

Etowah, Tennessee



Etowah's persistence and high standards yields one of the most scenic rail trips in the nation, an attraction that is spurring downtown retail, restaurant and hospitality development and innovative approaches to industrial recruitment.

	Etowah
Population (2000)	3,660
Municipal budget (2006)	\$3 million ³⁸
Per capita income (2000)	\$15,300
Median household income (2000)	\$28,000
Poverty rate (2000)	16%
Minority population (2000)	7%
Proximity to urban center	50 miles to Knoxville, Tenn.
Proximity to interstate highway	15 miles
Strategic approach	Industrial development Tourism Downtown development
Time frame	1998-2006

Etowah is a unique community in the foothills of eastern Tennessee, an awkward but hopeful mix of tradition and progressivism. Century-old railroad infrastructure provides the town with a valuable heritage asset while a modern and thriving industrial park provides well-paid employment opportunities to its residents. Historic downtown architecture and modern amenities stand side-by-side.

Ten years ago, Etowah faced a severe economic challenge. According to one local official, "we didn't quite hit the bottom, but we got pretty darn close." Civic leaders faced a decision. They could bunker-down and accept the widespread plant closings and shuttered storefronts as inevitable. Or they could look to their town's existing assets and build a new, long-term and sustainable strategy for development. They chose the latter. Today, Etowah has a thriving economy based on three pillars: heritage tourism, downtown development and industrial recruitment and expansion.

The community and its history

Etowah is a small town in the eastern Tennessee foothills. It is the second largest town in McMinn County and about a quarter of the size of Athens, the county seat. The drive into town from the north is striking, both in terms of the level of activity in town, and the immediacy of Etowah's development assets. These include Starr Mountain, the

³⁸ Interview with John Solsbee, Etowah city manager, January 22, 2007.

colossal natural treasure that serves as the western-most edge of Cherokee National Park and skirts Etowah's eastern city limit; the L&N Train Depot, a turn-of-the-century train station at the center of a historic main street; and the newest, a massive industrial park at the northern edge of town.

Etowah was the first planned community in the United States. Built by the Louisville & Nashville (L&N) Railroad Co. in 1906, Etowah was to be a crucial location in the company's efforts to piece together a direct route from Chicago to Atlanta. Prior to any construction in Etowah, L&N laid out streets (east to west) and avenues (north to south). Streets were given numbers while avenues were named after various states. Construction began with the train depot and then moved into town, with structures for businesses to support the rail industry. In 1908, Etowah became the Atlanta Division headquarters for the L&N Railroad. Hundreds of men and their families flooded into town for well-paying railroad jobs.

Until L&N pulled up its stakes in 1974, Etowah was a company town. According to a local history, "When the railroad waxed, Etowah waxed. When the railroad waned, Etowah waned. Etowah was a creation of the railroad."³⁹ The slow demise of the rail industry, throughout the 1940s and '50s, led Etowah – like many of its Southern peers – to leverage its low-cost labor and land toward becoming a prominent location for textile and apparel manufacturing. In the late 1960s, Beaunit Fibers was Etowah's largest employer, with 1,500 employees. This strategy, which evolved in response to the need for a more diverse local economy, came back to haunt Etowah in 1977, when Beaunit closed its doors and laid off 1,000 local workers. Also in the late 1970s, Interstate 75, which connects Atlanta to Knoxville, was built 15 miles to the east of town. In the face of this dramatic economic downturn – with the death of the rail industry, dwindling manufacturing employment and decreased traffic through town – Etowah refused to roll over.

In the late 1970s, public leaders in Etowah decided to renovate the L&N Railroad depot to its original turn-of-the-century look. The city-owned train depot re-opened to the public in 1981. Today it serves as the permanent office space for the Tennessee Overhill Heritage Association (TOHA)⁴⁰, the Etowah Chamber of Commerce and a museum that chronicles the history of Etowah. Recognizing the importance of these organizations to Etowah's development interests, the city provides them with rent- and utility-free office space in the depot. Train excursions, which attract tens of thousands of tourists every summer, begin at the depot. Across from the Railroad Depot is the city-owned historic Gem Theater, built in 1927, which provides a year-round community gathering place for social events, political rallies and town meetings. It is also the home to the Gem Theater Players, a local community theater troupe.

³⁹ Caldwell, Linda, Bill Akins and Betty Duggan, eds. "Growing Up with the L&N: Life and Times in a Railroad Town." Etowah Arts Commission, 1989.

⁴⁰ Tennessee Overhill is a local nonprofit organization that promotes heritage-based tourism in the Overhill region of McMinn, Polk and Monroe counties.

In terms of natural and built assets, Etowah is a regional gateway into the Cherokee National Park. Starr Mountain, on the town's undeveloped eastern horizon, is a constant reminder that Etowah rests on the edge of the Appalachian high country. Hundreds of hiking trails and four major rivers skirt the town. The Ocoee River was the whitewater kayaking venue for the 1996 Olympic Games. Etowah owns its local utility company, and McMinn County owns the hospital in town, which pumps steam into the local economy with a \$5 million annual payroll. Etowah has the smallest school system in the state, but its schools are well regarded. Mom and pop restaurants in town attract diners from Etowah and beyond. According to John Gentry, the mayor of McMinn County, "folks from Athens drive into Etowah on weekends to enjoy the unique little restaurants and shops." Antique stores, second-hand clothing and sundry shops line the downtown corridor.

In addition to being a tourism destination for outdoor enthusiasts, shopper and diners, modern-day Etowah is also home to a substantial industrial base. The North Etowah Industrial Park includes the Waupaca Foundry (600 employees) and Johns Manville Fibers (300 employees). These major industrial players support a range of spin-off industries, including suppliers and distributors.

Although thriving today, tourism, shopping and industrial activity in Etowah were not always so. Approximately 10 years ago, the last remnants of the textile industry closed its doors in Etowah. Unemployment approached 20 percent, and Main Street was lined with empty storefronts. The downturn was a result of many factors, including the fact that the city-owned utility company flushed out some good-ol'-boy corruption and started charging local businesses their full utility bills. Again, just as in the late 1970s, the community came together and refused to roll over.

The strategy

Etowah's strategy for economic development is to build from its existing assets – to use its heritage assets to attract tourists; to create a dynamic and thriving downtown corridor with retail and service amenities that attract visitors as well as locals; and to leverage the town's quality of life factors and its existing industries to further expand its industrial base. The roots of Etowah's strategic approach can be traced back to a community planning exercise that took place in 1998, during which a coalition of government, business and civic leaders came together to develop a shared vision for Etowah and a long-range agenda for development.

Tourism

The town's strategic planning exercise in 1998 shed light on the fact that the old abandoned rail line, which stretched up into the national park, was an asset that the town could use to create a draw for tourists. At the time, the rail – built in 1890 – was owned by a private hold-

ing company. In 2001, opportunity presented itself and the community raised \$1.6 million to purchase the line. The City of Etowah partnered with the Tennessee Valley Authority (TVA) to rehabilitate the rail line, which provided TVA with access to the Appalachia Powerhouse (a power generator on the Hiwassee River) and provided Etowah with a prominent tourism asset. The Tennessee Overhill Heritage Association, in partnership with the town, received a grant from the National Trust for Historic Preservation to initiate rail excursions.

Rail excursions have become the anchor for Etowah's tourism industry. Trips begin in town and take riders into the Cherokee National Park. "The trip is considered one of the most scenic rail trips in the United States," said Linda Caldwell, executive director of TOHA. It carries passengers up the Hiwassee River Gorge, around a historic loop passing vestiges of the mining industry and back down into town. There are no roads in this river gorge, and the only access is by rail. The city and heritage group manage the train excursions, which have become a profit engine for the town. According to Durant Tullock, the Chamber of Commerce president, "Train excursions bring folks into town and downtown merchants keep them there."

Downtown development

It follows that the second pillar of Etowah's economic development strategy is to build a downtown corridor with services and amenities that attract tourists and locals alike. In the vacuum created by economic shocks of the late 1990s, a second-hand-item market developed in Etowah's downtown retail corridor. Shops selling antiques and sundries took root in previously unoccupied storefronts. According to a prominent town official, "Etowah's second-hand stores attract shoppers from as far away as two hours." Their main challenge, which was articulated during Etowah's strategic planning efforts of 1998, was their lack of capacity for marketing and advertising.

In response, the chamber worked with downtown merchants to help them take advantage of traffic from the railroad excursions. Simple changes to the merchants' business routines and schedules have made a tremendous difference. Restaurants and retailers coordinate their hours of operation and staffing levels with anticipated tourist traffic. The chamber published a shopping and dining guide to market downtown merchants. The cost was covered by a \$200 fee for merchants to be included in the guide. When the trains are running, volunteers ensure that a guide gets placed on every seat.

Industrial development

The final pillar in Etowah's economic development strategy is industrial development. The town manager coordinates recruitment and expansion activities, in close partnership with the chamber executive and McMinn County Economic Development Authority. When Etowah was working on its community strategic plan, it became apparent that being proactive in the area of industrial development could complement Etowah's tourism and downtown development

activities. Town leaders recognized that the railroad infrastructure in Etowah was a valuable asset, not only for tourism, but for industrial distribution. The town made a strategic decision to purchase and develop an industrial park on the northern edge of town, the goal of which was to create sustainable, living-wage jobs for Etowah. In partnership with the McMinn County Economic Development Authority and the regional development authority, Etowah brought water, sewer and utilities to the North Etowah Industrial Park.

Once the site preparations were complete, companies started calling. Etowah was never in the position of being able to offer cash incentives, but site development at the industrial park and the existing rail infrastructure, combined with the county's payment in lieu of taxes⁴¹ program, were sufficient, as Solsbee said, "to put some skin in the game." Solsbee's rapport with certain manufacturing executives helped, too. "Small towns can't pretend to be something that they're not," he said. "Relationships and honesty are crucial factors." Today, Etowah is home to major industrial players, including Waupaca Foundry, Johns Manville and Consolidated Metco. Average wages in Etowah's industrial park range from \$16 to \$20 per hour plus benefits.

The outcomes

Outcomes that can be attributed to Etowah's economic development strategy include:

- City-sponsored rail excursions brought more than 10,000 passengers to Etowah in 2004. The chamber estimates that 30,000 will ride the trains in 2007.
- Since 1997, Etowah has increased lodging options from one motel to nine bed and breakfast inns, new cabins, lodges, retreats and a 65-room Sleep Inn Hotel.
- The town has raised funds (including a CDBG grant) and begun improvements to downtown sidewalks and lighting.
- Business at a local winery is up 30 percent during train excursions. Restaurants fill when trains disembark.
- Waupaca Foundry opened in 2001, currently employs 600 and is about to break ground on \$120 million expansion.
- Johns Manville Fibers, which currently employs 300, is expanding to install a fourth product line. The \$100 million expansion will create 52 jobs averaging \$19 per hour plus benefits.
- The initial manufacturers have attracted supply-chain partners, including Consolidated Metco (45 employees) and Inspetech (15 employees).
- Infrastructure (including water, sewer, utilities) is in place for future growth in the industrial park.
- Volunteerism and community pride are growing.

⁴¹ In McMinn County a payment in lieu of tax lease offers a county tax abatement on industrial/commercial property prior to development for a prescribed number of years.

How and why the strategy is working

Etowah's apparent success with an asset-based approach to small town economic development, begs the question: how and why has this rural outpost in the foothills of Tennessee been able to overcome its geographic isolation? First, given the cyclical history of Etowah's economy, this town has learned how to re-invent itself and change with the times. At the same time, citizens of Etowah tend to have high expectations in terms of civic, social and economic standards – and they fight for their fair share of resources and investment. Downtown merchants have diversified their product lines to attract shoppers, and industrial development has been undertaken with a proactive and well-coordinated approach. Finally, young leaders have helped the town to identify its assets and create a vision for long-term development.

Willingness and ability to adapt and change with the times. Etowah has a history of adapting to shifts in social, economic or civic conditions. Because it was a planned community that was built on an unoccupied patch of land in 1906, locals in Etowah are less steeped in a mindset of “well, this is just the way it's always been done.” To survive the ups and downs of rail industry booms and busts, Etowah had to adapt. When the rail industry faltered, Etowah brought in textile manufacturing jobs and formed an arts council. When the textile industry faltered, Etowah looked to her historical, natural and infrastructure assets to create a new model for local development. “Small towns have to be versatile and change with the times,” said Durant Tullock, whose family has been in Etowah since its founding.

High expectations combined with grittiness and determination. According to Linda Caldwell, citizens of Etowah have always had high expectations for life in their small town. They formed an arts council and initiated a full-scale study of their town's historical roots during the economic downturn of the 1970s – not the most obvious priority at the time. In the face of grave economic turmoil, Etowah's expectations for social and civic life never wavered. High expectations are one thing, but Etowah combines its expectations with the determination to fight for its share of resources. “Etowah has always had a chip on its shoulder,” said John Gentry, county mayor. “This little town has always fought for 50-50 with Athens, even though Athens is the substantially larger county seat. Other towns recognize their smallness. Not Etowah. As the county mayor, I can always expect that Etowah will fight for their share.”

Chamber's support of downtown product diversification. Product diversification has been a key factor to the success of downtown's retail sector. “Stores have to be in a niche market,” Durant Tullock said. “They have to sell things that Wal-Mart won't sell. They have to sell things that will draw people to drive for at least one hour.” Over the last 10 years, the Chamber of Commerce has worked with merchants to develop viable product lines.

Proactive industrial development. Etowah did not allow an industry, the county or a regional development organization to determine the town's fate with respect to industrial develop-

ment. In 1998, townspeople came together around a vision for bringing industry into Etowah. Given its location between Atlanta and Chicago and its valuable railroad infrastructure, Etowah was an obvious choice for industrial development. Rather than react to a trolling industry, Etowah purchased land and created infrastructure – on its own terms – that would attract an industry. John Solsbee credits this proactive posture as being the key factor in the success of the town’s industrial park.

Young and foresighted leadership. According to Linda Caldwell, Etowah has seen “new young leaders come forward.” Durant Tullock sold his hardware store, left his family’s canned food business and dedicated himself to the town as the executive director of the Etowah Chamber of Commerce. The county mayor, John Gentry, is an under-40 Etowah native. Young leaders who believe in the future of this small town are helping Etowah identify and leverage its assets for long-term economic benefit.

What are the lessons from this story?

Development strategy should be based on a broad definition of small town assets. In Etowah, the train depot, historic downtown architecture and rail infrastructure were obvious development assets. Some of the less obvious but equally important assets included the adaptability and grittiness of local residents, the town’s interesting history, local nonprofit organizations, the nearby protected parkland and the feisty local leaders. The process of identifying a small town’s assets ought to take a broad view of what a town has to offer and employ creative ways to leverage those assets toward economic, civic, social and environmental gains.

Proactive industrial development as part of a broad-based strategy can spur investment. Etowah demonstrates that proactive industrial development can be part of a broad-based and asset-driven economic development strategy. According to Etowah’s strategic plan, “recruiting technology-based industries that provide a clean industrial environment will avoid the brain-drain, create higher paying opportunities, which will give our children a reason to remain in Etowah and recruit others to relocate in Etowah.”⁴² Etowah initiated industrial development on its own terms, and only after embarking on a community-wide exercise to determine its assets and strengths for development. The results are impressive, including hundreds of living-wage jobs in expanding industries.

Small towns need leaders who can think like entrepreneurs and take risks for their communities. As Jack Hammontree of the McMinn County Economic Development Authority said, “For a small community like Etowah to be successful, somebody has to bite the bullet.” Although certainly not the only one, John Solsbee has bitten the bullet for his community. A farmer and self-professed grumpy old man, Solsbee never anticipated being part of Etowah’s government. He was not willing to watch his hometown die, however, so he became the town’s manager in 1997. He was so convinced that creating the industrial park was the right move, he challenged

⁴² Etowah’s Strategic Plan, revised January 2007.

his board to fire him if it didn't pay off. Ten years later, Solsbee still holds his post as Etowah's town manager.

Scrappiness pays. "In this day and age, when federal and state resources are funneled through multiple levels of organization before they reach individual communities, small towns have to be loud, aggressive, and scrappy," Durant Tullock said. "We have to fight for our share." The community hospital is a case in point. The small county-owned hospital, which serves the Etowah and the surrounding rural foothills McMinn County, is struggling. The county board wants to sell it. Etowah is disputing the decision, appealing to state and regional authorities, and being as scrappy as possible. The verdict is still out, but Etowah will not go down without a fight.

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