

**Watauga County Economic Development Commission  
Recommendation Regarding A New Business Park  
on NC Highway 194 North**

**Summary**

- The most efficient use of economic development resources for Watauga County is to focus on supporting and growing small businesses and light manufacturing, with particular focus on existing businesses.
- Development of a new business park is critical to meeting the needs of existing businesses and to attracting new businesses to Watauga County.
- The property on Highway 194 is the best, most cost-effective option for meeting Watauga County's siting needs for existing and future business.
- The Watauga County Economic Development Commission unanimously recommends, pending favorable outcome of the due diligence study, that the County Commissioners complete the purchase of the 200-plus acres on NC Highway 194 North, and that development of a master plan for a suitable business park begin immediately thereafter.

**Introduction**

“The mission of the Watauga County Economic Development Commission (“the EDC”) is to promote the development of business that is compatible with existing resources and assets of Watauga County and to encourage the creation of wealth and jobs providing wages, benefits and working conditions that will contribute to a higher standard of living.” The EDC has worked for many years to further the economic interests of Watauga County, its communities, and its citizens. Some periods in our twenty-nine year history have been easier than others. The past few years have been especially difficult.

Since 2008, we have seen local businesses struggle and we have seen local budgets shrink in proportion. But not all of the news has been bad. Despite the downturn, we have seen many of our local businesses grow and thrive. While these past few years have revealed some of our greatest weaknesses, they have also been an opportunity to learn what are the real strengths of our community and how best to prioritize our efforts.

As we begin to see a slow economic recovery taking hold, we believe that now is a time to act. Our actions should not be rash or hasty but, rather, should be thoughtful, strategic, and tempered with the wisdom we have gained from the struggles of these past few years. We believe that now is a time to invest in the future economic success of Watauga County. We believe that the property on Hwy 194, while not without its own challenges, presents us with a unique and cost-effective way forward, around the many obstacles to economic development that the EDC has wrestled with most recently.

Mindful of our mission, and with great optimism for the ability of our County to continue to grow and thrive, we present here a summary of the work and reflection that has led us to so highly recommend the Hwy 194 property for use as the new Business Park for Watauga County.

## **A Focus on Entrepreneurship, Small Business, and Light Manufacturing**

The primary way to grow a local economy is through expanding its export sectors; i.e., produce and sell more goods and services to customers outside the local area. These businesses create jobs and bring new income into the county, inducing growth of other sectors, such as retail and services.

Watauga County's largest export sector is education because of the presence of Appalachian State University. Tourism and health care are other major export sectors for the County. Manufacturing, typically a large export sector for communities the size of Watauga County, is an extremely small portion of our employment base (approximately 3%). While small, it is vibrant and has a significant impact on the vitality of our local economy. Imagine Watauga County without Charleston Forge, Goodnight Brothers, ERC Software...

Education, health care, and tourism are sectors that are and have been moving forward of their own momentum. Small businesses and manufacturing do not enjoy that same momentum and do not have at their disposal the same resources. We believe it is in these sectors that thoughtful, coordinated effort and efficient use of County economic development resources can have the most impact, both immediate and long-term.

To inform our work to expand economic opportunities for manufacturing, the EDC commissioned the consulting firm Insite to conduct a focused study ("Insite Study")<sup>1</sup> to identify areas of business and industry that would be successful in Watauga County and to develop a 5-year marketing plan to attract and grow those businesses. The Insite Study identified three primary areas of industry: existing Watauga County companies; Entrepreneurs/Creative Class; and Professional, Scientific and Technical Services (specifically, computer systems design services). ERC Software is a good local example of this sector. These are areas of industry that have already proven to be "good fits" for Watauga County. The study identified manufacturing (specifically, sporting and athletic goods; surgical and medical instruments, appliances, and supplies; and analytical laboratory instruments) and biotechnology research and development as areas for future development.

## **The Existing Industrial Park**

The existing 45-acre Watauga County Industrial Park, developed during the 1980s, has been successful and full for over 20 years. Businesses at the current park are predominately local and/or homegrown and are export-oriented; the park provided an opportunity for those businesses to expand their operations in Watauga County instead of having to relocate elsewhere.

Development of the existing park involved land acquisition, installing infrastructure and some site preparation. While a portion of this was funded by grants, a substantial investment by the County was required. That investment has been repaid many times over by property tax revenues. However, the greatest economic benefit has been the creation of local jobs. Currently, the park's nine current occupants provide a minimum of 300 jobs; there were as many as 500 jobs prior to the 2008 recession.

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<sup>1</sup> Full text of study available at County Economic Development Office.

According to the US Bureau of Economic Analysis, the average wage for all employment sectors for Watauga County in 2010 was \$32,196. Broken down by employment sector, the estimated average wages in Watauga County are as follows: manufacturing - \$30,406; wholesale trade - \$46,786; transportation & warehousing - \$33,678; information - \$31,335; retail trade - \$20,912; accommodation & food services - \$13,246. Manufacturing, wholesale trade, warehousing, and information services represent most of the occupants and employees of the current and planned business park and represent the (on average) higher-paying jobs for our County. These jobs, in addition to being higher-paying, are also more likely to include benefits, such as vacation/sick leave, insurance, etc.

Both the individuals employed at the current industrial park and the community have benefitted from the higher pay and better benefits associated with these jobs. Higher incomes generate more local spending. Better benefits result in better living conditions and relieve some of the demand for public services (DSS, etc.)

### **The Need for a New Business Park**

The Insite Study advised that "one of the fundamental, must haves, of a successful economic development program is the availability of quality sites and buildings for prospective companies." Although several factors may contribute to the small incidence of manufacturing in our export base, the lack of "product" (i.e. sites available for manufacturing use) is a major deterrent to the recruitment of companies to Watauga County. The study further states: "Without fully infrastructured product in a community, an economic development program will not attract quality companies."

Despite the economic downturn, the existing industrial park remains at capacity. At least one business—US Steel Buildings—has had to move its operations out of county for lack of suitable facilities. Cheap Joes Art Stuff, which employs 56 people, now maintains a satellite warehouse outside of the industrial park, but still within Watauga County. Several occupants have stated to the EDC that when the time comes for them to expand again, they will be forced to go outside of the county because of the lack of suitable facilities and infrastructure.

Given the occupancy status of the current industrial park, it is no surprise that the Insite Study found, "Watauga County possesses virtually no available viable space or sites that could accommodate a white collar back office operation or a small manufacturing company." The study further states: "***The community is in an emergency situation as it relates to product development offerings.***" As a County, we are unable to meet the needs of our existing businesses, much less accommodate future growth.

Beyond the Insite Study, the EDC has seen further proof that our lack of appropriate business facilities is a detriment to economic growth. During a meeting in March, 2012, which included EDC staff and members and NC Department of Commerce representatives, the NC Commerce representatives indicated that they have not referred companies to Watauga County due to the lack of product. The reality is that Watauga County is not currently able, despite the obvious attractions of the University, high educational attainment of the population, numerous outdoor recreation opportunities, outstanding medical facilities, and excellent quality of place and life, to effectively participate in the economic development arena.

Watauga County has a highly educated work force, with numbers well above the state and nation. Because the majority of current jobs are in the service sector, under-employment is a nagging problem. Creation of new jobs at a business park will help address that issue. Watauga County currently relies heavily on retail/service sectors because of the presence of ASU students and tourists. Diversification of the local economy is necessary to the long-term vitality of our local economy. Creation of a business park will efficiently and effectively promote that diversification.

### **Suitability of Hwy 194 Site to Meet Economic Development Needs**

The Economic Development Commission has long sought land appropriate for development of a new business park. To competitively recruit business/industry, a county must be able to offer land at a low or discounted price. In order to do that, the land must be already county-owned or otherwise acquired by the county for a favorable purchase price. As of April 2013, the County is under contract to purchase the land on Highway 194 for approximately \$8000/acre for 200-plus acres. By comparison, the land for the existing industrial park was purchased in 1984 for approximately \$13,000/acre. If the County doubles or even triples the initial purchase investment in infrastructure development/improvement, the investment will be \$25,000/acre or less, enabling the County to competitively market the improved land. The EDC has for several years identified other tracts of land potentially suitable as a business park, and have found each to be either unavailable or unaffordable. It is highly unlikely another suitable tract will be identified at or near the price of the subject land. It must be acknowledged that park development and infrastructure improvement is a long-range undertaking. These investments must be made with that understanding. That being said, once the County owns the property, marketing of it can begin immediately.

Now that the property is under contract, a 5-month due diligence period is currently in progress. During this time, a Phase I environmental assessment is being undertaken, as well as investigation of wetlands, geotechnical conditions, and archeological conditions. At the same time, the County is investigating needed improvements to Highway 194 and the potential for extension of natural gas to the property. Electrical service and fiber /cable for broadband are readily available. While the natural gas issue is continuing to be studied, it has become apparent that the NCDOT will work with the County towards the needed road improvements. Specifically, the curve at Brookshire Road must be improved. The County's recently adopted Comprehensive Transportation Plan includes widening Highway 194 to four lanes from East King Street (US Highway 421) to Howard's Creek Road (NCSR 1306) among the road improvements to be made. Additionally, The Board of Commissioners previously submitted that project to the High Country Rural (transportation) Planning Organization (RPO) as the second ranked priority for Watauga County. The land is located only 3 miles from the East King Street intersection at New Market Center.

The topography of the tract is rolling, with plenty of space for uncrowded sites. The main entrance to the park could be located toward the southwest corner of the property at grade in a straightaway of Highway 194. - an ideal natural entrance. On-site water and sewer infrastructure would be necessary for development of a business park on the subject land. Indications are that the site has ample groundwater resources. Meat Camp Creek adjoins the property to the

northeast, providing an opportunity for a state-approved sewer plant discharge. Even if that proves infeasible, the site provides enough acreage to support a sub-surface sewer system.

The relatively large size of the property will enable the County to develop a master plan that will include open space and other amenities for employees such as walking trails. The land and the community it inhabits have traditionally been agricultural; including those amenities would be sensitive to that tradition. Additionally, an agribusiness component would add to that, and would also benefit the expanding local food initiatives in the county. While respectful of the rural and agricultural character of the community, the EDC recognizes that the portion of NC 194 between New Market Center and the NC Department of Transportation maintenance facility, just past the intersection with Howard's Creek Road, is already well on the way toward transition to commercial status. Implementing transportation and other infrastructure improvements along 194 would increase the economic potential of that corridor.

### **Conclusion and Recommendation**

The work of the EDC over the past few years has led us to the strong conviction that not only will Watauga County benefit from having protected sites available to market to manufacturing and other export oriented businesses and organizations, but that protected sites are critical to ensuring our local economy remains strong and resilient. We are united in our opinion, pending a favorable outcome of the due diligence study, that the site on Hwy 194 is the best, most effective way of meeting our county's current siting needs. Having "product" to offer, along with the superior quality of life and the presence of a major state university, will allow Watauga County to compete effectively for our targeted businesses/industries.

Therefore, the EDC gives its strong and unanimous recommendation that the Watauga County Board of Commissioners complete the purchase of the 200-plus acres on NC Highway 194 North, and that development of a master plan for a suitable business park begin immediately thereafter. Further, we recommend that the Watauga County Economic Development Commission be formally designated as the development and marketing agent for the property. In doing so, the current and future County Boards of Commissioners retain the responsibility of determining the appropriateness of park occupants and any local incentives used to help attract specific occupants. We hope the Commission will accept this recommendation and are excited about the opportunities and growth this new business park will bring to Watauga County.

