

Economic Assessment of Lewis County, KY

KIDC Assessment Team

**Report of the KIDC Assessment Team visit
to Lewis County, KY, a project sponsored by
the Kentucky Cabinet for Economic
Development**

Introduction

Parts of Kentucky are caught in an economic transformation that is moving the ground under the state's economy. In economic shifts that date back twenty years, Kentucky has had to contend with the powerful forces of globalization and massive, fundamental shifts in federal government policies.

These forces have converged in Lewis County. Until the late 1990's, the county's economy rested on shoe manufacturing. With trade liberalization, most of our country's shoe industry has now migrated to low wage countries. Although Lewis County held on for a long time, the remaining shoe factories are recently closed. Tobacco represents a second blow. With the phase out of production subsidies, farm incomes from tobacco have plummeted. Finally, Lewis County faces the serious consequences of welfare reform. Time limits are a part of the new welfare reform policies. Within eighteen months or so, transfer payments to the county will be cut significantly.

The Cabinet selected Lewis County for an assessment team visit in an effort to help the citizens of the county adjust to these crushing forces. On May 3 and 4, 2000, the Assessment Team traveled to Lewis County to conduct a two day visit. Prior to this visit, the Assessment Team sent surveys to local leaders. These surveys explored the leader's views on a range of topics important to effective economic development. This report summarizes the findings of the Assessment Team.

The Cabinet for Economic Development in partnership with the Kentucky Industrial Development Council provided this team for Lewis County. Members of the team included Jim Coleman, East Kentucky Power; Dave Ravencraft, East Kentucky Power; Wayne Foster, Jessamine County Economic Development Authority; Ron Zavitz, Pro-Tek Environmental; Kathy Winger, CCIM, Prestige Investments; Daryl Smith, LG&E

Energy; Belinda Gates, Luckett & Farley; Tommy Griggs, Cabinet for Economic Development; Patti Kirk, Cabinet for Economic Development; Terri Bradshaw Kentucky Industrial Development Council; and Ed Morrison, Edward F. Morrison, LLC.

The Fork in the Road

The Assessment team envisions two scenarios for Lewis County's future. The first is an optimistic scenario that we call "New Day". The second is more pessimistic. We call it "Hit the Wall".

THE NEW DAY SCENARIO

Under the New Day scenario, Lewis County uses its many assets to compete effectively in the New Economy. The two industrial parks, Black Oak and Tollesboro, are filled with companies that provide between 500 and 1,000 well paying jobs for local residents. The school system is an active partner in recruiting and training workers for these employers. Downtown, a new tourism and retail district, keeps activity on the streets. Vanceberg has become a major tourist destination for residents in Cincinnati, Louisville, and Columbus. On the outer edges of downtown, on a hill overlooking the river, a new center for corporate training provides a beautiful sight for corporate retreats for companies located in nearby cities.

Lewis County has adjusted well to the new economic opportunities. With entrepreneurial training starting in grade school, students in the county's school learn how to develop their entrepreneurial skills and transform ideas into business. The county's leaders learned quickly to take advantage of business opportunities in small firms. The local economic alliance provides ongoing support for new businesses. The county has developed such a strong reputation for supporting entrepreneurs that small businesses from Cincinnati have moved to the county.

THE HIT THE WALL SCENARIO

Just as easily, the Assessment Team can envision a darker future for the county. Under this scenario, Lewis County fails to make the required adjustments to the new competitive dynamics. Old rivalries continue to discourage long-term economic growth. By failing to come up with a comprehensive marketing plan for both of its industrial parks, Lewis County has squandered an opportunity to attract new employers. At the same time, the lack of planning has led to some bad decisions and costly mistakes. While communities to the east and west are expanding, Lewis County remains caught in the middle. It has become the hole in the doughnut.

As the county leaders fail to replace jobs lost in the shoe industry and are unable to replace income lost from tobacco, the local business community continues to wither. Downtown Vanceberg, once filled with promising possibilities has lost virtually all of its remaining retail stores. With abandoned buildings on the rise, there is more pressure to tear down abandoned structures. In the historic downtown, many buildings of architectural significance have now been lost.

The local schools, once a bright spot in the plans for the future of Lewis County, have deteriorated significantly in recent years. With the exodus of a strong teaching staff, the school's now rank near the bottom of Kentucky's system. A once promising Tech-Prep program stands in disarray. Unable to meet the challenges of the New Economy, the county's leaders despair, as surrounding communities continue to prosper.

The Future of Lewis County Hangs in the Balance

At this stage, either of these two scenarios are possible. The Assessment Team believes overwhelmingly in the New Day scenario. But unless some clear changes are made in the way in which the residents in Lewis County make economic development decisions, the Hit the Wall scenario is more likely. The rest of our report will explain our position. We end the report with a road map for the leadership of Lewis County and a call to action.

The Current Position of Lewis County

THE COUNTY'S OPPORTUNITIES

The major opportunities for Lewis County stem from its location.

- The proximity of the county to Northern Kentucky and Cincinnati means that the county can benefit from the economic expansion that is underway in the region.
- Industrial expansions are not the only possibility. We also see opportunities in new markets for corporate training.
- Combined with an historic downtown, Lewis County has the potential to develop a compact and dynamic tourism industry.

THREATS FACING THE COUNTY

The county faces a number of serious problems.

- In June, unemployment will run out for many of the former shoe industry workers.
- Tobacco income is declining, and government emergency funds will only provide temporary relief.
- Finally, welfare reform has about 18 months to run before major benefits are exhausted.

THE COUNTY'S STRENGTHS

The county has a number of strengths to meet its challenges.

- The two industrial parks provide strong, complementary assets. One is a rail, river site, and the second provides excellent highway access.
- The county has shown a strong citizen commitment to economic development. The involvement of the Ministerial Association represents a remarkable response from within the community to the economic challenges facing the county.
- In addition to the Association, private investors are willing to commit relatively large investments to the economic development program.

The Current Position of Lewis County

- The focus of the school's Career Pathways represents a strong effort by the schools to implement the latest developments in career planning and preparation. The Assessment Team was very impressed with the school's strong commitment to clear career pathways for students.
- The county has a strong record in labor productivity. This asset needs to be further documented.
- Finally, the ADD district provides excellent staff support for the county's development efforts. Throughout the Assessment Team's visit, members of the ADD district staff actively participated.

WEAKNESSES WITHIN THE COUNTY

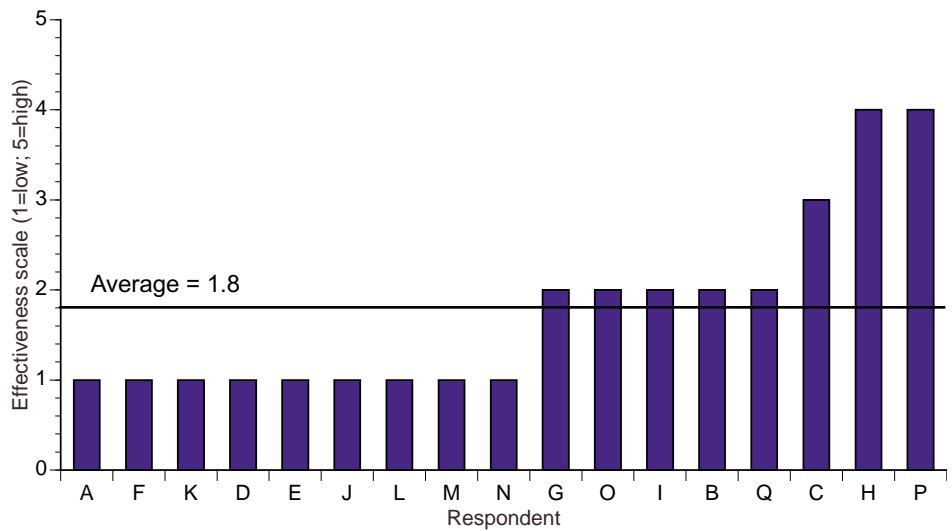
- There is no Chamber of Commerce to serve as a voice for business investors in the community.
- The industrial authority has a relatively weak board that does not communicate effectively with other members of the Lewis County community.
- There is no central forum or organization that serves as a focal point for community economic development discussion planning. As a consequence, the community is not taking full advantage of its brain power. Too many people are spending too much time wondering what is going on.
- Excessive secrecy imposes other costs. Without adequate investigation, there is a good chance that a relatively small county like Lewis County will make a major mistake Banat investigating prospects thoroughly. Due diligence is a key element of sound economic development. But when not enough people are involved or when the process for investigating prospects is not clear, a county can make some costly mistakes and fall victim to flim-flam artists.
- There are no master plans for the development of the new industrial parks. As a consequence, the risk is high that the county's capital investment decisions are not being efficiently planned or implemented.
- The county and city have no overall marketing plan for the parks and their two buildings.
- Retail sales are weak and there is no plan to upgrade the county's retail base systematically.
- Overall, the county has no consensus on an economic development plan. As a consequence, there is a good chance that competing agendas will clash and undercut any progress in the future. If that happens, the location of Lewis County will turn from an advantage to a disadvantage. The County will become the hole in the doughnut: an area of economic decline within a generally prosperous region.

Politics in Lewis County

Prior to our visit, the Assessment Team conducted a fax poll of community leaders. We received 17 responses. While this survey is not representative, it does provide some insight into the political climate within the county. It is a way for the Assessment Team to hold up a mirror to the community. Among the leaders that responded to the survey, seven are in business, three are political leaders, one is a government employee, and four represent nonprofit organizations.

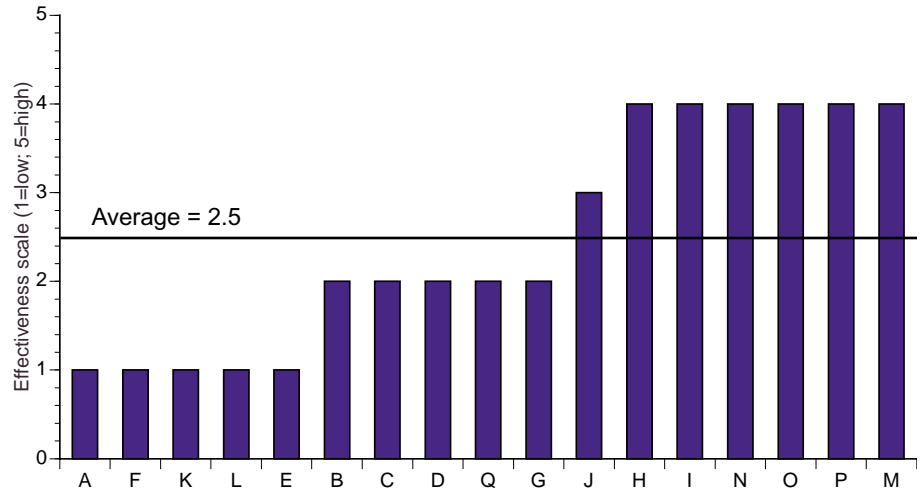
When we asked the leaders to rank the effectiveness of their economic development programs on a 1 (low) to 5 (high) scale, the leaders ranked the programs on average below 2. This ranking represents the lowest that the Assessment Team has yet encountered. Virtually no one has confidence in the county's economic development efforts.

FIGURE 1. Effectiveness of development programs



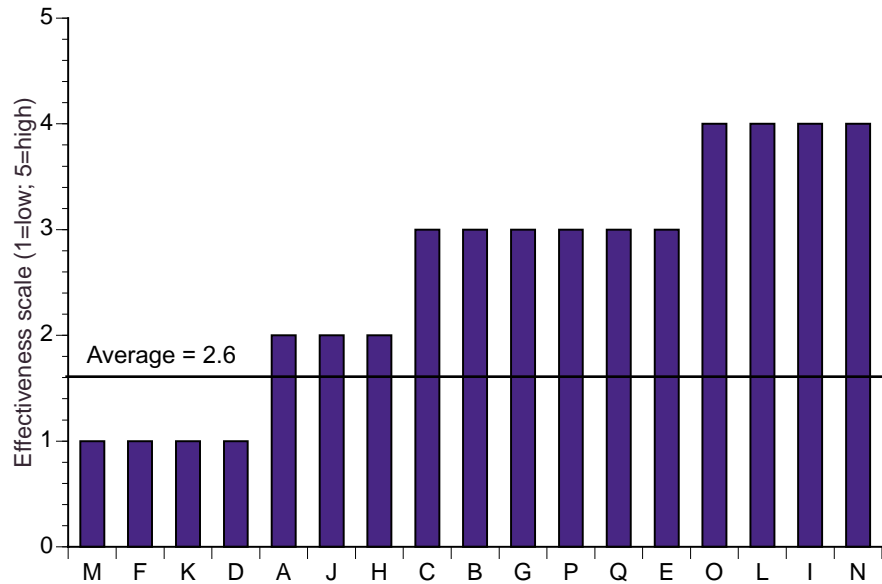
We asked the respondents to rank the effectiveness of political leaders. They ranked the leaders relatively low.

FIGURE 2. Effectiveness of political leaders



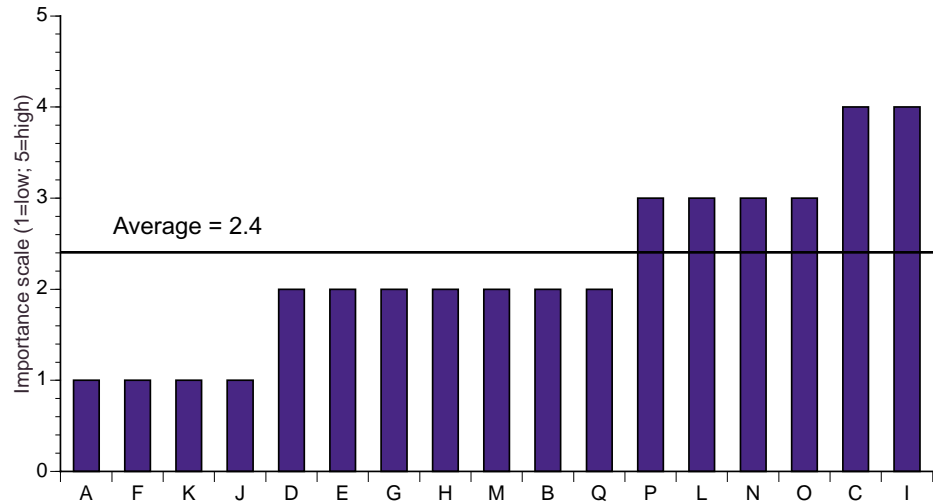
At the same time, we asked them to rank the effectiveness of business leaders. The effectiveness of business leadership was ranked slightly higher than political leaders, but not by much.

FIGURE 3. Effectiveness of business leaders



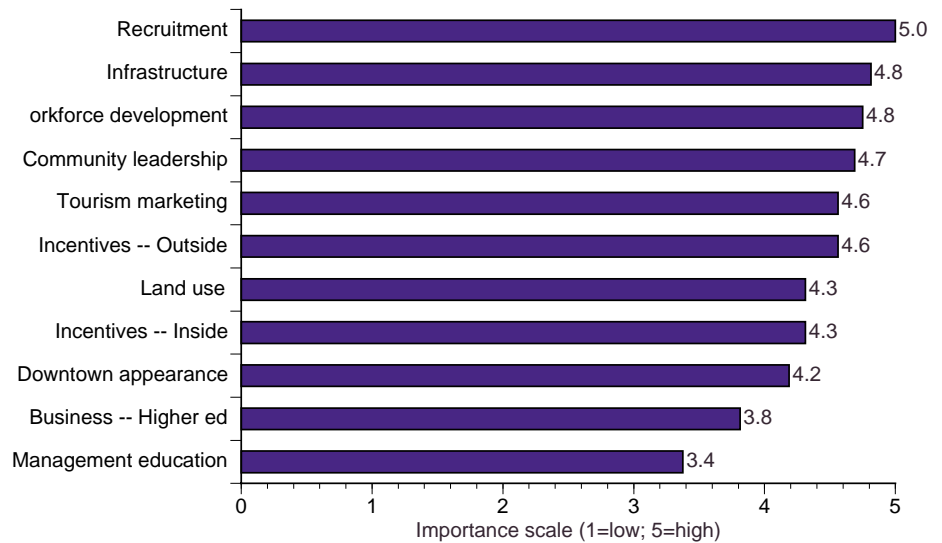
Finally, we asked the leaders to rank the effectiveness of communications between the business and political leaders. Not surprisingly, the average score remained about the same.

FIGURE 4. Relationship between business and government leaders



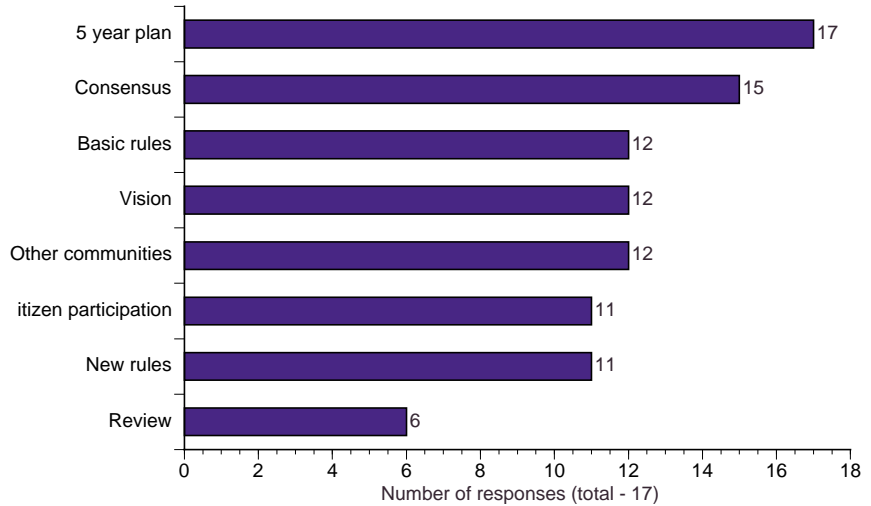
The community does not have a clear economic development strategy in mind. Among different potential priorities, all options ranked relatively high. This indicates that the leadership has not clearly thought through its economic priorities. There is, however, a clear focus on industrial recruitment to replace the jobs lost from the shoe industry.

FIGURE 5. Importance of different economic development strategies



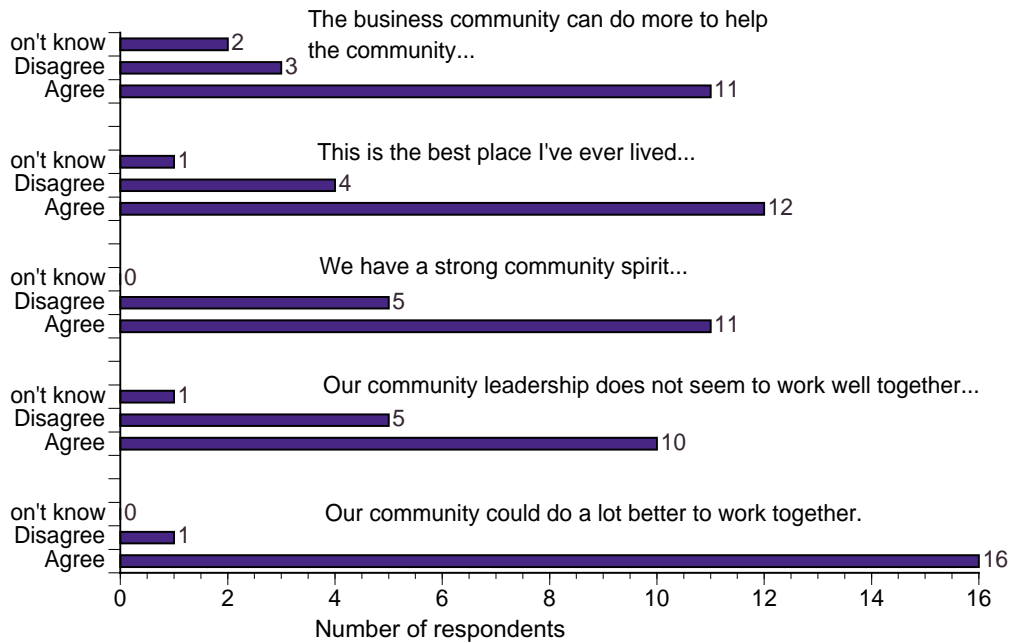
At the same time, the community leaders showed a strong preference for developing a consensus around a five-year plan.

FIGURE 6. Where do you want the Assessment Team to focus?



In addition, 16 of the 17 respondents agreed with the statement, “Our community can do a lot better to work together”.

FIGURE 7. Do you agree or disagree with the following statements?



Building a New Agenda

Based on the observations of the Assessment Team during our visit, we sense that Lewis County has a thin veneer of cooperation. While any cooperation may be a significant improvement from the past, this level of cooperation is not strong enough to support an ambitious economic development program. Underneath this surface cooperation, there appears to be a continuing rough house game of “Who gets credit?”

This is a dangerous path to follow. In economic development, projects have become too complex for any single individual or organization to handle. In the New Economy, competitive communities must be good at a wide range of activities from land developments to tourism marketing, industrial marketing, downtown development, entrepreneurial training, and workforce development,

In economic development, projects have become too complex for anyone single individual or organization to handle.

In order to be successful, communities are establishing strong, vibrant networks that extend outside the boundaries of their community. These networks, in order to be effective and strong, must operate on trust. In a community where trust breaks down, these networks fail. You see instead, organizations following their own agendas and operating within their own small sphere of influence. A bunker mentality prevails.

In these types of communities, we also see the emergence of a particularly dangerous form of politics: personality politics. Every public issue becomes a personality issue. This step is dangerous because in Personality Politics, participants try to slay one another. There must be winners and losers. In this environment, words create deep wounds and can ignite lasting hatreds. The community loses its capacity to discuss openly questions of public concern. As a consequence, critical issues in the community are never resolved. Large scale efforts that will transform the community and restore economic vitality are out of the question.

The conclusion for Lewis County is simple. *The current political struggles over the economic development agenda must end before the community can undertake the broad-based efforts needed to restore economic prosperity.* While current political arrangements can land a prospect or two, these arrangements will not support the type of strong community building the county needs to replace lost income and keep its young people from leaving.

Building a New Agenda

The Assessment Team has outlined a road map for the county to follow. There are two parts to this journey.

THE FIRST PART OF THE JOURNEY: ORGANIZE

The first part, which should last between 90 and 120 days, involves the following steps:

1. Invest in a master plan for both industrial parks. This step should cost about \$20,000 and take 90 days to complete.
2. Working with the ADD District, and the state, develop a clearer and concise marketing plan that includes the two industrial parks and the buildings owned by the city and the county. Market these assets together.

3. Reorganize the industrial authority into an active economic development alliance. We will discuss the steps in more detail below.

**THE SECOND PART OF THE
JOURNEY: SET A
DIRECTION**

If the community can complete these tasks within a reasonable time of 120 to 160 days, the KIDC Assessment Team will return to assist the community in developing a long term three to five-year economic development plan. As part of that plan, we will address the issue of hiring a qualified economic development professional.

Completing the First Part of the Journey: Organizing Lewis County for Effective Economic Development

Within the next 90 to 120 days, there are two basic steps for organizing Lewis County's economic development program.

1. The community must agree on a set of ground rules for conducting community discussions and making community decisions.
2. The community must agree on the structure and function of a new non-profit corporation to manage economic development in close cooperation with the industrial authority. Although the industrial authority will remain a legally separate entity, the function of the authority will be managed and coordinated through the new community economic development organization.

There are a number of potential approaches to settling on the details of this second step. Prior to holding detailed conversations, selected members of the community should travel to surrounding communities in Kentucky. These field trips will enable community leaders in Lewis County to understand how economic development can be effectively coordinated. The assessment team recommends that the leadership take field trips to Ashland, Winchester and Estill County.

Ground Rules for Lewis County

As part of our assessment visit, we worked with the participants to outline a set of ground rules for Lewis County. These rules can be reviewed and quickly adopted by the citizens of the county in an open meeting within the next two weeks. These draft rules are as follows:

1. We will work together to shape our common goals.
2. We will be courteous to one another.
3. We will not blame each other.
4. We will encourage everyone to participate, and no one person will be in control.
5. We will agree to put our individual agendas "on the table" for open discussion.
6. We will recognize that we have differences, and we will be broad-minded enough to recognize that our own point of view will not always prevail.

Action Plan

7. We will agree to disagree agreeably.
8. We will refer to all our industrial parks and as “ours” and not “ours and theirs”.
9. We will agree to listen to one another.
10. We will establish and work through a single entity to develop our community’s economic development priorities and agenda

Action Plan

The Assessment Team recommends the following action plan.

TABLE 1. Action Plan

Action Step	Who	Complete by
Contract for master plans	Mayor and Judge	August 30
Appoint Marketing Working Group for industrial sites	Mayor and Judge	Immediate
Attend KIDC training	Marketing Working Group, others	May 17, Paintsville
Complete initial marketing plans	Marketing Working Group	September 30
Convene public meeting to adopt rules	Community leaders	May 30
Appoint Organization Working Group to reorganize economic development	Community leaders	May 30
Take field trips	Organization Working Group	June 30
Complete initial draft of reorganization	Organization WG	July 30
Discuss and adopt	Organization WG	August 30
Incorporate and seed funding	New board of organization	Sept. 30

Summary

Summary

We expect that the Lewis County leadership can take these steps within 120 days. If the leadership meets this schedule, the Economic Development Cabinet and KIDC will assemble a second assessment team to visit Lewis County around October. This second visit will focus on the details of an economic development action plan.

No other community has been offered this opportunity of two assessment visits. We extend this offer because we believe in the potential in Lewis County. You have a bright future, if you can agree to work together consistently. Now is the time to demonstrate that you can.

Appendix

Agreement Among the Citizens of Lewis County, KY

We, the citizens of Lewis County, KY, have agreed that we must cooperate in order to build economic prosperity in our county. Accordingly, we have agreed to conduct ourselves in ways that build trust among us. Specifically,

1. We will work together to shape our common goals.
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ACCEPT AND AGREED,
