

NASHVILLE'S PREMIER BUSINESS PUBLICATION

NASHVILLE POST

\$4.95 JUNE 2012 • nashvillepost.com

The New Model

BUILT ON A SHOESTRING, APP DEVELOPER METOVA HIGHLIGHTS THIS YEAR'S



Metova Founder Kevin Ross

**BEST IN BANKING
BANG-FOR-THE-BUCK
CEO RANKINGS**

In The Zone

Gallatin bets on a Foreign Trade Zone for its next wave of economic development growth

By LINDA BRYANT

Commercial, industrial and residential development is nothing new to Gallatin. The city's population spiked 30 percent during the past decade, jumping from 23,000 to 30,000. An abundance of retail and residential developments and a beefed-up industrial park accompanied that surge.

Gallatin officials have embarked on massive road projects that make the city more accessible and driver-friendly and have pumped millions into upgrading the historic downtown. In fact, 2011 alone saw more than \$60 million in road improvements within the city limits.

Although Gallatin's latest growth accomplishment — becoming a branch of Nashville's Foreign Trade Zone — has yet to produce measurable results, city officials say it's just a matter of time before the newly minted Foreign Trade Zone translates into increased commerce, citing the success of other such districts nationwide.

A foreign trade zone, often called an FTZ, is a designated area that allows businesses to minimize, delay or avoid duties and taxes on imported goods. Participants are expedited through U.S. Customs and often have an easier time with cash flow and inventory because of the benefits of the program. Experts say companies can often save millions when they conduct international business within the boundaries of an FTZ.

Gallatin's FTZ was quietly approved in mid-2011 as a part of a joint-expansion co-sponsored with Metro Nashville government. The newly expanded zone now includes 2,700 acres of industrial land in Nashville (which has had a FTZ since 1983), Gallatin, Clarksville and La Vergne. The outlying zones are known as subzones.

"The FTZ is going to be a critical ele-

ment to the success of the Gallatin Industrial Center," said Clay Walker, former executive director at the Gallatin Economic Development Agency. "We have prospects considering the property awaiting infrastructure improvements, and many site location consultants have asked to be kept



updated on the progress of the park's development.

"You have to keep in mind that the city is just beginning to put the basic infrastructure into place — the main road, water, sewer, gas, electricity," Walker added.

Walker, who was instrumental in the FTZ application, recently left his Gallatin job last month to become head of business development for Bell & Associates Construction in Brentwood. He remains close to the project while Gallatin searches for a new leader for GEDA.

The infrastructure Walker's talking about is taking place at the Gallatin Industrial

Center, a 451-acre industrial park that encompasses the FTZ. The city has approved various levels of improvements at the park, all designed to sweeten the pot for existing and prospective businesses. For example, industrial park resident Laminate Technologies, a manufacturer of laminated and fabricated panels, was given a road extension as a part of a recent 20,000-square-foot expansion.

"The Gallatin economic development team is very responsive and easy to work with," said Ernest Spiess, general manager of Laminate Technologies. "I needed their help to finish an access road at our site. They knew what buttons [at the city government level] to push to get it done."

Specifically, the Gallatin Industrial Center has three companies interested in becoming a part of the FTZ, Walker said. There are 12 operating businesses — including those in the manufacturing and distribution sectors and some corporate headquarters — and two vacant buildings at the center. But the acreage can accommodate far more.

Gallatin's economic development team worked for years to lay the groundwork for the FTZ, Walker said, adding that the agency made

a strategic move in anticipation of doing more international business in 2008 when it added 207 acres to the park. The new acreage is largely undeveloped.

Gallatin is sending a message to existing and prospective companies, Walker said.

"We'll make your move or expansion worth your while," he said. "There are prospects considering the property awaiting the other infrastructure pieces, and many site location consultants have asked to be kept updated on the progress of the park's development. The FTZ is going to be a critical element to the success of the park."

The FTZ is a seductive carrot for com-

panies dealing with imported goods because they can be stored or assembled duty-free in an FTZ. Parts and raw materials can be converted to finished products, which subsequently receive lower tariffs when they are shipped out of the zone.

"An FTZ can benefit small companies as well as large corporations," said Michael Michalski of Ohio-based MCS Strategies. Michalski, who is considered a national expert on FTZs, was a hired consultant for Gallatin's FTZ application.

"It can make a big difference to have goods shipped directly to the FTZ," Michalski said. "An FTZ also forces companies to be more disciplined and keep impeccable records. After the fact, we find that they become much better at inventory management and controlling costs."

Michalski, who also specializes in site selection, said he's getting calls from international manufacturing firms seeking space in Gallatin.

"They are jumping on the bandwagon," he said. "Gallatin is armed with a full arsenal of incentives. It won't be long before an existing company figures out how it's going to benefit them."



According to the federal Foreign Trade Zones Board, the largest industry using the program nationwide is the petroleum refining industry. Other major users in-

Who benefits from a Foreign Trade Zone?

- Companies that import products from outside of North America
- Foreign-owned manufacturers with locations in the United States
- Distributors/wholesalers that import products
- Start-up companies looking for an edge in the U.S. market
- Companies that combine parts for export
- Companies that have "waste" within their production process

Source: Technology Ventures Corp.

clude the automotive, electronic and pharmaceutical industries. Although there's little chance of Gallatin attracting business from the oil industry, automotive, electronic and pharmaceutical companies are likely prospects, Walker said.

Gallatin Mayor Jo Ann Graves said landing the FTZ designation was one of the city's most significant achievements in 2011.

"The Foreign Trade Zone is an important marketing tool for Gallatin as it offers incentives to companies that are doing business on a global level," Graves said. "In a competitive environment, the ability to shave costs may be the difference that makes a company more profitable."

Michalski believes Gallatin's FTZ can be compared to a long-running one in Battle Creek, Mich. At any given time, the city of 50,000 has 17 to 25 companies active in its FTZ, Michaliski said.

The Battle Creek FTZ is responsible for about 8,000 jobs and has generated an estimated \$2.5 billion in investment over the past 35 years.

"They really work to sell it," Michalski said. "That's what Gallatin is going to have to do."

Potential in Portland

Road improvements could mean new growth for Sumner County city

At April's Portland Chamber of Commerce luncheon, Mayor Ken Wilber made an announcement many weren't expecting. The city has seen a 6 percent increase in sales tax revenue this year — the first since 2008.

Tax revenue isn't the only good news for this small city of 13,000 in northern Sumner County. In March, Kyowa America, the U.S. division of a Japanese auto parts supplier, announced plans to move its Pennsylvania operations to Portland, representing a \$12 million investment and 160 jobs.

Meanwhile, existing plants, including Tennessee Stampings and Tsubaki, prep for expansions and major roadwork is in progress or in the pipeline: a long-awaited exchange to serve the Tennessee-Kentucky Industrial Park at Interstate 65, a new connector for the northwest segment of the county and intersection improvements at Highway 109 and Kirby Road, which will provide access to the industrial park.



"We've been really, really busy," said Denise Geminden, economic and community development director.

Portland has 9.5 million square feet of industrial space, chunked out in various industrial parks and locations with smaller acreage. Of that total, about 2 million square feet is available.

"Until recently, we felt like the Portland area has been largely ignored due to the extreme northern location in the county and the accessibility," said Larry Collins, owner of Collins Construction.

Collins, who owns the majority of industrial properties in Portland, has developed Portland-area warehouse and manufacturing space assessed at more than \$90 million. He owns 500 acres of industrial land in the Tennessee-Kentucky Industrial Park.

Collins said the road and interstate improvements are a big deal.

"It really helps that Highway 109 was upgraded to a four-lane," Collins said.

"When it's completed, it will connect I-40 and I-65, and this will open up future growth for our area."

Jerome Terrell, senior project manager at TVA Economic Development, agrees.

"Because of the I-65 corridor, there is considerable potential for growth in the automotive, distribution and e-commerce sectors," Terrell said. "The I-65 corridor is one of the more active areas in the Middle Tennessee area."

Terrell often takes prospects on tour of Portland's industrial offerings. He says potential companies are usually impressed with the caliber of local workers.

Even during the recession, the workforce held steady at about 6,000, Geminden said.

Existing industries in Portland include everything from automotive-related manufacturing to fulfillment centers to plastics to packaged hams.

"We're deeply embedded in the automotive industry, but we really have a diversified portfolio of industries," Geminden said. "We've got product here."