

2006 Annual Report

01/07

Letter From CEO



Two and a half years ago, we had a vision that a single combined city/county organization could be a stronger force for the recruitment of businesses to Sullivan County and its cities. Now, as CEO of that organization, I still believe in that vision. Furthermore, the agency's record is a testament to the faith and commitment of local leaders to that vision.

I'm excited about the past cooperative efforts of the agency and even more excited about the future. In Kingsport, a new shopping center "The Pavilion" is underway. In Bristol, employment increases in manufacturing at Touchstone and Royal Moldings are very promising. In the Bluff City-Piney Flats area, there is a new surge in industries, retail establishments and housing.

In the coming year, NETWORKS will evaluate and revise its strategic plan to better reflect the new demands of its board and staff. Emphasis will be placed on transportation planning, workforce development, the needs of our existing industries and innovative marketing techniques. Working to establish our community as the preferred destination in the Southeast will continue to be our goal.

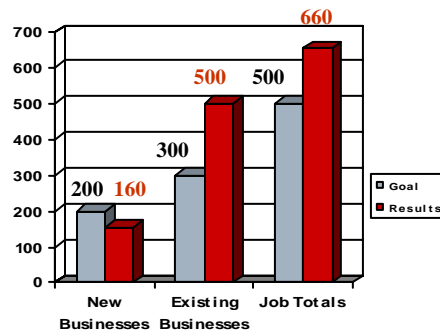
Richard S. Venable

NETWORKS Exceeds Jobs Goal

The expansion of many of Sullivan County's industries helped the organization meet its goal for the creation of new jobs in 2006. The jobs reflect only those jobs where there was direct involvement or assistance by NETWORKS.

While the creation of jobs by new businesses locating in the county was not as high as desired, existing business increases greatly exceeded goals.

The local job creation ratio of 23% for new businesses and 77% for existing business mirrors the national average of 20% new / 80% existing.



Aviation Clusters

In Sullivan County, there is an emerging cluster of aviation-related industries including *Edwards & Associates*, with over 520 employees, *DEC Technologies* which engineers and sells parts to the commercial airline industry, *Wysong Enterprises* a leader in aeronautical modifications and installations and *Dart Helicopter Service* which sells helicopter parts.

The Aviation Committee was established to explore ways to market the area to those type of industries. Following its plan of action, this year the committee produced a "prospect package" which promotes the Tri-Cities Regional Airport and industrial properties near the airport. The promotional material was distributed at the International Air Cargo Conference in May and the National Business Aviation Association show in October. These shows were attended jointly by NETWORKS and TCRA staff.

The two organizations will exhibit at the Heli-Expo (Helicopter Association) in March 2007.



9" x 12" folder with inside pocket

2006 in Review:

- Royal Moldings expands.
- Touchstone renovates retail building for manufacturing use.
- Aurora moves to larger facility.
- Edwards rebuilds 210 helicopters for civilian use.
- Edwards constructs new facility.
- BIS starts new building.
- Carrier builds larger facility.
- New Holiday Inn Express in Kingsport.
- New Food City opens in Bristol.
- Acorn Electric locates in Piney Flats.
- Kysor Panel increases employment.
- Gateway Commerce Park infrastructure improvements.
- Aviation Solutions brochure printed.
- "Move to Kingsport" Web site established.
- Bank of Tennessee moves into expanded Data Center.
- Land sold to Goessling, USA in Tri-County Industrial Park.
- DEC Technologies moves into new facility.
- First site in Partnership Park One sold.
- Apple International Helicopter to locate in Bristol.
- Northeast State involved in major expansion program.
- Housing starts up in 2006.

Three Star Certification



NETWORKS has again obtained joint certification for Sullivan County-Kingsport-Bristol and Bluff City as a Tennessee “Three-Star” community. The program, administered by the State of Tennessee Department of Economic and Community Development, recognizes a community’s ability or preparedness to attract new businesses. The program mandates a community strategic plan and an extensive review of community eco-

conomic development, planning, educational and civic improvement programs. This marked the 16th year for such certification.

Last year, the State rewarded communities reaching Level III Three-Star status by reducing the “local share” required for state grant programs. On FastTrack infrastructure grants submitted by the county in 2006, the local share requirement was reduced by 3% resulting in a savings to the county of \$26,525.

Business and Industrial Park Improvements

Reserving sites for new businesses in Sullivan County is a major task of NETWORKS. In April, 28 acres was added to *Partnership Park One*, bringing the park’s total to 108 acres. The first 5-acre parcel was sold to Sam Kite, a local businessman creating a new company. Initially, a 10,000 sq. ft. building will be constructed on the site.

In the *Gateway Commerce Park*, infrastructure improvements have been completed to include interior streets, sewer and water lines.

A new road (South Park View Circle) was constructed by the Tennessee Department of Transportation in the *Tri-County Industrial Park*. The road will serve the new Edwards facility and opens a 41-acre site for possible future development. The county is extending a sewer line along Rock Lane to serve two new businesses. The county also received a state FastTrack grant to relocate a power line which will allow for an expansion of The Robinette Company.

A \$300,000 grant was awarded to the county by EPA to conduct a Brownfield study on the *Davis Pipe* property. Basically, the study will investigate the possible reuse of the property.

Infrastructure improvements were completed in the *Bristol Business Park* off TN Hwy. 394. The park’s first occupant, *Media General’s* Bristol Herald Production facility began operations in April.



Infrastructure improvements in Gateway Commerce Park

In the *Northeast Tennessee Business Park*, design on Phase II, the Small Business Section, continued. Also some portions of the park’s property, due to topography were examined for possible residential use. The Kingsport Economic Development Board accepted a proposal from a private developer to oversee the building of about 200 “starter” homes on a 60-acre park parcel.

Within the park, Carrier completed its new facility, the Bank of Tennessee moved into its expanded data center and the Tri-Cities Economic Development Alliance occupied a renovated office.

Manufacturing Growth

After acquiring Cortrim in Bristol, *Aurora* consolidated its hardwood casket operations into a new plant in Piney Flats. Over 100 craftsmen will be employed at this location.

Edwards & Associates began rebuilding and refurbishing 210 military helicopters for civilian use at a new 25,000 sq. ft. facility. A larger 111,000 sq. ft. complex is being constructed to house its finishing operation for Bell helicopters. The company, which is investing \$11 million in the new facility, now employees 520.

In April, *Royal Moldings* broke ground on a 250,000 sq. ft. expansion of its Bristol plant. The expansion, which is nearing completion, will



Aurora Hardwoods moves into new plant in Piney Flats



Edwards' new facility nears completion

allow for an increase in employment of 80 to 90.

Over 270 new jobs were added this year by *Touchstone Wireless* in Bristol. The repairer/refurbisher of cell phones outgrew its existing facility and relocated into the renovated former Wal-Mart facility. The company now employ 509 and expects to reach well over 600 within the next few months. Touchstone is the largest wireless re-manufacturing company in North America.

DEC Technologies has moved into a renovated 26,500 sq. ft. building in the Tri-County Park. DEC engineers and sells parts to the commercial airline industry. *Meridian Industrial*, a sister company, is also housed at the new facility. Meridian engineers, sells and distributes parts for the industrial turbine industry.

Acorn Electric is building a new 10,000 sq. ft. facility on Rock Lane in Piney Flats. Sixty will be employed at this location.

BIS (Business Information Systems) began construction on a 10,000 sq. ft. building. This will more than double the company's space and enable the hiring of an additional 25.

Land in the Tri-County Industrial Park was sold to *Goessling, USA*, a manufacturer of conveyor equipment. The company will build a 10,000 sq. ft. facility.

Apple International, a helicopter sales company, will locate in the Bristol Industrial Park.



Touchstone Wireless housed in newly renovated facility

Commercial Development

Building activity within the commercial sector remained strong during the past year. The announcement of the in Kingsport "Pavilion" located on the old Mason Dixon Truck Line property was perhaps the biggest commercial development news of 2006. The 425,000 square foot retail shopping center will house two national chain department stores. The City of Kingsport and Sullivan County contributed \$2.5 million toward development cost of this center.

Another significant announcement was the construction of another \$10 million Lowe's near the Wal-Mart Supercenter on West Stone Drive. The year also saw the continued expansion of the office complex Sheridan Square in the MeadowView area. New stores were added to Stone Commons shopping complex, as well as a new Tractor Supply on West Stone Drive and Front Row Sports on Memorial Boulevard. New motels include the Holiday Inn Express off John B. Dennis Drive which opened in early 2006 and the Super 8 Motel, currently being renovated on Lynn Garden Drive.

In Bristol, the opening of the Food City Shopping Center next to Lowe's provided an economic boost to that city. Shops also continued to be built and opened near the Wal-Mart Supercenter located off Volunteer Parkway.

In Blountville, a new Walgreens and McDonalds were opened.

In the public sector, Holston Valley Medical Center announced their plans for a \$100 million expansion and renovation project. At the Indian Path Medical Center, a new \$10 million office building measuring 52,500 sq. ft. was opened.

The Kingsport Boys and Girls Club announced plans for a new 42,000 sq. ft. facility.

At Northeast State Technical Community College, where enrollment exceeded 5,000 in 2006, there are four buildings currently under construction. A \$14.7 million humanities building along with a 500-seat performing arts center are being built. Smaller structures under construction include a public safety office and a government services building.



New Food City Shopping Center in Bristol

Existing Industry Report

At year's end, NETWORKS conducted a survey of 117 existing industries representing over 16,000 workers in Sullivan County. The survey produced mixed results for 2006. Eighteen of the companies had major increases in employment resulting in the creation of 1,126 new jobs. Only eleven companies reported a significant decline in their company's employment figures. Two companies did, however, announce plans to close their facilities; Quebecor in Kingsport with

450 workers and Glaxo in Bristol with 326 workers. The Glaxo closing is being phased with 68 laid off in 2006. From the surveyed companies, there was a total loss of 649 jobs.

A positive indicator was the response from thirteen companies which expect to increase employment in 2007. For companies, AAA Anodizing, Amerace, Guyer & Sons and The Robinette Company have expansions planned this year.

Housing Start Surge

In 2006, there was a surge of new housing starts. (*See Building Activity insert.*) Numerous housing developments were announced or began construction. In Bristol, construction on the second building in the Race Day Center condo complex. Ground was broken for the Cottages at Feathers' Chapel, a 116-unit housing development off TN Hwy. 394. In Kingsport, the new Kings View Apartments off Bloomingdale Pike are nearing completion. In Colonial Heights,

grading for Riverbend, a mixed use development is underway and in Piney Flats, a major patio home complex is planned.

*"The four P's of Success;
Passion, Persistence, Process and Partnering"*

Board of Directors

Anderson, Tom *Bluff City Alderman*
 Browder, Dr. Michael *Bristol TN Essential Svs.*
 Byrd, Jeff
 Denton, Hoyt
 Estep, Larry *2006 Chairman*
 Foster, Keith
 G'Fellers, Homer *Johnson City Power Board*
 Godsey, Steve *Sullivan County Mayor*
 Harr, Ralph *Sullivan County Commissioner*
 Hite, Dr. Jim
 Hurley, Allen
 Locke, Dr. William *Secretary/Treasurer*
 Maness, Ken *Kingsport Alderman*
 Messimer, Jim *Bristol Mayor*
 Miller, Dr. Jerry
 Phillips, Dennis *Kingsport Mayor*
 Shumaker, David *Bristol Alderman*
 Sproles, Gary
 Street, Jim
 Thomas, Bob *Bluff City Mayor*
 Venkataraman, Raj
 Walters, Mitch *Vice Chairman*
 Webb, Isaac J. *American Electric Power*
 Wilson, Keith
 Yates, Tom

Ex-Officio Members

Bailey, Larry *Sullivan County Accounts & Budgets*
 Broughton, Jeff *Bristol City Manager*
 Burdine, Miles *Kingsport Chamber of Commerce*
 Campbell, John *Kingsport City Manager*
 Meadows, Lisa *Bristol Chamber of Commerce*

Staff

Venable, Richard S. *CEO*
 Lawson, D. Jack *Director Economic Dev.*
 Martin, Betty *Director Business Development*
 Scaf, Jeanette *Dir. Research & Communication*
 Fandl, Marsha *Administrative Assistant*

Industry Targeting

Participation or exhibiting at industry specific trade shows is one method of targeting industries for recruitment. Last year, NETWORKS staff attended several trade shows and conferences of targeted businesses and industries. At many of these events, NETWORKS participated jointly with the Northeast Tennessee Valley Regional Industrial Development Association, the State of Tennessee Department of Economic and Community Development or the Tri-Cities Regional Airport.

In January, staff attended the *Medical Device Manufacturing Expo*, the *Society of Automotive Engineers Show* in March; the *International Call Center Show* in May; the *International Air Cargo Conference* in June; *Automachanika* in Germany in September; the *Retiree Communities Conference* in October and the *National Business Aviation Association Expo* in November. Additionally, staff called on numerous site selection consultants in Dallas in August.

Targeted marketing was also accomplished through advertising efforts. NETWORKS placed ads in several publications featuring industries that the organization has targeted. An ad showcasing Sullivan County's advantage for the aviation industry appeared in the December 2006 issue of *Expansion Solutions*. An ad illustrating our relationship with the plastics industry appeared in the Nov./Dec. 2006 issue of *Trade & Industry*.

Relocation & Recruitment

The Relocation & Recruitment program administered by NETWORKS promotes income enhancement via "Boomer Retiree" and skilled workforce recruitment, strengthening and diversifying the local economy.

The program's current success can be traced to previous work by the Human Resource Recruiting Committee - one of the Partnership's first key initiatives in the 2004/2005 Strategic Plan - and is based on a challenge that Ed Barlow gave to Sullivan County in 2003 to determine the feasibility of a "Recruiter of People" (people seeking people) concept as a tool for economic development.

"Spending by retirees creates jobs and opportunities that can bring new wealth to local economies," said ECD Commissioner Matthew Kisber at the launch event for the Retire TN Pilot Program, which was modeled after NETWORKS' relocation initiatives. "The state recognizes retiree migration as a growing industry."

As one of 10 pilot communities selected, NETWORKS and Sullivan County have worked closely with the Bristol and Kingsport Chambers of Commerce to coordinate efforts for a county-wide relocation & recruitment program.

Two active programs, *MovetoKingsport* and *MovetoBristol*, by the respective Chambers of Commerce, have made financial and in-kind contributions to the overall development of the county-wide program. The endeavor includes brochures, community information packages and the creation of the MovetoNortheastTN.com, MovetoBristol.com, and MovetoKingsport.com websites.



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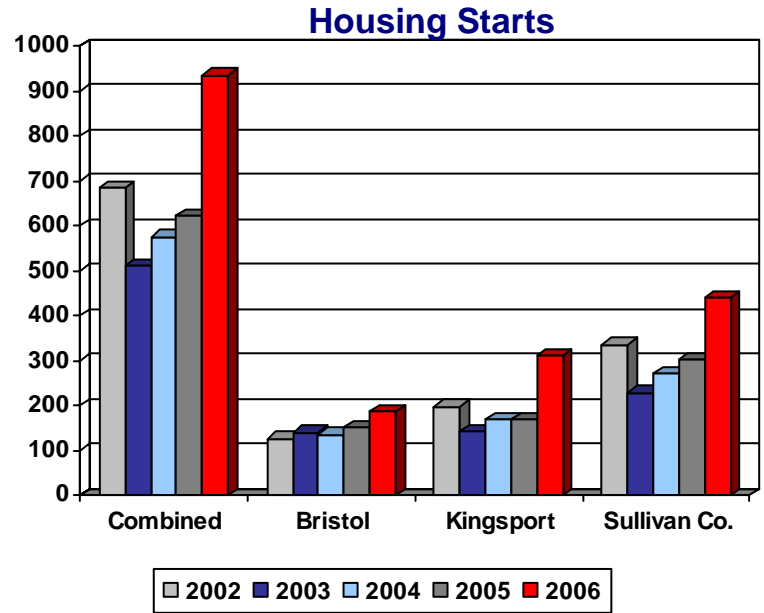
Sullivan County 2006 Building Activity

Building Activity

Overall building activity was up slightly in 2006, however there was a significant increase in the dollar value of construction. Further, there was a surge in new housing starts, particularly with multi-family housing. The total number of new units experienced a 50% growth.

The number and value of new multi-family housing starts increased significantly in both Bristol and Kingsport, as well as in the unincorporated areas of the county. In Bristol, the increase was due, in part, to the construction of a second building at the Race Day Condominiums. In Kingsport, the Kings View Apartments greatly increased multi-family housing.

The average cost for a new single family house built in Sullivan County, excluding land, was \$135,690 per unit.



New Housing Starts

		2002		2003		2004		2005		2006	
		No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Sullivan County	Single Family	255	\$ 31,263,700	225	\$ 31,837,000	269	\$36,589,000	298	\$36,589,000	350	\$45,059,000
	Multi-Family	80	\$ 3,250,000	4	\$ 188,000	2	\$ 100,000	4	\$ 100,000	89	\$ 6,120,000
Kingsport	Single Family	87	\$ 12,183,596	102	\$ 12,628,500	122	\$18,659,615	104	\$18,659,615	135	\$21,280,225
	Multi-Family	110	\$ 3,917,000	40	\$ 2,300,000	46	\$ 2,370,000	65	\$ 2,370,000	175	\$ 11,246,249
Bristol	Single Family	98	\$ 7,422,172	91	\$ 7,545,780	71	\$ 8,425,236	57	\$ 8,425,236	65	\$ 8,290,625
	Multi-Family	28	\$ 1,450,000	48	\$ 1,981,000	64	\$ 4,381,000	94	\$ 4,381,000	122	\$ 13,445,724
Combined Total		685	\$ 51,265,959	510	\$ 56,480,280	576	\$70,524,851	622	\$78,887,882	936	\$105,441,823

Building Permits

	2002		2003		2004		2005		2006	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
Sullivan Co.	1,380	\$ 59,195,786	1,281	\$ 55,223,590	1,142	\$ 59,173,615	1,031	\$ 58,599,170	1,056	\$ 70,956,880
Kingsport	778	\$ 73,889,130	829	\$ 61,985,958	912	\$ 86,341,662	690	\$ 66,809,260	903	\$ 88,560,394
Bristol	1,471	\$ 79,531,995	853	\$ 32,653,512	447	\$ 39,109,571	602	\$ 52,259,377	476	\$ 43,039,847
TOTAL	3,629	\$ 212,616,911	2,963	\$ 149,863,060	2,501	\$184,624,848	2,323	\$177,667,807	2,435	\$202,557,121