. West Market Street (US 11E)
3. Bristol Highway
4. Kingsport Highway
5. Milligan Highway
6. Boones Creek Road

Policy 4.1.15: It is the policy of Johnson City to support efforts in maintaining scenic open space that is attractive to both local residents and visitors.

This policy is to be implemented by the following actions:

1. The city will continue to support policy that encourages infill development, through the Urban Service Area or Urban Growth Boundary as identified in the Land Use Element.
2. Development along ridge tops should be low impact as identified in the Land Use Element.

Policy 4.1.16: It is the policy of Johnson City to provide a well-maintained environment, which will enhance public property in Johnson City.

This policy is to be implemented by the following action:

1. The city will retain a high level of maintenance of roads, sidewalks, city parks, municipal buildings, and other city properties. The continued maintenance and upkeep of city property shall be outlined in the city’s annual budget.

Policy 4.1.17: It is the policy of Johnson City to provide a well-maintained environment for all residents, which will enhance private property in Johnson City.

This policy is to be implemented by the following actions:

1. The city will update codes and regulations that will prohibit nuisances on private property such as:

- a. Ensure property owners maintain overgrown lots;
 - b. Prohibit trash on lots; and
 - c. Removal of junk cars
2. The city will encourage neighborhood groups to take an active role in partnering with the city to determine concerns of a neighborhood.

Policy 4.1.18: It is the policy of Johnson City to ensure that this economic development plan is reviewed regularly so it remains competitive and can respond to changes in the market.

This policy is to be implemented by the following action:

1. The Johnson City Regional Planning Commission, with assistance from the Planning Department Staff will review the Economic Development Element of the Comprehensive Plan in conjunction with Economic Development Board goals and objectives on a yearly basis to ensure the Plan is current and relevant to existing conditions and events.

Policy 4.1.19: It is the policy of Johnson City to develop a market specific action plan for the forward progress of Economic Development in Johnson City.

This policy is to be implemented by the following actions:

1. The city should consider hiring a consultant to study the economic climate in Johnson City and the region to determine the future direction of the local and regional economy, the future of the Med Tech corridor, and the impact of I-26 on the city's economic future.
2. An incentive program should be formed to recruit prospective businesses outlined in the consultant's study that have the potential to expand in our local economy.
3. A *FastTrack* program should be considered by the city to speed up the permitting and review process of new development.
4. Johnson City should recruit businesses on a regional, national and global scale that are conducive to its local economy.

Policy 4.1.20: It is the policy of Johnson City to promote the growth of retail sales within the city.

This policy is to be implemented by the following actions:

1. The city's Land Use Plan will identify suitable commercial sites that are adequate to meet anticipated demands.
2. The city will promote convenience oriented retail that is proximate to residential neighborhoods.
3. Commercial developments will be designed to encourage pedestrian activity with provisions for sidewalks and streetscape amenities, and for pedestrian access to other nearby shopping facilities and residential areas.

EDG-5 Healthcare/Medical/Technology/Education

Policy 4.5.1: It is the policy of Johnson City to support efforts to expand the Medical/Healthcare Industry to become a stronger regional market.

This policy is to be implemented by the following actions:

1. The city should update the Med Tech corridor study.
2. The city shall support the continuing development initiatives directed at strengthening and enhancing the Med Tech corridor.
3. The city will identify sufficient land for the Medical/Healthcare industry (refer to the Land Use Element).
4. The city shall, in partnership with ETSU, support the implementation of the Innovation Park Master Plan.
5. The city shall continue to support the Millennium Centre.
6. The city shall continue to support Med Tech Park.

Policy 4.5.2: It is the policy of Johnson City to support initiatives from the Tennessee Valley Corridor that will grow Bio-technical markets in the region.

This policy is to be implemented by the following actions:

1. The city should support efforts that will promote the Healthcare/Medical/Technology cluster.
2. The city shall encourage regional support in the Healthcare/Medical/Technology sector as new enterprises are started, or when businesses re-locate or expand.

Policy 4.5.3: It is the policy of Johnson City to support continuing educational opportunities that enhance the Healthcare/Medical/Technology/Education market cluster.

This policy is to be implemented by the following actions:

1. The city will provide continued support to the Pharmacy School at ETSU.
2. The city will promote other workforce development and educational opportunities that may arise in the Healthcare/Medical/Technological/Education cluster.

Policy 4.5.4: It is the policy of Johnson City to encourage programs that integrate physical activities into citizen's daily routines and support policies that enhance bicycling and walking into community design.

This policy is to be implemented by the following actions:

1. The city will support programs that promote daily physical activity in schools and the workplace.
2. The city will continue to promote a more walk-able community through improved sidewalk facilities and develop a more comprehensive bikeway/greenway network.
3. The city will encourage local employers to promote and/or include physical activity in employees' daily regimen and to encourage smoke-free work areas.

EDG-6 Downtown Revitalization

Policy 4.6.1: It is the policy of Johnson City to support incentive programs in downtown that will offer businesses a more competitive edge to stay and expand.

This policy is to be implemented by the following actions:

1. The city should support future programs that will entice development throughout downtown.

2. The city shall support future enhancement opportunities to continue downtown improvements.
3. The city shall provide necessary infrastructure to downtown businesses.

Policy 4.6.2: It is the policy of Johnson City to support the Johnson City Development Authority (JCDA) in its efforts to revitalize downtown.

This policy is to be implemented by the following actions:

1. The city should support the JCDA in establishing a Tax Increment Financing (TIF) Program in the downtown.
2. The city should provide support to the Johnson City Development Authority in maintaining the designation of the Tennessee Main Street Program.
3. The city should support the JCDA in its efforts in working with local colleges and universities to bring academic programs into the downtown where space is available.
4. The city should support the JCDA to continue applying and implementing Transportation Enhancement Grants to improve and enhance the streetscape.
5. The city should complete the downtown flood study and implementation programs to help existing businesses, and encourage future businesses to re-locate in a flood safe district.

Policy 4.6.3: It is the policy of Johnson City to support the creation of welcome signage identifying the downtown district.

This policy is to be implemented by the following actions: Signs should be placed at these entry and exit points.

- | | |
|---------------------------|---------------------|
| 1. State of Franklin Road | 5. West Main Street |
| 2. North Roan Street | 6. Buffalo Street |
| 3. South Roan Street | 7. Water Street |
| 4. East Market Street | |

Policy 4.6.4: It is the policy of Johnson City to support the integration of a pedestrian friendly streetscape and enhance safety throughout the downtown.

This policy is to be implemented by the following actions:

1. The city will encourage the following actions, but not limited to: pedestrian friendly crosswalks, increased green-space, planting of more trees, aesthetically pleasing sidewalks.
2. The city should increased efforts to promote a safer downtown. Examples are, but not limited to: increased police protection and increase lighting in areas of poor visibility.

Policy 4.6.5: It is the policy of Johnson City to support infill development in areas where infrastructure is currently provided.

This policy is to be implemented by the following actions:

1. The city will promote tax incentive programs (currently establishing a TIF)
2. The city will encourage the use of Federal Tax Incentives for the restoration of historic buildings.

Policy 4.6.6: It is the policy of Johnson City to support and encourage local colleges and universities to incorporate university level programs as part of their presence in the downtown.

This policy is to be implemented by the following action:

1. The city should support JCDA's efforts in working with local colleges and universities to bring specific academic programs and uses into the downtown where space is available. Advantages of locating downtown may offer benefits to specific programs or classes such as; geographic location, space available for classes, or displaying projects and a market to support student services.

Policy 4.6.7: It is the policy of Johnson City to support events that encourage visitors to the downtown.

This policy is to be implemented by the following action:

1. The city shall continue to support existing events such as the Blue Plum Festival, First Fridays, UMOJA/Unity Festival, and new downtown events that may be created in the future.
2. The city will continue to encourage county office use and activities in the downtown area.

EDG-7 Manufacturing

Policy 4.7.1: It is the policy of Johnson City to support the Economic Development Board in recruiting environmentally friendly industry and manufacturing into Johnson City.

This policy is to be implemented by the following action:

1. The Economic Development Board should recruit industry on a national and global level.

Policy 4.7.2: It is the policy of Johnson City to ensure development/location of adequate sites for industrial use at designated locations that can be readily accessed, served with utilities, and free of major environmental constraints.

This policy is to be implemented by the following actions:

1. The city shall partner with the Economic Development Board to delineate sites suitable for "clean" industrial growth and attraction.
2. The city through its land use policies and zoning regulations will coordinate efforts to develop sites for industrial activities, such as industrial parks.

Policy 4.7.3: It is the policy of Johnson City to work with other levels of government and with the private sector to support and encourage the clean-up of contaminated soil and other environmental remediation associated with the re-use or expansion of industrial sites.

This policy is to be implemented by the following actions:

1. The city will coordinate partnerships with local and state government and others to determine where contaminated sites may be in Johnson City.
2. The city will form partnerships to clean-up and remediate all contaminated sites.

Policy 4.7.4: It is the policy of Johnson City to work on a regional basis to address the problems of site assembly, infrastructure improvements, and traffic congestion, which may inhibit industrial expansion in industrial areas.

This policy is to be implemented by the following actions:

1. The city will form partnerships with adjacent municipalities to solve problems with site development and its long-term effects.
2. The city will support efforts in recruiting industry on a regional level.

Policy 4.7.5: It is the policy of Johnson City to continue collaboration with both regionally focused and citywide organizations representing industrial interests so that the needs and perspectives of this sector can be recognized and incorporated, as appropriate, into the city's actions and decisions.

This policy is to be implemented by the following action:

1. The city should continue to encourage organizations such as the Economic Development Board to work with local and regional organizations that represent industrial interests.

Policy 4.7.6: It is the policy of Johnson City to support business retention and expansion and work to retain existing industries in Johnson City.

This policy is to be implemented by the following actions:

1. The city will support efforts in surveying local industries to identify services the city can provide that will benefit the business and the city.
2. The city will maintain communication with "roundtables" so local government will have an overall understanding of business concerns.
3. The city shall take a more active role in open communication with large employers in Johnson City.
4. The city will work with local and state governments on programs designed to assist local industry in expansion or modernization efforts.
5. The city should investigate incentive programs to retain businesses and create growth opportunities.

Policy 4.7.7: It is the policy of Johnson City to encourage clean-up, re-use, and redevelopment of vacant or underutilized industrial sites. Where continued industrial use is no longer viable, re-designation to another land use should be evaluated.

This policy is to be implemented by the following actions:

1. The city should work with state and federal agencies to identify brown field locations in Johnson City that may be contaminated for development purposes. Partnerships should be formed to ensure site remediation.
2. The city should utilize federal resources for brown field remediation.
3. The city should consider rezoning industrial property to a beneficial use if industrial use is no longer viable.

Policy 4.7.8: It is the policy of Johnson City to support the Economic Development Board in creating an all-inclusive list of buildings, which qualify in a grayfield economic development program.

This policy is to be implemented by the following action:

1. Johnson City will encourage infill development by taking inventory of vacant buildings in the city that have infrastructure such as: roads, water, sewer, rail service, etc.

Policy 4.7.9: It is the policy of Johnson City to determine locations for warehousing and distribution related sites that are in close proximity to the two major interstates (I-81 and I-26), and that can be readily accessed, served with utilities, and free of major environmental constraints.

This policy is to be implemented by the following action:

1. The city will locate and zone potential distribution sites that are easily accessible and in close proximity to Interstate 81 and Interstate 26.

EDG-8 Tourism

Policy 4.8.1: It is the policy of Johnson City to support the Chamber of Commerce in a marketing program to encourage tourism in the region.

This policy is to be implemented by the following actions:

1. The city will continue to provide funding to the Johnson City Chamber of Commerce with such funds earmarked for the promotion of tourism in the area.
2. The Johnson City Chamber of Commerce should explore creating extended stay packages that bring guests to Johnson City. The packages should promote the many attributes of tourist related activities in the region and attract tourists to stay and dine in Johnson City.

Policy 4.8.2: It is the policy of Johnson City to support ETSU in its efforts to locate a museum and education center at the Gray Fossil site.

This policy is to be implemented by the following actions:

1. The city will provide the necessary infrastructure for the development of the fossil site.
2. The city will explore the feasibility of locating a visitor center at the Gray Commons facility that would enhance and take advantage of tourism at the Gray Fossil site and other locations in the city and surrounding area.

Policy 4.8.3: It is the policy of Johnson City to become a visitor destination by preserving and enhancing the unique qualities of both rural and urban areas.

This policy is to be implemented by the following actions:

1. The city will promote historical and cultural areas such as Tipton-Haynes and Rocky Mount. Property adjacent to these historic sites should be protected to enhance their aesthetics.
2. Johnson City should discourage development that takes place along ridgelines, to assist in preserving the natural beauty of the area.
3. The city shall promote outdoor activities that are important to our area such as whitewater rafting, fishing, hiking, camping, etc.
4. The city shall promote tourist destinations such as the Storytelling Festival, NASCAR racing, Apple festival, Blue Plum festival, UMOJA/Unity Festival, etc.

Policy 4.8.4: It is the policy of Johnson City to promote the city as a regional youth sports destination.

This policy is to be implemented by the following actions:

1. The city will continue to fund and support efforts that promote tournaments and athletic events in Johnson City.
2. The city should strive to become a regional/national attractor of youth sports by building and promoting facilities that will host major tournaments and events.
3. The city shall support ETSU's efforts to host large sporting events in Johnson City.

Big Box Retailers- Big box retail facilities are large, industrial style buildings or stores with footprints that generally range from 20,000 square feet to 200,000 square feet. While most big boxes operate as a single-story structure, they typically have a three-story mass that stands more than 30 feet tall. The definition or perhaps the description of a big box store can be better understood through its product category. For example, book retailers like Barnes & Noble generally range from 25,000 square feet to 50,000 square feet, whereas in the general merchandise category, big boxes like Wal-Mart range from 80,000 square feet to 130,000 square feet.

Brownfield- abandoned, idled, or under used industrial or commercial properties where expansion or redevelopment is hindered by real or perceived contamination.

Citizen Input Survey- a citizen survey developed to ensure that the maximum number of community residents had the opportunity to provide input in the Comprehensive Planning process. The survey format involved a written questionnaire. The survey was conducted by the Johnson City Planning Department in conjunction and consultation with East Tennessee State University's (ETSU) Department of Communications at the request of the Johnson City Regional Planning Commission.

Cluster Market- a group of businesses or organizations who, owing to the goods they produce and/or services they provided have common customers, technology or use similar specialist skills. They group together in order to enhance their overall competitive advantage of individual companies.

Commercial Center- commercial centers are intended for commercial, retail, office, and other activities. They may include public uses and housing. Commercial centers provide shopping services to adjacent and surrounding neighborhoods, or to the community.

Comprehensive Plan- a document that is the result of lengthy and intensive study and analysis. Such a plan is comprehensive in that it links long-range objectives to a number of interdependent elements, including urban growth and services, economic development, land use, transportation, housing, public utilities, downtown redevelopment, historic preservation and community facilities.

Economic Development- a process of creating wealth through the mobilization of human, financial, capital, physical, and natural resources to generate marketable goods and services.

Economic Summit- an annual event that is made-up of volunteers to help identify economic opportunities for Johnson City and its region. Focus groups set priorities, and work to achieve future economic goals in a timely manner.

Entrepreneur- a person who organizes, operates, and assumes the risk for a business venture.

Environmental remediation- cleanup or other methods used to remove or contain a toxic spill or hazardous materials from a contaminated site

Gateways- points of entrance to and from Johnson City along major streets.

Grassroots organizations- people or society at a local level instead of the political center; the groundwork or source.

Grayfield- blighted areas that are ready for redevelopment. Grayfields are typically abandoned lots or buildings in urban areas that may have adequate infrastructure already in place.

Incubator- a facility dedicated to the start-up and growth of small businesses, accomplished through management and facility support systems. For purposes of this definition, management support systems include access to professional advice, information on small business regulations, management, advertising, promotion, marketing, sales, inventory, employees, labor relations, and financial counseling. Facility support systems include clerical and reception staff, cleaning and building security, and access to copy and facsimile machines, computers, faxes, and other electronic equipment.

Infrastructure- facilities and services needed to sustain industry, residential, commercial, and all other land-use activities, including water and sewer lines and other utilities, streets and roads, communications, and public facilities such as fire stations parks, schools, etc.

ETSU Innovation Lab- works in cooperation with East Tennessee State University's College of Business and Technology to offer infrastructure and logistical support along with reasonable rent costs that might not be available in other locations.

Livability- associated with other concepts like "walkable communities," "neo-traditional design," "new urbanism," and "traditional town planning." The term is also often used interchangeably with "smart growth." Smart growth evolved as a challenge to decades of low-density patterns of development-or sprawl-following World War II.

Niche Market- a smaller portion of a larger market. It generally refers to a group whose needs are not being addressed by mainstream providers.

Quality of Life- all of the characteristics of a location's living conditions, including housing, education, transportation infrastructure, leisure-time offerings, climate, spousal employment opportunities, medical and healthcare infrastructure, and environmental qualities, as compared to what the people and/or families that would potentially move into it would want; therefore, a measure of livability from the standpoint of relocation. There are historic examples of places of opportunity that, because of such drawbacks as environment, security, or climate problems were considered to have low livability or poor quality of life. Places that have an exceptional quality-of-life are said to have high livability

Sprawl- the physical pattern of low-density expansion of large urban areas under market conditions into the surrounding agricultural areas. Sprawl lies in advance of the principal

lines of urban growth and implies little planning control of land subdivision. Development is patchy, scattered, and strung out, with a tendency to discontinuity because it leap-frogs over some areas, leaving agricultural enclaves.

Sustainable economy- a system which maintains or enhances current economic opportunity and community well-being without compromising the ability of future generations to meet their own needs.