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Building on Success!

**General Shale acquires
Watson town, seeks
other opportunities**

Plus:
**Crown Laboratories expanding,
interested in NN Building
and
Comprehensive 2019 regional
real estate forecast**

General Shale CEO Charles Smith and Executive Vice President Mark Kinser.

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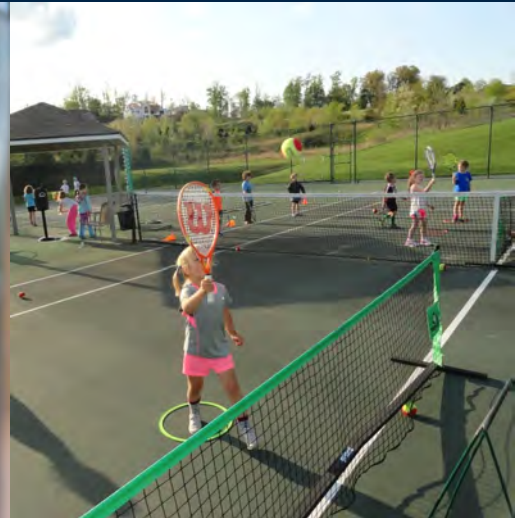


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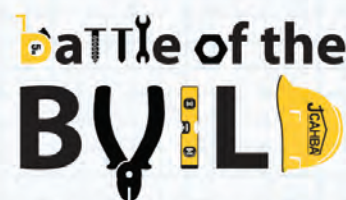
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Actions speak faster than words, too



There's a secret to success 'round these parts. Talk slow, but act fast.

I mention this because today I read a fascinatingly wrong article on *Inc.com* in which the author advocated for talking faster when you believe your audience is likely to disagree with you. The author must have been typing pretty

fast, because I disagreed from the get-go.

Here in Central Appalachia, people who talk faster when they believe you're disagreeing with them are going out of their way to ensure their belief is correct. We don't much cotton to folks who argue like they're practicing for auctioneer classes.

The *Inc.com* author wrote that speaking faster gives your audience less time to come up with a counter-argument. Gosh mister, how dumb do you think everybody else is? Pretty dang dumb, apparently, if you think a potential opponent couldn't take an extra second or two of thoughtful silence to work out a counter before leaping into the fray of debate. Also, how weak are your arguments if you have to resort to fast-talking to avoid being countered?

I have been known to go the exact opposite route. When I believe my audience may be hostile to my point of view, I tend to employ a slower cadence, taking the time to pick the exact word or words I need, while sometimes even allowing strategic pauses and verbal crutches (such as umm, uh, and hmm) into the mix.

This is especially effective against patter-peddlers like the *inc.com* author. They tend to underestimate the argumentative capability of slow talkers. For instance, I have a distant relative from New England who once praised a University of Virginia professor for being very smart despite having a Southern drawl. Bless my perhaps-not-distant-enough

relative's heart, I didn't really understand Yankee privilege until I heard that.

You see, the most important part of that key to success isn't so much about how slowly you allow words to tumble from your mouth. It's how quickly and efficiently you work when it really matters.

Competition in business generally isn't a verbal debate, after all. It's a contest to see if you can observe, analyze, strategize and implement the best solution to a given problem before somebody else beats you to the punch.

This is where some of us in Central Appalachia tend to miss the mark. And it's why I'm always talking about regionalism.

Every moment we spend navel-gazing in Northeast Tennessee and Southwest Virginia is a moment in which a whole lot of people in a whole lot of other places are scheming how to take what we might otherwise have. They're not just thinking about it. They're acting.

Earlier I used the word "competition." We need to realize we're in it, and we will reap whatever we earn from it, whether that be thin or flush. Right now, it's leaning thin.

If you look at Tennessee today, the west is dying. The east is stagnant. That's actually true both in demographics and economics.

There's not a lot of self-conscious hand-wringing among our Team Tennessee colleagues in the Nashville metro, though. There's just a lot of cash changing hands. The same is true in Northern Virginia.

Yet 'round here, surrounded now at a distance by Amazon investments galore, we still tend to take action only after we very conservatively parse all the angles. Preferably twice. Then we have meetings about it to rehash the parsing. During the meetings, we talk about all the reasons it might not work. Eventually, perhaps, somebody takes action. Odds are, if the action is remotely controversial, someone else will go on social media and issue a scathing attack on the actor, questioning his or her motives, intelligence and, quite possibly, parentage.

So, if you want to make good things happen, forget talking fast. Because unlike talking fast, working fast isn't done merely so one's potential opponents won't have time to argue. It's done so action gets taken before it becomes irrelevant.

For the right reasons

by Alan Levine



In 2015, Mount Sinai Medical Center in New York famously ran an ad declaring, “If our beds are filled, it means we failed.” This preceded a stunning announcement that the iconic (and half-empty) 800-bed Beth Israel Hospital in Manhattan would be closed and replaced with a 70-bed hospital. Closer to home, what many of us have known as St. Mary’s Hospital in Knoxville will

join the 100 other non-urban hospitals that have closed since 2010. And Mission Health in Asheville, another iconic hospital serving more than 100 years as a not-for-profit institution, becomes the latest in the for-profit hospital family – gobbled up by a Wall Street favorite known for optimizing profits out of hospitals and delivering growing profits to shareholders (who, by the way, are primarily New York institutions and funds, and not the people of Asheville.)

Over the last few months, our region has witnessed the difficult discussion that must occur: Can our hospitals survive or thrive if they continue to operate as if there is no external pressure on them? In an environment where hospital admissions are declining as much as 8 percent year over year, where inpatient beds exceed patient demand by as much as 60 percent, where population growth is either flat or negative, and where labor and supply costs continue increasing, is it possible we can just ride it out and hope our hospitals survive?

No responsible organization would say yes.

The most recent choices have been clear.

1. Do we realign the highest-acuity trauma services at one hospital? Or do we continue diluting the volumes between two level 1 trauma centers located less than 30 minutes apart? More than 30 years of national, peer-reviewed evidence says consolidation of the highest-acuity trauma saves more lives, and costs millions of dollars per year less.

2. Do we realign our highest risk newborns so they are served at a children’s hospital with high volumes, 25 pediatric specialties, 24/7 in-house neonatology coverage and pediatric residency rotations, and the only certified center for perinatology in the region? Or do we continue providing two different levels of care, where one center has low volumes, high cost, no certification, few pediatric specialties, and no in-house 24/7 neonatology coverage? Tennessee law,

national evidence-based practice and the American Academy of Pediatrics says we should have a regional neonatal intensive care unit with higher volumes located where there are pediatric specialties to support the babies.

There is ample public information available for each of us to draw our own conclusions about these questions – decisions which, for the board of Ballard Health, are not merely anecdotal or academic. The very future of our region’s hospitals rests on the shoulders of this very capable 11-person group who live here, employ thousands of people here in their own companies, and who have a vested interest in their families and employees receiving the highest quality care.

While communities all over America are facing the absolute loss of hospitals, our communities have chosen not to sit on the sidelines and watch this happen. Our communities didn’t want to outsource these decisions to for-profit companies and large institutions based in other cities. All knew there would be hard decisions as hospitals faced these external challenges, but there was comfort in knowing the decisions would be made by people who, like the rest of us, would live with the outcome.

The fact this debate is happening so publicly demonstrates that local governance is more transparent than what would have been the alternative had Wellmont and Mountain States each joined larger systems based elsewhere. This debate would not be occurring if someone sitting in an office far away were making the decision through the lens of the income statement. There was no public debate in Knoxville when the decision was made, in Nashville, to close what was once a thriving hospital. And when decisions are made – in Nashville – about the future of Asheville’s hospitals, which have historically benefitted from years of generous philanthropy and tax breaks, there will be no local board chairman standing before a city council.

Emotions run high when thousands of people have their own opinions, which is why we have boards of directors. It is important to listen to all voices when people have concerns, but it is arguably also important for people who have the local responsibility and accountability to get the decisions right.

As we map our future, let’s follow evidence and take a sober look at the facts. Our board of directors may not choose to yell the loudest or question the integrity of those who disagree with them, but you can be assured they fully understand what they are doing, and they are doing it for the right reasons.

Alan Levine is Chairman, President and CEO of Ballard Health.

New pending home sales index up 7.6% in November

The number of new approved contracts for single-family residential sales in November was down from October and 49 higher than November last year in the 11-county area monitored by the Northeast Tennessee Association of Realtors (NETAR).

NETAR's New Pending Home Sales Index (PHSI), a forward-looking indicator based on new contract signing reported by Realtor Property Resource (RPR), was up by 0.5 percent from October and 7.6 percent higher than November last year.

There were 552 new approved contracts in November compared to 703 in October and 512 in November of 2017, said Aaron Taylor, NETAR president. "Lower mortgage rates are balancing the traditional slower sales as we move into the holidays, and the market is on

track for its eight-straight year of annual sales increases."

November's new pending sales index was 124.4 up from 123.7 in October and almost 9 points higher than November last year. The PHSI is a leading indicator for the housing sector based on pending sales of existing homes, condos and townhomes. The benchmark of 100 for the index is the 2015 annual average for new approved contracts. A sale is listed as pending when a contract has been signed, but the transaction has not closed. Sales are typically finalized in a month or two after signing. But it's not uncommon to see as many as 5 percent fall through. Lately, that fall-through rate has been higher due to more sales of a current home and financing contingencies.

Here's a capsule look at local market trends based on the year-to-date city and county single-family resales and average prices compared to the first 11 months of 2017:

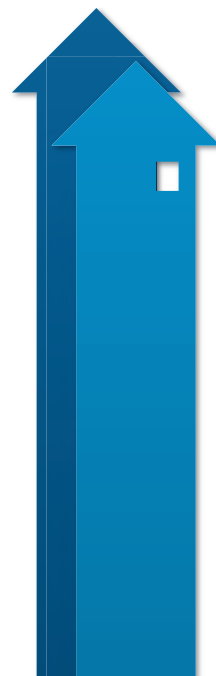
CITY MARKETS

Johnson City: Sales 800, up 57. Avg. price - \$231,644, up \$9,593.
Kingsport: Sales 745, up 117. Avg. price - \$179,458, up \$6,634.
Bristol, TN: Sales 311, up 14. Avg. price - \$159,434, up \$16,710.
Elizabethton: Sales 169, down 4. Avg. price - \$141,961, up \$11,668.
Greeneville: Sales 164, up 3. Avg. price - \$135,485, down \$2,856.
Bristol, VA: Sales 160, down 16. Avg. price - \$124,602, up \$12,895.
Erwin/Unicoi: Sales 139, down 20. Avg. price - \$149,126, down \$7,053.

COUNTY MARKETS

Sullivan: Sales 1,829, up 150. Avg. price - \$172,398, up \$6,021.
Washington, TN: Sales 1,645, up 96. Avg. price - \$219,585, up \$12,532.
Greene: Sales 613, up 42. Avg. price - \$154,372, up \$6,157.
Carter: Sales 541, up 43. Avg. price - \$140,455, up \$166.
Hawkins: Sales 509, up 24. Avg. price - \$145,246, up \$6,571.
Washington, VA: Sales 423, up 6. Avg. price - \$180,299, up \$8,547.
Wise: Sales 198, up 24. Avg. price - \$101,837, up \$3,299.
Johnson: Sales 137, up 32. Avg. price - \$183,055, up \$42,460.
Scott: Sales 107, down 1. Avg. price - \$96,913, down \$3,875.
Lee: Sales 37, Up 4. Avg. price - \$93,328, up \$7,816.

NOTE: NETAR counts city sales as those in high school zones. City sales and price data are included in the county totals.

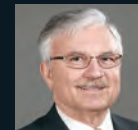


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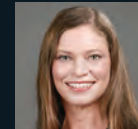
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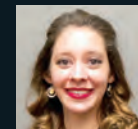
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General Shale acquires Watsonstown Brick

Expands footprint in Northeast markets

by Scott Robertson

General Shale announced Dec. 13 it has acquired Watsonstown Brick Company of Watsonstown, Pa. for an undisclosed sum. The move is seen as another step in General Shale's active consolidation of the North American market, a process that began before the Great Recession and has recently picked up steam.

General Shale has stepped out of its Southeastern U.S. core marketplace for an acquisition only once before, when it acquired Robinson Brick of Denver for \$88 million in 2006. But the Watsonstown move could be the first of multiple forays into new markets for General Shale.

General Shale executives said they believe the Watsonstown acquisition could throw open to the company the major population centers of the northeastern U.S., from Washington D.C. and Baltimore through Philadelphia, Pittsburgh and New York, where General Shale already has a limited market presence. General Shale currently reaches into New York and New Jersey with its Arriscraft product line for higher end commercial projects. The Watsonstown acquisition broadens not only General Shale's access to those markets, it also enlarges the company's portfolio of facing bricks for commercial and high-quality architectural projects.

Watsonstown is within 200 miles of New York City, a high intensity brick use market, General Shale CEO Charles Smith said. "We see (the Watsonstown acquisition) as an expansion for us, giving us the ability to enter another market. This matches well with our Arriscraft products and gives us the ability to package some materials when we present it to architects."

"A lot of Watsonstown's product goes into New York City, but also a lot goes into Canada," said General Shale Executive Vice President Mark Kinser.

"In Canada, we're strong on the commercial side of the business with higher end product offerings," Smith said. "We're also very well established with residential stone products. As you move down into the northeast, primarily the Boston/New York/New Jersey area, we will now be able to offer a full masonry line with stone and brick products including thin veneers."

Watsonstown produces a variety of face, thin and molded

bricks, and a line of pavers, in a range of colors, sizes and shapes. The company initially produced street pavers, which were used in cities throughout the Northeast, before growing its product line to include residential, commercial and architectural brick products. Today, Watsonstown Brick employs around 50 people and operates three production plants that manufacture 92 million brick units annually.

The Watsonstown acquisition follows on the heels of General

Shale's late 2017 purchase of Columbus Brick Company in Columbus, Miss. Both Watsonstown and Columbus are heritage companies with broad reach in their respective regions and long histories of success. Columbus was established in 1890, Watsonstown in 1908.

"The Watsonstown situation was similar to Columbus," Smith said. "It's a company we had been aware of. We have competed against them somewhat with our Cleveland County (North

Carolina) plant. They offer a very diverse product line – very higher end, so it was something we saw would be a very good addition to our product portfolio, and like Columbus, it gives us geographic diversity. The Columbus acquisition broadened General Shale's geographic footprint into the west. We got into markets in Louisiana, Mississippi, Arkansas and east Texas.

"We are looking at things outside our core market, which is the southeast," Smith said. "How do we expand geographically? We want to grow more outside of the markets we are currently in. We want to create more diversity while still utilizing our strengths, our existing sales force and digital model."

Independent regional companies like Columbus and Watsonstown are at a competitive disadvantage today, Kinser said. "In today's world it requires some leverage in the market," Kinser said. "For the independent owners, that leverage is tough to maintain."

But General Shale believes it has the capability to nationalize its sales and marketing efforts in ways its competitors can't, and it wants to strike while the iron is hot. That means the company doesn't want to waste time buying fixer-uppers. If, however, another firm has a solid product line, a good record of dependability and the ability to broaden General Shale's national



Charles Smith



Mark Kinser



Smith and Kinser show off a hand sample. The company is increasing its reliance on digital marketing tools.

footprint, Smith and Kinser will certainly take their call.

“I would say we are very active in the acquisition market to bolt on growth opportunities,” Smith said. “Through our acquisition model, we want to bolt on accretive growth. We want the acquisition to bring something with it. We don’t want a restructuring cause where we have to rebuild a company.”

“With the Watontown acquisition, we bolt on 6 percent revenue growth,” Smith said. “That in itself is pretty small, but from that, it gives us the ability to grow it using our distribution model, our digital agenda and our professional salespeople. I wouldn’t want to share specific numbers, but we see the opportunity for substantial growth with this company.”

In short, it’s not what the acquisition target can bring to General Shale today that interests Smith and Kinser so much as what General Shale can build after bolting on the acquired company.

“It’s what we can make it tomorrow through our model and utilizing our digital agenda, digital marketing, web pages, social media and other things that broadcast the message of what this plant can offer,” Smith said. “Watontown’s focus was on the New York City/Pennsylvania area. But they have great product offerings that should be expanded even into the southeast.”

A large part of the secret sauce that Smith and Kinser believe will allow General Shale to expand beyond its historical boundaries is the afore-mentioned digital agenda. The front door of that agenda is a new app, General Shale My Designs. Users can define a model home and pick details as specific as mortar color and stone surfaces using their hand-held devices.


“We have an interface with our distributors,” Smith said. “What we want to create is a model where we utilize today’s tech-

nology to allow better access to our product portfolio, not only for the end consumer who’s out there buying a house or building a home, but also our partners in these steps - the A to Bs, B to Cs, A to Cs - that allows them to see inventories, product offerings, availabilities, and communicate that to the end consumer. We’re looking at how we can offer solutions for consumers and builders in the marketplace.”

“On the video front, we can finally address some issues that have been difficult,” Kinser said. “We are a very touchy-feely sell. People want to see the texture of the brick. So, we have been using hand samples and photos for so many years. Now, the digital capability is there so you can see it all; it’s quick, and with that comes all the technical expertise and advice.”

Another positive aspect of the digital agenda is that it allows the company to grow exponentially while maintaining its headquarters in Johnson City, where costs are low and the company has years of positive relationships.

“We have 1,360 employees throughout North America and we process everything in Johnson City – payroll, HR, payables, receivables, credit – and the people that do that in this building are very professional and very well-trained,” Smith said. “We have been very successful in attracting experienced people when we have to bring more support on, and we’re very happy with those.”

Added Kinser, “We do a lot of subbing in this market. The Corporate Image/Corporate Marketing Group handles PR. Our creative side comes through Creative Energy. There’s value in being able to get in your car and go have lunch with someone who’s providing a service. Being here allows us to maintain a good, solid culture.” 

Crown Laboratories continues aggressive acquisition strategy

Asks Tennessee for incentives to stay

by Scott Robertson

Crown Laboratories is growing at a remarkable pace, aided by a tailwind of capital and an acquisition strategy reminiscent of one that worked for another Tennessee pharmaceutical company a few years ago.

When, on Nov. 30, 2018, Crown Laboratories announced the acquisition of North American distribution rights to five over-the-counter (OTC) consumer brands from GlaxoSmithKline (GSK), it marked the third such major acquisition in less than 12 months. The GSK brands (PanOxyl, Sarna, Zeasorb, Desenex and

Mineral Ice) acquisition followed on the heels of the September announcement that Crown had acquired Bellus Medical, a Dallas-based medical aesthetics treatments company, and Crown's January 2018 acquisition of Vita Liberata, an Ireland-based company specializing in sunless tanning and skincare products. With those acquisitions already complete and another likely to be announced within a few weeks, Crown is considering whether to move its corporate headquarters to a larger building in Johnson City, Tenn., or to a larger market.

How'd they do that?

Crown's shift from a moderately successful sunscreen maker to a fully integrated, \$100-plus million skincare company began in earnest Oct. 30, 2017, when Hildred Capital Partners assumed a major stake in Crown. Hildred, a private investment firm founded by the former chairman and director of operations of Forest Laboratories, Howard and David Solomon, bought out all the stakeholders of Crown with the exception of CEO Jeff Bedard and COO Jack Songster.

"We see an opportunity to be a leading consolidator in the dermatology space," David Solomon said at the time, "and we will be actively looking for interesting acquisitions, licenses and partnership transactions."

The acquisitions began five weeks later and word got out Crown was angling to become a serious player internationally. Two substantial multi-billion dollar funds joined in, further growing the available capital.

"The idea was that Crown had built a significant expertise platform and talent in dermatology and skin care, from product development through manufacturing and commercialization of product," Bedard told *The Business Journal* in Dec., 2018. "We just didn't have scale."

Problem solved

Once Hildred came on board, scale was no longer a problem. It was job one.

"We were doing due diligence and negotiating with Hildred at the same time we were doing due diligence and negotiating with our first acquisition, which was Vita Liberata in the U.K.," Bedard said. "So, you can imagine negotiating against somebody on one end and with them on the other end. It was an interesting six-month period in 2017."

Vita Liberata's sunless tanning product line was a natural fit with Crown's existing portfolio, the mainstay of which was the Blue Lizard sunscreen. That deal was announced Jan. 5, 2018. Next came the Bellus Medical acquisition in September. "Bellus Medical has the only FDA-approved micro-needling device in the U.S.," Bedard said. "That's a fast-growth market and we're using that to develop our aesthetic platform."



Crown Laboratories CEO Jeff Bedard

PHOTOS BY TARA HODGES, SWEET SNAPS PHOTOGRAPHY

Then, just after Thanksgiving 2018, Crown and GSK announced their deal. “We needed to add other therapeutic OTC products, monographed drug products, and the GSK assets were available,” Bedard said. “The neatest thing is, I started in dermatology in 1984. I sold three of these products back in 1984 when I joined Stiefel Laboratories. It’s really a coming home. It was so exciting to get emails from Charlie Stiefel, who sold the company to GSK about eight years ago, just so excited that a Stiefel alumnus now has these products.”

The first wave of acquisitions isn’t over, Bedard said. “We have one more acquisition that we will announce in the first quarter of 2019. That one is pretty well done. The deal is not signed, but we’re there. We are looking at three or four others in the aesthetics space to add scale once again. So I think we’ll see in 2019 at least two, maybe three additional acquisitions to get to scale.”

Scale, in the case of Crown, is \$50 million-plus within a category. “Within our OTC category, we’re now well above \$50 million in revenue,” Bedard said. “In aesthetics we are pretty close. One additional acquisition or organic growth over the next 12 months probably gets us to that space. We are sub-scale in our prescription drug unit and our generic unit as well.”

The model

The notion of strategic acquisition as the basis for growing a pharmaceutical company in Tennessee is not new. In explaining the strategy, Bedard said, “If you think about what we’re building here in this place, it isn’t that different from what Chattem did down the road in Chattanooga, which was going out and getting brands that weren’t big enough for other large companies, put the marketing engine behind them, put product development behind them, and put manufacturing behind them. We think we can recreate what Chattem did under the Guerry family down in Chattanooga. We’re really excited about that.”

To understand the excitement, consider that, like Crown, Chattem started small. But in the 1990s and early 2000s, under the leadership of Zan Guerry, Chattem acquired OTC brands including Icy Hot, pHIsoderm, Gold Bond Medicated Powder, Herpecin-L, Ban Antiperspirant and Deodorant, Dexatrim, Aspercreme, Capzasin, Selsun Blue, Unisom and Kaopectate, adding hundreds of millions of dollars in sales before eventually being acquired by sanofi-aventis Group.

Skin is the game

The acquisitions are creating a comprehensive skin-centric company. “We now have a platform that touches a person at every step of their life,” Bedard said. “We have products focused on babies, children, adolescents, millennials, aging population and geriatric population.

“Our product portfolio now does medical dermatology. We have a generic dermatology division so we play in that space. We have our OTC portfolio of therapeutics. We have our beauty portfolio of Vita, so if you want a nice tan, we do that. Then we have the aesthetic platform, which is micro-needling, which is indicated for acne scarring, but we’re looking at other medications, and we’ll add on to that. So, our focus of growth is going to be really to build out our aesthetic platform as well as our OTC therapeutics.

“We also have two new drug applications (NDAs) going through the FDA which will then bolster and bring up to scale our branded prescription division. So, within the next two years, we’ll really have scale in all areas that dermatology companies and skin care companies play in.”

Skin in the game

Well inside that two-year time frame, Crown will decide whether to keep its corporate headquarters in Johnson City, or leave Tennessee altogether. The company has outgrown its south Johnson City office space. It is considering moving into the Suntrust/NN Inc. building near the Johnson City Mall, and is asking the state to chip in with incentive dollars. The Tennessee Department of Economic and Community Development, which put \$2 million into NN’s purchase of that building less than four years ago before seeing NN bolt for Charlotte, has taken a once-bitten-twice-shy approach to Crown’s initial inquiries.

“I think there is a basic lack of desire at the state level to come alongside existing businesses and say, ‘How can we help you be more successful?’” Bedard said.

“It is far easier for the governor of the state to come in and make a big announcement about a new company coming in because that has all the promise and the excitement and the sizzle of saying, ‘Look at what our economic development engine is doing, bringing in a company that didn’t exist here before.’

“The reality is, if they take a step back and take a look at the existing economic engine of Crown, for example, we went from a payroll of less than \$200,000 to having a payroll in Johnson City alone of over \$14 million,” Bedard said. “I’m not a statistician or an economist, but I have to believe that \$14 million has an impact in this region in terms of people going out and putting that money back into the economy. So, what if we could take that \$14 million and grow it to \$25 million here as opposed to hunting for a brand-new stakeholder and hoping they will do what they say they are going to do? That’s been the frustration I have had.”

“We have other states courting us,” Bedard said. “Dallas, Texas (home of Bellus) is courting us. You know, our aesthetic platform, from a commercial operations point of view, it would be very easy to take the 80 highest paying jobs that are sitting in this plant and get people to move to Dallas or hire people to replace those folks in Dallas.

“We want to know that we are valuable to the state,” Bedard said, pointing out that there is recent precedent in middle Tennessee for incentives. “Certainly, the state has shown it wants Amazon in Nashville and Ernst Young in Nashville.”

Staying in Johnson City carries certain costs for Crown, Bedard said. “Three years ago, we were an organization of 70 employees and now we’re 356. Not all of those are right here, but 200-plus are right here. So, the vast majority have been hired in Johnson City, but a lot of those positions we have had to go out and recruit from somewhere else. That makes it more costly.”

One way or the other, a decision will be taken soon, Bedard said. “We are very close to making a decision on whether we will continue to build out from a commercial footprint in Johnson City or look at other locations. It’s not going to be five years from now that we’ll be making that call. It will be in the next 12 months.” ■

Bristol properties grab headlines in a wide-open regional commercial real estate market

by Don Fenley

While some pundits were busy reading tea leaves and trying to predict the next downturn in the economy and commercial real estate market, local real estate professionals were busy racking up record levels of investment property deals in 2018. They're looking for more of the same in 2019. But that could change – for the better.

Currently, all eyes have turned toward Bristol, Va. The city has the potential of rising like a phoenix from its past misfortunes to become the Tri-Cities growth beacon, walking hand-in-hand with the ongoing growth of the region's medical and higher education sectors as economic drivers. Bristol, Va., and its sister city on the other side of State Street are already a commercial real estate hot spot, but the potential of a casino, the repurposing of the Bristol Mall and a possible USDA move to the old Alpha Natural Resources corporate headquarters building, could be game changers.

Commercial real estate listings at the Northeast Tennessee Association of Realtors (NETAR) Commercial Multiple Listing Service (CMLS) were up 23 percent last year. The type of 2018 listings compared to 2017 is telling. Listings in the office space sector were up 15.5 percent; shopping center listings increased 150 percent; and retail listings were up 57.5 percent. While the CMLS numbers are not inclusive, they are the most comprehensive local listings and transactions database, so data is representative of the market as a whole. And although new commercial real estate construction permits were down 17 percent, the value of those new developments was up 8 percent.

One driver of the last year's increase was investors focusing on secondary and tertiary markets. That's expected to continue in 2019 unless an economic turnaround drives investors back to larger, more liquid markets.

The Business Journal asked a group of area commercial realtors for existing listings that they thought held extra potential in the coming year and where they thought new potential will arise.

Repurposing of the Bristol Mall is the elephant in the room, according to commercial realtors. Virginia regulators have rejected a request to move a medical cannabis facility planned for the mall which is also a target as a site for a casino – if the idea gets through the General Assembly and Bristol voters. Kelly Graham, Graham & Associates Realtors in Bristol, thinks all the questions will be resolved and then “the sky's the limit.”

The old Bristol Kmart building is also on the top of the repurposing list for additional retail. Graham added that everything on State Street is rezoned for redevelopment and in play.

Another major Bristol area focus is attracting the relocation of 600 USDA jobs to the former Alpha Resources building off Interstate 81's Exit 7 as part of a reorganization in Washington D.C., that will see most of the USDA Economic Research Service and National Food and Agriculture staff relocation outside the

district. A decision on where those employees will be relocated is expected early in 2019 (see inset).

Renovation and repurposing at Kingsport's Fort Henry Mall is also on the watch list. The old Sears building has been razed, and renovations are continuing, attracting service and retail attention.

Retail space on Jack White Drive is getting extra attention with new construction of plans for a fitness center behind the O'Charley's restaurant in the retail-dense East Stone Drive – North Eastman Road corridor.

Several of the commercial real estate professionals pointed to a continuation of the retail landscape transitioning from big boxes to smaller strips and specialty outlets that include hybrids combining brick-and-mortar outlets with e-commerce.

Office space at 7 and 8 Sheridan Square in the Executive Park off Stone Drive in Kingsport, the Executive Park Office Building at 999 Executive Park Boulevard and the Kingsport Press Building at 444 Clinchfield Street have moved up a notch on the listing with the potential list as the expansion of the local economy continues.

There's also growing interest in the Boone's Creek area in Washington County that bears close watching as a future alternative to State of Franklin Road as a destination.

A new office building at Boones Creek Road and Boone Ridge Drive is on the high-potential list for that area. Dermatology Associates occupies the first floor of the building, and 5,420 square-feet of shell space is available on the second floor.

Another prime office space listing in Johnson City is the newly-renovated third floor of the SunTrust Center on Mockingbird Lane across from the Johnson City Mall. The listing includes 11 glass-walled offices, a break area several conference and meeting rooms. The office furniture and cubicles that were in place when the third floor was the executive offices for NN Inc. are included. Crown Laboratories has shown interest in that space.

John Speropoulos, president of Mitch Cox Realtors, said he was not seeing a significant demand for medical office space but as the consolidation by Ballad Health continues that could change this year. Michael Green of Green Commercial Realty had a similar observation. He said the surplus created by the hospital merger will likely start to manifest itself in repurposed building and potentially aggressive asking rents this year.

Repurposing at the old Kmart store in Johnson City is also progressing and should accelerate this year with two retailers already having been reported to be moving in. Caliber Capital of Atlanta bought the 172,000 square-foot building a month after Sears Holding Corp. said the store would close. Mid-last year the Kmart buildings in Bristol, Kingsport and Johnson City were cited as prime retail repurposing hot spots. The Kingsport site came off the list when it was included in an announcement that U-Haul was buying 13 former Kmart and Sears retail sites for conversion



PHOTO COURTESY FRED MCCLELLAN, CALLEBS REALTY

Former Alpha corporate headquarters in the hunt for USDA relocation

When the US Department of Agriculture announced last year it would relocate the Economic Research Service and National Institute of Food and Agriculture outside the nation's capital, 136 communities in 35 states submitted self-nominations to be considered. Now, Bristol, Va., officials, are eagerly awaiting the anticipated mid-January release of a short list of finalists.

The key to Bristol's nomination is the vacant former corporate headquarters of Alpha Natural Resources off exit 7 of Interstate 81. While some of the communities under consideration say they will rely on new construction, Bristol's offering is turnkey ready. Because the USDA wants to move out of its current, rapidly aging

space in Washington, it is unlikely the department would wait for new construction in any location. Alpha Natural Resources broke ground for the Bristol building in 2010 and kept the building updated and intact until the company filed for Chapter 11 protection in 2015.

In addition to having a building with up-to-date security and digital infrastructure, Bristol fares well by comparison to the other 135 communities in categories including cost of living (the single lowest of all 136) and access to health care. Other criteria include diversity index rating, labor force growth rate and travel time to and from Washington D.C.


to self-storage and truck-rental facilities. The announcement was a sting to the retail potential of the site in Kingsport.

Speropulos, Green and Joe Fillers, Preferred Properties of East Tennessee in Greeneville, like many of their peers are watching the demand from industrial space. "The market is pretty tight in the industrial sector, but there's some pretty strong demand," Speropulos said. Green thinks demand will continue in markets like ours assuming quality properties are brought to market. While smaller deals are currently more common, he thinks larger properties will command more attention next year. One of those larger listings that Fillers thinks has extra potential is the 160,000 square-foot building on 10 acres in the manufacturing/industrial business park on E. Elmer Cox Dr. in Greene Co.

Kelsey Bartley, TCI Group, said the repurposing of downtown buildings will continue as demand for more multipurpose

building grows despite the front-end cost of bringing some of the older buildings up to code. Multipurpose building with a mix of residential and retail are attractive to investors and naturals in the downtown redevelopment model because downtowns thrive from small businesses and residential use enhances traffic to those retail and service outlets.

Jerry Petzoldt, TCI Group CEO, owner, and principal broker says the overall local commercial market has been stable as people are re-engineering how to do business in tomorrow's climate. If there is an underlying weakness in the commercial sector, it is a lack of demand created by stagnant population growth, he added.

The commercial listing cited in the story and other properties for sales or lease in Northeast Tennessee, Southwest Virginia, and Western North Carolina can be found this link on *The Business Journal's* website, bjournal.com/search-netar-cmls/. 

Market correction anticipated in 2019 regional residential real estate market

Realtors confident slowdown will be moderate

by Don Fenley

The Northeast Tennessee and Southwest Virginia housing economy steps into 2019 fresh from its best year in over a decade. While there are ample doomsday forecasts, the local economy is robust – especially consumer spending – and although the growth rate is slowing, home sales and prices are stable. Our region has the potential to sustain a hardy economy in the coming year, but that does not mean real estate professionals are not prepping for some market slowdown driven by headwinds that can crimp – but not tank – home sales.

Currently, the consensus from housing economists and real estate analysts is that across the nation, 2019 home sales will be off by two percent as buyers struggle with higher mortgage rates. Karen Randolph, incoming President of the Northeast Tennessee Association of Realtors, says the 11-county region monitored by NETAR's Trends Report has not recorded an annual year-over-year sales decline since 2010 when the region was still in the throes of the Great Recession. "No one likes a slowdown, but a two percent sales decline would not be a serious economic threat," Randolph said. A two percent drop would entail about 135 fewer single-family resale closing – an average of 11 a month. Resales have averaged better than 500 a month every year since 2016, and some have speculated how long the pace could be sustained without some significant population growth.

Randolph believes there is a silver lining to a small home sales moderation. This silver lining focuses on a potential replenishing of inventory and giving local wage increases a chance to catch up with higher home prices. "It could strengthen the region's already affordability housing status, and affordable housing is a critical factor to sustain local economic growth."

It looks like the 2019 market will not be as favorable to sellers as it was in 2018, but it will not shift to a buyer market either. That means the market is moving into a transitional state and transitional markets are always more complicated than the traditional buyers' or sellers' markets.

Price appreciation – like total sales – will likely moderate. The annualized average regional price appreciation of 4.7 percent for 2018 was the best in five years. It's likely that the price appreciation will see a small downward adjustment when final data is reported in mid-January. During the 2015-2017 period, the annual non-adjusted single-family resale average price increase ranged from 2.3 to 3.6 percent range, which is in line with the historic national appreciation norm and a little better than the typical conservative local market.

A slight sales slowing would give the inventory time to recharge and hopefully return to something closer to a normal level. Before local single-family resales took off like a rocket in mid-2015, it was typical to see a nine to ten months inventory of homes for sales in


the area. Last year six months inventory was a high point, and that was for only one month. Most other months were in the four to the five-month range. Six months of inventory has historically been the benchmark for normal market conditions, and some analysts are suggesting that number be shifted to four months.

Expect to see the overall inventory situation improve in 2019, but it is doubtful it will retain a normal market status. Construction labor shortages, increased material and regulatory costs combined with a very wet year prevented the new home-sector from sustaining its 2017 momentum. New residential permit growth was projected at seven percent in 2018, but at the end of the third quarter, they were running 30 percent behind the first three quarters of 2017.

During the past year and a half, home price appreciation has nibbled at the region's housing affordability. Previously, the region has enjoyed a high affordability status allowing the buying power of a family with the median household income to afford a median-priced home. This status is still the norm, but home price increases last year, a stagnant wage dynamic, and inflation have eroded the buying power of many local buyers—especially those who are in the \$200,000 or less market. This market share declined last year due to the lack of inventory and pent-up demand for homes in the \$200,000 to \$399,999 price range. The market share for resales in the \$200,000 and below priced home was 70 percent, down from 73 percent while the market share in the \$200,000 to \$399,999 range increased to 26 percent from 23 percent.

First-time buyer demand should increase in 2019 as the largest cohort of Millennials will reach the peak household formation and buying age of 29. At the same time, the leading edge of Generation Z is poised to step over that household formation threshold. Combined, this demographic should result in more first-time buyer demand despite higher mortgage rates.

A big demand question rests with aging Baby Boomers. Some are aging in place. Others have invited the kids or relatives to move in, therefore, expanding multi-generation living arrangements. There are also some who are basically trapped in their existing home – many without mortgages – because the product that would motivate them to move is in short supply. This reality has increased the demand for smaller, single-level homes on smaller lots, but profitability providing that product is a challenge for on-site builders.

Currently, local homes sales are still increasing, but the growth rate has been slowing. Whether or not that slowing continues through the coming peak buying and selling season remains to be seen. If local home sales parallel what economists and analysts are predicting on the national level, 2019 will still be a busy year for real estate – a year that could define benchmarks for a post-recession normal housing market in Northeast Tennessee and Southwest Virginia. 

BAE Systems to build gas-fired plant at Holston Army Ammunition Plant

New facility to replace coal-fired plant

BAE Systems has received a U.S. Army contract modification valued at \$96.6 million, bringing the total contract value to \$158 million, to design, build, and commission a natural gas-fired steam facility at Holston Army Ammunition Plant (HAAP), an Army-owned, contractor-operated site in Kingsport, Tenn.

The modernization project will replace an existing coal-fired power supply and greatly reduce the facility's environmental footprint when the new natural gas plant is commissioned.

The construction of the natural gas facility is part of a long-term, U.S. Army-driven modernization requirement for the HAAP installation, in part meant for more efficient energy production.

"The new natural gas-fired steam facility will be cleaner, more efficient and reduce emissions while providing a higher degree of reliability – all in support of our mission,"



PHOTO BY JEFF DERBY

said Brian Gathright, vice president and general manager of Ordnance Systems at BAE Systems. "We are currently undertaking several major initiatives at Holston to modernize the installation's operations and reduce environmental impacts. In partnership with the Army, BAE Systems is making these improvements as part of our commitment to the environment and to the health and safety of our employees and surrounding communities."

BAE Systems has been the operating contractor of the Holston Army Ammunition Plant since 1999, developing a wide range of explosives for military and commercial applications. Since January 1999, BAE Systems Ordnance Systems business has provided modernization planning, project management, design, and construction at the Army munitions plant facilities it operates.

The estimated completion date is late 2021. [B](#)

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Hawkins, Sullivan counties earn Work Ready Community status

by Scott Robertson

Hawkins and Sullivan counties have become the first of Northeast Tennessee's eight counties to achieve the distinction of being Work Ready Certified. The two counties have met goals established by ACT, Inc. in National Career Readiness Certificates (NCRC) earned in each county, and for the number of employers supporting the program.

Sullivan County Mayor Richard Venable led the Sullivan County initiative that began in 2015 as a way to address workforce issues identified during a United Way needs assessment. Realizing the significance of the certification, Mayor Venable encouraged the region's other county mayors to apply to have their counties take part in the Work Ready certification process as well. By June 2016, all counties within the First Tennessee Development District had begun the process to become Work Ready Certified. Hawkins County achieved certification well ahead of the June, 2019 deadline.

"This achievement brings our two counties into the elite group of now 248 counties in the United States who have achieved this distinction," Venable said at a Dec. 13 press conference at the First Tennessee Development District. "This can be used as a marketing and economic development tool."

Being certified is an important economic development advantage; only 7.8 percent of the counties in the United States have achieved this distinction. Site Selection magazine uses the number of NCRCs as one of three measures for identifying America's "Hot Places to Do Business." Companies looking to relocate to an area don't see county lines, they see a multi-county workforce, then determine whether that workforce is qualified to meet their needs. NCRCs are a key identifier of a qualified



Sullivan County Mayor Richard Venable



Northeast State Community College Vice President Jeff McCord

workforce.

Several states in competition with Tennessee are aggressively adding NCRC holders to their workforce, so it is critical to keep the momentum going. Workforce has become the single largest issue for existing employers and potential employers in the region and nationally.

"Before this initiative, we didn't have any common platform upon which to develop further workforce development capability," said Jeff McCord of Northeast State. "Now, we, as

a region, do. This is a good initiative and one that we look forward to helping other counties continue." Northeast State has made it possible for students in all eight Northeast Tennessee counties to take the tests on which the Work Ready Community program is based, free of charge.

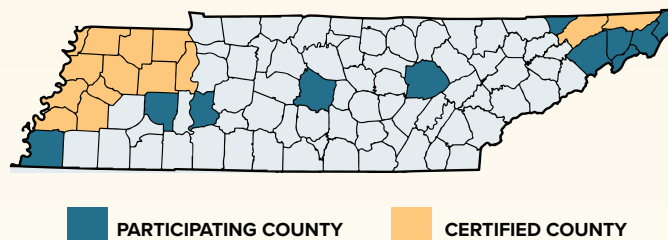
Becoming a Work Ready Community takes partnerships including businesses, workforce organizations, K-12 and post-secondary educational institutions, and Chambers of

Commerce. Many organizations have helped Northeast State to fund the cost of the testing to keep the test free to all students including: Bristol Tennessee Essential Services, RIDA, United Way of Bristol, United Way of Kingsport, Washington County Government and grants such as LEAP and Three Star.

"We believe this achievement will pay dividends and work to bring more businesses to our region," Venable said. "We will be using this as we market our counties and our region."

Several other Northeast Tennessee counties have indicated they are close to achieving the designation, some as early as the first quarter of 2019. **B**

ACT WORK READY COMMUNITIES IN TENNESSEE, DECEMBER 2018



SOURCE: WWW.WORKREADYCOMMUNITIES.ORG

Counties earning Work Ready Community status are shown in gold. Those in progress are shown in blue.

2018 Tennessee Workers Compensation case creates new precedent

by Scott Robertson

As employers, it can be difficult to keep up with the changing laws, but even more difficult to know what changes come about as a result of cases being adjudicated each year. The Hunter Smith & Davis (HSD) law firm recently hosted a seminar including relevant 2018 cases you as an employer may benefit from knowing about.

For instance, according to HSD attorney Michael Forrester, employers may be surprised to learn that individuals they thought were independent contractors are, in the eyes of the courts, employees. In the August 2018 case of Albright v. Hercules HVAC Pads Inc., Mr. Albright was injured on the job and claimed entitlement to benefits. Hercules contended Albright was an independent contractor on the basis that there had been no withholding for Social Security and no deductions for payroll tax. The trial court, however, held that merely failing to withhold is not enough to distance the employer from creating an employer/employee relationship.

Happily for employers, the employee continues to bear the burden of proving the essential elements of any Workers Compensation case in Tennessee and claimed injuries must have arisen “primarily” out of the employment. **B**



Michael Forrester

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JCHBA set to stage second annual Battle of the Build

by Dave Ongie

Robbie Tester, who teaches construction classes at Science Hill, says he's constantly trying to hammer home one simple point to his students – learning to work with your hands has the potential to open up a world of opportunity.

The next decade will bring with it a massive turnover in the workforce, and several industries will see a demand for millions of new sets of highly skilled hands. That fact was backed up by Randy Noel, chairman of the board of the National Association of Home Builders, during a visit to the Tri-Cities last fall.

"We need 273,000 people to help build houses across America," Noel said. "We do 1.2 million a year, and we're only doing 900,000 because we can't find the people to work."


With that in mind, the Johnson City Area Home Builders Association provided some future workers a platform to show off the skills they are developing during the inaugural Battle of the Build competition last February. Teams of high school students from Science Hill, David Crockett, Daniel Boone, Elizabethton, Unicoi County and Carter County competed in a construction contest, which was held during the Johnson City Home and Garden Show inside the Mini-Dome.

The rules were simple. Each team had \$500 to build anything that could fit inside a 6-foot by 6-foot by 8-foot cube, and the results were as impressive as they were imaginative. The Science Hill team built a garden shed while Crockett's team constructed a concrete fire pit.

In the end, the Carter County team comprised of Happy Valley, Unaka, Hampton and Cloudland won the top prize for their portable chicken coop. Elizabethton took second for its furniture creation and Crockett finished third. Each team was also able to sell their creations through a silent auction that closed at the end of the show.

The Battle of the Build will return during the JCAHBA's 50th Annual Home and Outdoor Show inside the Mini-Dome from Feb. 8-10. The six original teams will return along with a new team from Johnson County. JCAHBA builder members will act as mentors to their assigned school throughout the process, which will provide the participants with an opportunity to learn more about the possibilities that await them beyond high school.

"It's an incredible opportunity," Noel said. "They know their job and go to work right away without having to get a four-year degree."

"With almost 300,000 openings across the country, there are jobs. You can go to work right away." 



David Crockett's team stands behind their patio table, which won third place in the first Battle of the Build last February. Team members include Brandon Greenway, Jacob Barnett, Bricen Roberts, Logan Hughes, Nate Martin, Damen Hammett, Dorian Woods, Shane Patterson and Brandon Stover.



Science Hill's team built a garden shed for the contest, which was held during the 49th Johnson City Home and Garden Show. Jeffery Bunn, Josh Reynolds, Kendrick Johnson, Ethan Sluder and Jake Walker completed the project under the supervision of Robbie Tester (Center).



Science Hill senior Jacob Walker works on his team's entry.

PHOTOS BY DAVE ONGIE

enlistMD aims to bring armed service enlistment into 21st century

by Scott Robertson

After 27 years in the U.S. Navy, Kingsport native Jason Hudson retired two years ago positively brimming with the entrepreneurial spirit. Hudson had been Eastern Sector Deputy Commander at MEPCOM, the United States Military Entrance Processing Command. MEPCOM handles the process by which civilians become accepted into service and sent to boot camp. Thus, he knew first-hand where an opportunity existed to help the services improve their efficiency while turning a profit for himself.

"It is a very paper-intensive process," Hudson said. "We worked on something called VIPS, the virtual interactive processing system back in the mid-2000s. It was a \$300 million acquisition that did not do what it was supposed to do."

Because of that decade-long glitch, MEPCOM has still not solved the problem of having a paper-based medical pre-screening process in a digital age. "That process is so very time-consuming."

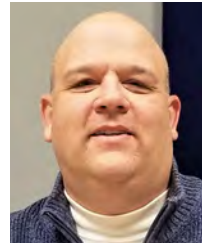
Whereas Hudson had not been able to move the barriers to solving the problem while in uniform, he thought he might have more success as a contractor. So, Hudson partnered with a Chicago-based IT expert, Dan Boyce, to create a platform to provide applicants to the armed services with a secure HIPAA compliant portable healthcare record that bridges their private sector

healthcare providers' information with local military entrance processing stations.

That pre-screening platform is the basis for their start-up, enlistMD, currently operating out of the ETSU Innovation Lab.

"It is a digitized medical pre-screen that allows the applicant, the chief medical officer acting as the military qualifier, and the civilian provider all to collaborate in an online environment," Hudson said. "The pre-screen is 160 questions designed to determine whether an applicant can serve. It will save recruiters time. It will save applicants time."

Right now, applicants spend a good deal of time moving back and forth between doctors' offices and recruiting offices. "If an individual shows up without a copy of, let's say, x-rays that prove an old high school football injury has properly healed, then they'll just get sent back," Hudson explains. "That might mean driving back and forth from Johnson City to Knoxville multiple times. By doing it in a digitized environment, the doctor can just upload the documents, the CMO can review the documents, and decisions can be made without taking so much time." **BJ**



Jason Hudson

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Johnson City Chamber plans move to Mill; Mabrey to move on

Owner Grant Summers explains renovation details during a November 2018 tour of the former Model Mill building. PHOTO BY BILL DERBY

The Board of Directors of the Chamber of Commerce Serving Johnson City, Jonesborough and Washington County announced a pair of planned changes for 2019. The Chamber plans to move its headquarters to the newly renovated former Model Mill at some point in the new year. Meanwhile, longtime Chamber President Gary Mabrey will move on “to pursue other opportunities.”

“We would not be in the great position that we are in without the more than 30 years of Gary Mabrey’s leadership,” said Board Chairman Andy Dietrich. “We will begin a nationwide search for a new Chamber President beginning in the coming weeks.”

In a press release issued Dec. 18, Mabrey said he was gratified the Chamber was beginning the process of moving to the mill. “I applaud the shared vision of our leadership team to make important decisions that demonstrate our commitment to economic growth for the region by announcing our intent to move our chamber’s headquarters to The Model Mill site,” Mabrey said. “It is the culmination of a vision that began a decade ago and now can become a reality. I want to be part of the fundraising effort to enter a lease/purchase agreement for a permanent home for the chamber within the mill before I move on to new pursuits by mid-year 2019.”

Dietrich echoed Mabrey’s enthusiasm for the move to the Mill property. “The redevelopment of the mill property is the next great advancement for growth along an economic crescent that connects Johnson City’s downtown with ETSU, the Veterans Administration and Ballad Health’s medical complex, Med Tech Park to I-26 and beyond.”

Dietrich’s successor, Neil Poland added, “The move is a strategic decision that places our chamber at the epicenter of the West Walnut Street Redevelopment Project and along State of Franklin Road that better connects our downtown to ETSU. This redevelopment will help grow our tax base, create jobs and

enhance our quality of life.”

The chamber plans to sign a Letter of Intent that will include a seven-year lease for more than 7,400 square feet within the mill, then purchase the space from developers Rab and Grant Summers to serve as the chamber’s new home. The chamber’s Convention & Visitors Bureau will also locate to the mill. “Our finalization of the agreement is contingent upon the completion of a successful financial campaign, supported by the community, especially the business community, and our local governments,” says Vince Hickam, the Chairman of the Chamber’s Foundation Board. “Our purpose is to complete the fundraising component of our transition plan in early 2019.”

The Chamber first planned to move to the mill property a decade ago, but after the Great Recession scuttled a capital campaign, the Chamber tried for several years to sell the property before the Summers family purchased it. In addition to becoming the Chamber’s home, the site will become the new corporate office for Summers-Taylor, which hopes to lease space to other business and commercial entities as well.

The departing Mabrey said he will assist in familiarizing a new president for the Chamber before leaving by mid-year for other pursuits. “It has been a distinct honor to serve as Chamber president in my home town,” Mabrey said. “It has been the hard work of our staff, hundreds of Chamber volunteers and a great community in which to do business that has made my job a joy. I want to play a role in moving our Chamber headquarters to the Model Mill. It will be a great step forward for the next generation of Chamber achievements and will be a wonderful landmark during Johnson City’s Sesquicentennial in 2019.” **BJ**



Gary Mabrey

Opportunity zones designed to shepherd investment to distressed areas

by Jeff Keeling

The Opportunity Zone (OZ) program can benefit already-developing OZ census tracts and those with deeper economic problems if the region pulls together, develops good projects and markets them well. So said Alex Flaschbart of Opportunity Alabama, who spoke at a well-attended OZ conference at Meadowview Conference Center last month.

Flaschbart told *The Business Journal* Northeast Tennessee has “an effective local ecosystem” to build attractive projects for the billions of dollars in unrealized capital gains eligible for the tax incentive program. “Your local economic development team understands how to engage key stakeholders – bankers, foundations, businesses – because they were all in the room,” he said. He added that Opportunity Zone capital won’t knock on Northeast Tennessee’s door without effective marketing and investment infrastructure.

“There is strong potential for growth in rural and smaller metropolitan areas,” Flaschbart said. “The key to that growth is going to be the effectiveness of your local marketing effort and your local infrastructure.”

That infrastructure must align investors with the right types of investment opportunities, be they manufacturing, start-up companies, retail, mixed use real estate and even health care. It will involve a complex pipeline of deals with all the pieces in place and the ability to market those to investors. “Unless you have those things, I don’t see a lot of potential,” Flaschbart said. He said local chambers of commerce and economic development leaders appear prepared to meet those challenges. If they do, he said, dividends could follow in downtowns, the more economically distressed areas around them, and tracts like the one that includes Tri-Cities Regional Airport.

Not just a regentrification enabler?

Flaschbart disputed early criticisms that the program will simply make it more attractive for investment to flow into already gentrifying areas and leave poorer OZ census tracts – or poorer sections of those tracts – no better off in the long run. Wherever the Tri-Cities draws OZ capital,



Alex Flaschbart

increased local tax revenues should allow local governments to improve schools and provide other important public services.

Harder hit areas could be attractive to local capital and social impact investors, even if projects there might generate lower returns than those in already growing areas.

“Local capital is limited, so why not place that strategically where it’s needed the most?” Flaschbart said. “I also think social impact investors are going to be a key part of the marketplace at the national and regional effort going forward.

“But again, this will only succeed if you

have projects that will be impactful, and a good local data collection and tracking effort will be key to be able to show the return not just on the deal flow side but on the social impact side.”

Appalachian Community Federal Credit Union’s leadership spurred the region’s OZ efforts early on. CEO Ron Scott said he’s hopeful the region can use the program in a “both/and” way, bringing capital to spots within OZ-designated census tracts that are already redeveloping, and to harder-hit areas.

“I’m excited to see the momentum that has developed so far,” Scott said. “Ultimately, we must address the economic challenges in our underserved communities if we’re going to thrive as a region, and this program provides one avenue for addressing those challenges.” BJ

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Hello Vello: United Way's new reading program off to a fast start

by Dave Ongie



The staff of the United Way of Washington County was on hand at Mountain View Elementary School last Friday as students taking part in the Vello reading program launched by the United Way this fall got the chance to meet their mentors. From left, Karen Lauderdale, Mitzi Malone, Kristin Ginnings, Carly Tucker and Moricina Fain. PHOTO BY DAVE ONGIE



Lazaro Simon-Whitman (left) chats with his Vello tutor Shivam Patel during an event at Mountain View Elementary School last Friday. PHOTO BY COLLIN BROOKS

The positive impact of the new Vello reading program was written all over the face of Lazaro Simon-Whitman, a second-grader at Mountain View Elementary School in Johnson City, as he waited anxiously to meet his reading tutor.

Thanks to funding from the United Way of Washington County, Simon-Whitman has spent 30 minutes each week this semester reading to Shivam Patel on a video system similar to Skype. After Simon-Whitman finishes reading, Patel and Simon-Whitman discuss the story. The opportunity to meet Patel in person was enough to light up Simon-Whitman's face with a broad smile.

"Once you get on there and actually read to them and talk, you actually get to meet them," Simon-Whitman said. "You get to communicate with somebody."

United Way of Washington County was able to raise \$25,000, which allowed the organization to introduce Vello into 10 second-grade classrooms in the area – five at Mountain View and five more in elementary schools around Washington County. The tutors are volunteers from local businesses and civic groups looking to make a difference in the lives of youngsters, and the program is already paying dividends.

"Each student knows their Vello day," said Marla Hyatt, a second-grade teacher at Mountain View. "They come in looking forward to it. Every student that has a reading tutor in Vello has been able to progress in their reading level. It has been very beneficial."

Kristan Ginnings, the CEO of the United Way of Washington County, said the organization chose to target second graders because they are approaching a crucial crossroads of sorts in


their academic careers.

"Third-grade reading proficiency is such a big benchmark," Ginnings said. "Statistics show that if you're not reading proficiently by the time you're in third grade, you're four times more likely to drop out of high school and 75 percent more likely to be incarcerated. We felt like we had an opportunity in second grade to get kids caught up to be reading proficiently by the time they reach third grade."

With funding in place, the United Way needed volunteers in order to implement the program. Businesses like First Tennessee Bank, Ballard Health, Bell Helicopter, AT&T and Citi provided their employees with the opportunity to volunteer, and civic groups like the Johnson City Chamber of Commerce and the ETSU Roan Scholar program encouraged their members to get involved as well.

"Our team at First Tennessee Bank has been deeply impacted by the new Vello reading program at our local elementary school," said Jenn Owen, a senior vice president at First Tennessee Bank. "Our team loves interacting with the students, encouraging their progress, and sharing in their joy with each new book."

After getting to meet the students for the first time, Ginnings was excited about expanding the program to help students at other schools.

"It melts my heart, and it makes me want to have this in every second-grade classroom as soon as possible," she said. 

Bristolians hear good and bad news regarding passenger rail

The good news is: there is a financial justification for extending Amtrak passenger service from Roanoke to Bristol. The bad news is: the railway that owns the tracks will have to be heavily incentivized to come to the table. That was the word

from Community Transportation Association of America (CTAA) Communications Director Richard Sampson and his team at a public information session Nov. 12.

The CTAA report, the ninth study of passenger rail service to or through Bristol in the last 20 years, pointed to the unreliability of Interstate 81 as a safe and timely travel corridor, the potential for positive economic development outcomes for Bristol and the fact that passenger service could almost break even as a business model as positives.

Some of the positives that had been anticipated, however, did not meet expectations. CTAA said only 62 total vehicles would be removed from I-81 on a daily basis if passenger rail service went into operation in Bristol. The better prospect for reducing auto traffic on I-81 would occur if the service were to continue into Tennessee, the report said, and that is not likely to happen soon.

The greatest negative is that the company that owns the rails on which the Amtrak trains would roll, Norfolk Southern, recently pulled out of a study of passenger rail opportunities in the New River Valley and points south.

Sampson told the crowd of around 50 who gathered at the Bristol Hotel to continue to express their desires for passenger rail service to their elected officials, but that realistically, passenger rail to Bristol remains at least five years away. [BJ](#)



Consultant Rich Sampson speaks in Bristol, Va.

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Bristol Motor Speedway partners to bring NASCAR to Nashville

Formosa Productions Inc. and Bristol Motor Speedway (BMS) have today reached an agreement to explore bringing major NASCAR racing events back to Nashville. The joint effort intends to combine local racing and other major motorsports events that once made Fairgrounds Speedway one of the premier raceways in motorsports.

Formosa Productions has a multi-year contract with the Metro Nashville Board of Fair Commissioners to promote and manage the Nashville Fairgrounds Speedway and operate a limited number of local racing events. BMS and Formosa Productions, who will continue to lead local racing efforts, have signed a contract to work with Metro Nashville and the Board of Fair Commissioners, owner of the historic raceway at the Nashville Fairgrounds, on a long-range plan of significant track improvements and high-profile race events that could include NASCAR events upon the facility meeting standards.

Kingsport-based staffing agency breaks from franchisor

Twenty-nine former AtWork Personnel Services offices are now operating as an independent staffing enterprise. Luttrell Staffing Group founders David and Marty Luttrell say the new company

will have the flexibility to more rapidly grow and scale operations to effectively meet the needs of the job seekers and businesses.

"We are so grateful to AtWork for their guidance and unwavering support today and over the last 25 years," said David Luttrell, president. "While we are extremely appreciative of their partnership, establishing a separate business entity will allow us to more quickly expand our service lines and move into new verticals, opening up even more opportunities for our clients and candidates."

Luttrell Staffing Group currently specializes in industrial, warehouse, general labor and office/clerical staffing across 29 branch offices in Tennessee, Virginia, California, Illinois, Georgia, Kentucky and Vermont. This year the company is planning to expand its presence both geographically and in new industries.

"We're excited for the future of Luttrell Staffing Group," said Marty Luttrell, vice president. "Our number one priority is to continue to deliver the same level of service that our clients and candidates have come to expect from us, while at the same time having big growth plans in 2019."

"The talented team at Luttrell Staffing Group has our complete support as the company moves into this next phase of growth," said Jason Leverant, AtWork Group president and COO. "Their success is well deserved and we wish them well in their new journey." 



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Administration

Frontier Health's President and CEO, **Teresa M. Kidd** announced her plans to retire effective February 1, 2019, after more than 36 years of service in both clinical and senior leadership roles. Frontier Health's Board of Directors Chair, Duane Miller, said of Kidd's role in advancing community mental health services in Northeast Tennessee and Southwest Virginia, "Dr. Kidd is known and respected statewide for her administrative efficiency, compassionate care and for her leadership. Throughout her career with Frontier Health, she has been committed to improving the health status of some of the region's most vulnerable citizens by continuing Frontier Health's excellence in service development and delivery. Dr. Kidd has been an effective advocate for those who cannot always speak for themselves."

The Board of Directors appointed **Kristie Hammonds** as Frontier Health's new president & CEO. She has served as senior vice president of Operations since December 2014 and assumes the responsibilities of president & CEO effective January 7. "Ms. Hammonds' extensive knowledge and experience in behavioral health care administration led the Board to unanimously appoint



Teresa Kidd



Kristie Hammonds

her as the next President and CEO of Frontier Health," Miller said. "Ms. Hammonds is known and respected locally, regionally and statewide for her understanding that individuals who are in need of behavioral health care for their mental illness, addiction, or intellectual or developmental disability must receive integrated care to meet both their physical as well as behavioral health needs," Miller said. "Ms. Hammonds' leadership skills and her ability to collaborate with others in the ongoing effort to provide quality care to the individuals of Northeast Tennessee and Southwest Virginia make her a natural successor as Frontier Health's new CEO. The Board is very pleased Ms. Hammonds has agreed to take the helm of Frontier Health."

Abby Mease has been named administrative assistant for NETWORKS Sullivan Partnership, the economic development organization representing Sullivan and Hawkins counties. She will be responsible for all administrative tasks, including meeting planning, vendor relations, office organization, as well as financial duties. Before joining NETWORKS, Mease worked as the accounting and administration manager for Ovation Polymer Technology and Engineered Materials in Medina, Ohio. She has also served as the accounting manager at SpaceBound and the assistant controller at Wyndham Hotels.



Abby Mease

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2018 KOSBE Award winners announced

Thirteen local small business award winners were announced at the 2018 KOSBE Awards at Meadowview Marriott in Kingsport on December 13th.


- 2018 Food Business Excellence – Santa Fe Mexican Grill
- 2018 Franchise Business Excellence – Stanley Steemer
- 2018 New Business Excellence – Taylor's Martial Arts Academy
- 2018 Retail Business Excellence – Just Dandy Boutique
- 2018 Woman-Owned Business Excellence – Moon Tuxedo Sales & Rental
- 2018 Service Business Excellence – Martin Dentistry
- 2018 Veteran-Owned Business Excellence – Tri-Cities Orthodontic Specialists
- 2018 Pillar of Excellence – Grant Tire & Auto
- 2018 Construction Business Excellence – Zion Marine, Inc.
- 2018 Young Entrepreneur Business Excellence – Haynie's Lawn & Landscaping
- 2018 Innovation Business Excellence – Ripper Arts Studio
- 2018 Manufacturing Business Excellence – Zion Stone, LLC.
- 2018 IMPACT Award – Ernie Rumsby

According to Ernie Rumsby, KOSBE Awards Head Judge and 2018 IMPACT Award Winner, "All of these local companies have demonstrated exceptional leadership, decision-making



The 2018 KOSBE Award winners. PHOTO COURTESY KOSBE

capability, creativity, innovation, honesty, integrity, passion, high standards and best practices. I'm honored to be in the company of such prestigious people, people who make a difference in this community."

The KOSBE Awards promote economic impact by recognizing small businesses that are leading by example and making an extraordinary contribution to the communities in which they do business. The winners exemplify leadership and excellence in overcoming adversity, as well as a passion for helping others succeed. Award winners serve as inspirational leaders to other local small businesses, and they model best practices for the region as a whole. 

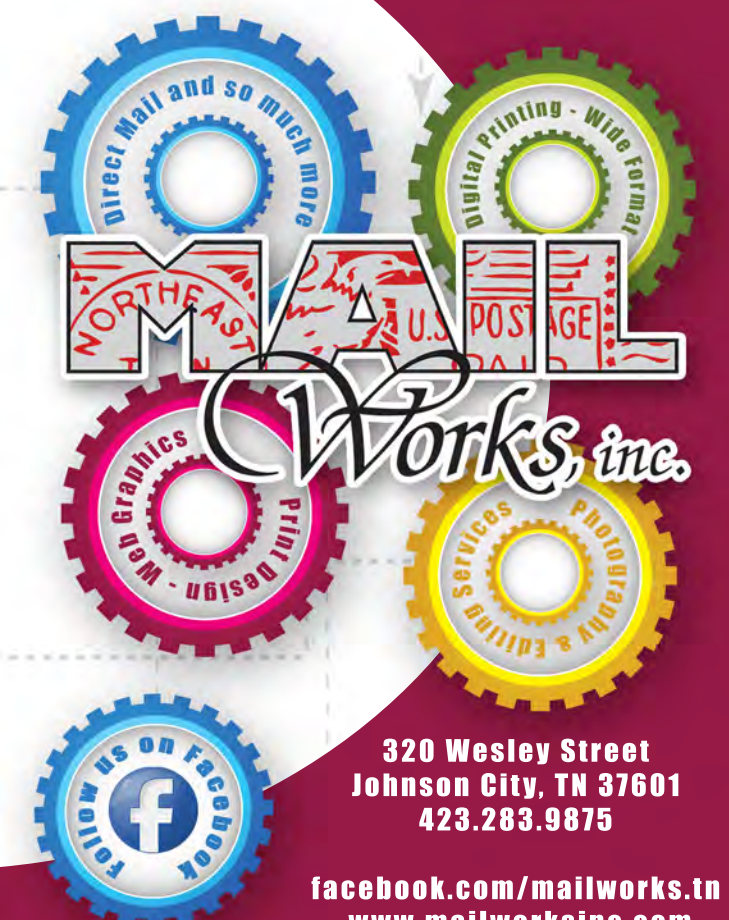
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Approaching Health Care in the New Congress

by Congressman Phil Roe

Just last month a federal court declared all of Obamacare unconstitutional. I know many read about the ruling and wondered what it means for them. The short answer is that nothing changes for 2019.

Obamacare is still in effect, except the individual mandate has been repealed so there's no fine if you choose not to buy a government-approved plan. If you are currently covered by an Obamacare policy, this ruling won't affect you. Long-term – if the ruling is upheld on appeal – this could be the catalyst that brings the two parties together to get a workable, bipartisan health care solution that provides affordable access to quality, patient-centered health coverage.

Why did the federal court overturn the law? When the Supreme Court upheld Obamacare in 2012, the majority argued that Obamacare's enforcement mechanism to require people to purchase insurance – the individual mandate – was a tax. While I disagreed with that ruling at the time, the judge in this case said that because this fine was repealed, the rest of Obamacare – which for the first time compels U.S. citizens to purchase a product – was unconstitutional. Americans will no longer be forced to buy a product they can't afford – or don't want – or face a tax penalty if they go without. Obamacare has resulted in taxpayers, at state and federal levels, paying more to fund government health care programs, and it needs to be replaced.

If you have a pre-existing condition, I think it's important you know something else: both parties agree that protections are needed to ensure these folks can access



affordable health coverage. I think a better alternative to Obamacare would be extending the same protections that exist for employer-sponsored health plans to the individual and small group markets, where many small businesses purchase their health insurance. Before the enactment of Obamacare, if you had a pre-existing condition and a plan through your employer, you were able to get affordable health insurance. Folks in the individual and small group markets should have that same sense of security.

Another approach we can take to make health care coverage affordable is to allow people to purchase their plans across state lines, which will spur competition, thereby lowering cost. These are just a few suggestions, and I hope the incoming Democrat majority will seriously consider these ideas to come up with alternatives that do a better job of keeping health insurance affordable.

In the upcoming Congress, we need to start with a clean slate where both parties come together to craft a bipartisan plan that works for all Americans. I hope Democrats will recognize that many Tennesseans see Obamacare as a failure because average premiums have risen by 176 percent since the law went into effect. For the past three Congresses I've introduced the American Health Care Reform Act, a comprehensive bill that would have replaced Obamacare with free-market competition in our health care system. I think many of the ideas included in this legislation – which included protections for people with pre-existing conditions – deserve bipartisan support. But I've said it before and will say it again: health care isn't a Republican or Democrat issue, it's a people issue. If the court ruling stands, I hope we can put partisan politics aside and fix the very real problems that exist in the health care market.

As a physician, there is nothing that I want more than for every individual to have access to affordable health care. I believe if Congress can work together we can find a path forward that works for both sides of the aisle, and every American. I will continue reaching out to Tennesseans, listening to their concerns and working across the aisle to find better health care solutions.

Phil Roe is the United States Congressman representing the First District of Tennessee.



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