Competitive Assessment: Economic Development Strengths and Weaknesses of the City of Asheville, North Carolina

Strengths:

- Quality of Life
- Health Care
- Technical Training
- Highway Transportation / Access
- Small Business Development / Entrepreneurial Spirit
- Vibrant Downtown
- Development Potential of the French Broad River and Swannanoa River Corridors
- Competitive Labor Cost (strength for business, weakness for individual)
- Education / Schools (K-12)
- Tourism's Economic Impact
- Telecommunications Infrastructure
- Higher Education Resources

Mixed Results:

- Worker Productivity
- Labor Availability
- Air Transportation
- Lack of Unified Leadership / Direction for Economic Development
- Electric Power Cost and Reliability
- Water Supply, Water and Sewer Availability and Capacity

Weaknesses:

- Lack of Industrial Sites, Office Space, and Cost of Real Estate
- Housing Availability and General Cost of Living
- City Relations with Business and Industry
- Lack of Graduate Education and University Research in the Science / Engineering Disciplines

Strengths

Quality of Life: Strength

SIGNIFICANCE

While labor, transportation and other cost factors affecting the bottom line continue to be the dominant site location determinants for most industries, quality of life plays an increasingly important role. Executives want to live in pleasant communities, and a good quality of life makes it easier to attract and retain the best employees. Quality of life means different things to different people, but certain factors are widely valued, including a reasonable cost of living, low crime rate, cultural/recreational activities, and overall community ambiance.

The quality of life in Asheville is a tremendous strength of the region. In our interviews of local employers and stakeholders, almost all individuals attested to the wonderful quality of life in the City and surrounding areas. As mentioned above, many factors contribute to the assessment of quality of life. The quality of the local schools and medical facilities, abundant activities, and overall community pride are among many factors that make Asheville a very desirable place to live. Area attractions contributing to the high quality of life include: the Biltmore Estate and Winery, the Thomas Wolfe Memorial, the Folk Art Center, Pisgah National Forest, the North Carolina Arboretum, the Blue Ridge Parkway, Mount Mitchell State Park, Chimney Rock Park and Lake Lure, and the WNC Nature Center.

In addition to a pleasant climate and naturally beautiful physical geography, Asheville also has numerous cultural events. These include the Bele Chere Street Festival, the Mountain Dance and Folk Music Festival and Craft Fair, the St. Patrick's Day Festival, the Goombay Festival, Christmas at Biltmore Estate/ Candlelight Tour, the Asheville Symphony, Shindig-on-the-Green, the Annual Festival of Flowers Evening, and the Downtown After Five Series.

Furthermore, Asheville possesses more community resources and medical facilities than would be expected for a city of its size. It has both the manageability and friendliness of a small town and the amenities of a larger city. Residents, tourists and retirees alike are attracted to Asheville for its quality of life and community ambience.

Businesses as well as citizens appreciate a good quality of life. Corporate decision-makers assess quality of life factors not only from the perspective of executives making relocation decisions but also from the perspective of their workforce. Companies want to avoid turnover and excessive recruitment efforts so they ideally prefer to draw from a labor pool that enjoys living locally and that plans on staying in the area.

The following comments were expressed during our interviews of over sixty employers and stakeholders:

"Seventy-five percent of the people moved to Asheville for the quality of life"

"The reason for our business location was quality of life, property location, and labor costs"

"Strengths of the region include the scenic beauty of the area, the climate, and the open, culturally diverse atmosphere"

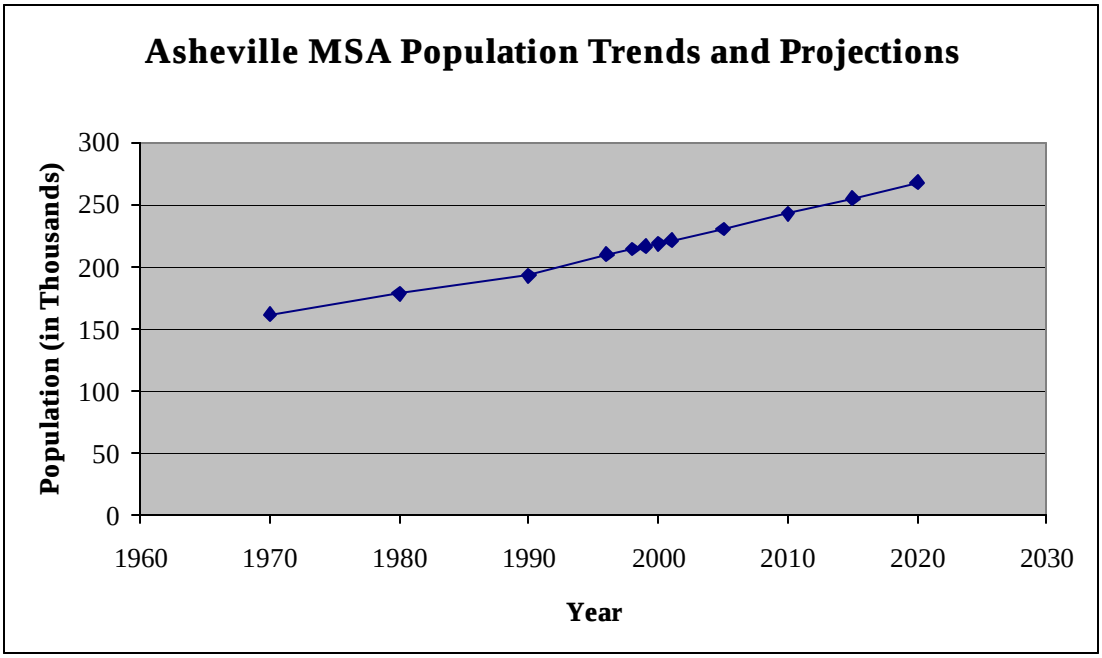
"Asheville's biggest assets are its quality of life and natural capital"

In our numerous interviews, there were only a few areas consistently mentioned as growing detractors to Asheville's quality of life. These include: the rising cost of living, the lack of affordable housing, and the struggle to manage the growth occurring in Asheville. In large part due to Asheville's appealing quality of life, the area has grown rapidly. The growth has exacerbated the other problems of affordable housing and a rising cost of living. The population of the MSA, which includes Buncombe and Madison counties, has grown from 192,480 persons in 1990 to a projected 230,240 persons in 2005 – an increase of 37,760 persons, which translates to a projected 19.6% rate of growth over a fifteen year period. See the graph on the following page which serves to illustrate the upward trend in population growth for the Asheville MSA.

Asheville MSA Population Trends and Projections

1970	1980	1990	1996	1998	1999	2000	2001	2005	2010	2015	2020
161.64	178.16	192.48	209.57	213.75	216.17	218.55	220.9	230.24	242.25	254.81	267.48

(Numbers in thousands)
Source: 1999 Woods and Poole Economics



Such rapid growth is troublesome to many Asheville residents who wish to preserve the current quality of life and appropriately manage their growth into the future. During our interviews of local employers, stakeholders, and residents, we discovered a diversity of opinions with regard to growth and development for the area. One interviewee indicated that bringing in more industry would only reduce the current prosperity per person - indicating fear for a decrease in quality of life, as the city becomes more crowded. Others firmly believe the city must work toward the growing or recruiting of more business in order to provide jobs for the people so that the quality of life for all residents in maintained.

LGC believes that the key to managing growth is recognizing that it can be positive and will often occur whether one plans for it or not. Therefore, planning for development is the best mechanism to appropriately manage growth and preserve the quality of life in the community. By embarking on the strategic planning process, the City has taken the steps necessary to begin to strategically plan for development in order to improve the local standard of living of its residents and to preserve the quality of life in the region for years to come.

Health Care: Strength

SIGNIFICANCE

Availability and quality of health care is an important aspect of quality of life. Recent changes in the health care industry have forced many hospitals to reduce services or close their doors entirely. The presence of a full service regional hospital is a locational plus. Business and industry look favorably upon a community with as many medical resources as Asheville has – not only for their employees but also for their families.

Asheville has excellent medical facilities and health resources for a city its size. Results from Lockwood Greene's leadership survey, which was administered to the leadership of the community (over 90 local employers, stakeholders, and elected officials), ranked "availability of adequate hospital facilities" and "adequacy of local clinics and health care professionals " as the top two strengths of the City, respectively. Furthermore, Lockwood Greene's citizen survey, which ran twice in the newspaper to solicit citizen input (and received over 330 responses), ranked health care sixth out of the top ten strengths of the City.

Health care received such high ratings from both the leadership and citizens alike. This is in large part due to the presence of Mission Hospital and the abundant number of doctors and surgeons in the area. Asheville is fortunate to be home to Mission Hospital, a member of the Mission St. Joseph's Health System. Mission Hospital has been ranked in the top 100 hospitals in the nation. The hospital's services and programs include a

Level II trauma center, a surgi-care center and one-day surgery center, the Helen Power's Women's Health Center, the Ruth and Billy Graham Children's Health Center and Pediatric ICU, and the Cancer Connection network. Mission Hospital has 833 beds, over half of those available in Asheville. Mission St. Joseph's Health System also has one helicopter that provides emergency medical service to 15 counties in Western North Carolina.

Mission Hospital serves as the regional medical center for Western North Carolina and expansions are possible in the near future. The hospital employs approximately 4,300 full time employees and another 700 contract employees. Of the over 33,000 patients Mission Hospital admitted this year, forty to forty-five came from outside Buncombe county. Mission Hospital provides all medical services and procedures except heart and liver transplants or major burns.

There are also other medical hospitals/centers in the area such as the Veteran's Medical Center, Charter Hospital, and Thoms Rehabilitation Hospital. These facilities contribute a combined total of over 600 additional beds to patients. In addition to the hospitals, 18 nursing homes with over 1,550 beds are located in Buncombe County.

Asheville Buncombe Technical College provides an ample supply of technicians in nursing and radiology to augment the medical community's labor pool. There are four medical schools in North Carolina; however,

there is not a medical school in the western part of the state. Mission Hospital has a limited residency program in Family Medicine and Ob-Gyn.

According to Dun and Bradstreet's October 1999 MarketPlace Data, Buncombe County currently has a total of 516 businesses and employs 12,027 employees in the healthcare industry. The healthcare clusters in Buncombe County that employ the highest number of people are general medical and surgical hospitals (4,952 employees), offices and clinics of medical doctors (1,912 employees), and skilled nursing care facilities (1,151 employees).

Asheville has seen significant growth in the areas of wellness and alternative medicine, which have both contributed to the health care cluster in the City.

Asheville area residents during our employer and stakeholder interviews expressed the following comments:

"Medical services are good here in Asheville"

"Medical services are very good in Buncombe County and fair to poor in Madison County"

"Medical services are very good, but expensive – it's a one hospital system"

"Medical services are excellent – no complaints"

"Asheville serves as an excellent regional medical center"

Area Technical Training: Strength

SIGNIFICANCE

Lockwood Greene Consulting frequently uses the presence of a post-secondary vocational training school as a screening factor when evaluating communities for new investment. Training is increasingly important to companies in order to compete effectively in today's rapidly changing and demanding business environment. As manufacturing facilities and even corporate offices become more capital intensive, a higher level of skill is required to operate and maintain complex machinery and equipment as well as to develop computer programs and systems. In addition, companies frequently need to retrain employees as job requirements change to meet market demand.

The results of Lockwood Greene's interviews indicate that local employers are very pleased with the services provided by Asheville-Buncombe Technical Community College (A-B Tech).

A-B Tech has served the Asheville area for over thirty years. Areas of study at A-B Tech include accounting, business administration, CAD systems management, civil engineering technology, criminal justice technology, culinary technology, dental hygiene, medical engineering technology, radiography, surveying technology, carpentry, electronic servicing technology, machining technology and welding technology. A-B Tech offers both day and evening classes to the community to suit the needs of a diverse student population.

Furthermore, the business and industry program is housed in a 6,000 square foot building on the campus of A-B Tech. Staff in this facility coordinates the State's new and existing industry training programs.

Results from the Lockwood Greene citizen survey indicate that almost 80 percent of the respondents are highly satisfied with the community college and its services. Among the top ten strengths identified by citizens, the community college is ranked fourth.

Some employers also rated the quality of business consulting services at Western Carolina Industries as very good. Western Carolina Industries consults with companies throughout the U.S. on a variety of matters such as human resources, workforce issues, training, and leadership. WCI's home presence in Asheville contributes to the local training available as well as the opportunity for skill development.

The following comments were expressed by local stakeholders and employers during LGC's interview process:

"A-B Tech provides very good support – tailored to our needs – on site almost permanently"

"We use A-B Tech and the computer schools – both are very good"

"We have a good relationship with A-B Tech although we get more graduates through Haywood Tech – and we recruit from Blue Ridge Tech in Hendersonville – all three are continuously improving"

"We use A-B Tech and Western Carolina Industries– both are very good"

Highway Transportation/Access: Strength

SIGNIFICANCE

Highway Access is important for two reasons. First, it impacts a company's ability to ship and receive goods in a timely and cost-effective manner. Second, it influences a company's ability to attract and retain employees, since ease of commuting is directly related to highway access. Lockwood Greene Consulting finds that many manufacturing companies desire to be immediately adjacent to an interstate highway or a good four lane highway.

Lockwood Greene interviews reveal that Asheville employers are very satisfied with their respective business locations from the perspective of transportation. Asheville provides excellent access because it is at the junction of two interstates, I-26 and I-40, and is served by numerous state and federal highways such as 19, 23, 25, 70, and 74.

However, there is concern among some residents about the crowding of local roads and the adequacy of the road quality and capacity into the future. This is a legitimate concern and should be addressed in long-term transportation plans for the area. There are some current projects underway, such as the extension of I-26 to I-81, that may pose temporary traffic problems but will ultimately provide for long-term enhanced capacity. There are also discussions about expanding the connector between I-40 and I-26 North to relieve congestion. Although planning for the future

is necessary, LGC currently rates the highway transportation in Asheville as a strength of the area from a business recruitment and investment perspective. The highway transportation network allows Asheville to remain competitive with the majority of companies that choose to locate on or close to an interstate or four-lane highway. Furthermore, the adequacy and availability of common carrier trucking services were reported as fair to good in the Asheville area. There are over 40 certified motor freight carriers serving the Asheville area.

Small Business Development/ Entrepreneurial Spirit: Strength

SIGNIFICANCE

The nurturing of small business and entrepreneurial development is extremely important to a well-balanced economic development program. When relying on the recruitment of outside firms or the expansion of existing firms, it is often easy to overlook the significance that small business development and entrepreneurship can contribute to a community. Promoting an overall climate conducive to start-ups and new business formations will help to diversify the economy of any community as well as provide valuable resources to citizens.

Many stakeholders and employers indicate that Asheville was built upon the success of small business entrepreneurs, and that spirit is still alive and well today. Having a core of successful small businesses in a community is extremely important to the vibrancy of the community because it provides a solid economic foundation for a healthy and diverse economy. The downtown, in particular, is home to many of these successful small businesses. It was indicated to LGC that the lack of professional well-paying jobs in Asheville, over time, drove many people to open their own businesses. This dynamic contributed to a solid foundation in retail and restaurant development as well as sole practitioner businesses, all of which continue to open in Asheville.

Asheville also possesses ample small business development resources. The State of North Carolina located one of its 12 small business and technology development centers in Asheville. A-B Tech has a small business center which provides classes, councils start-ups, sends referrals to other agencies, conducts workshops, and works closely with the Chamber. Currently, the Asheville Area Chamber of Commerce, in conjunction with A-B Tech, is advocating the development of a small business incubator. The incubator will be a new 30,000 square feet facility located on the campus of A-B Tech. The facilities will be mixed-use in nature, offering assistance to small businesses. Furthermore, a "Knowledge Center" is being advocated that will focus on research and dissemination of information for knowledge-based industries.

The following comments were expressed during LGC interviews of local Asheville employers and stakeholders:

"Asheville is a small business town, its strength is the diversity of the place"

"Key to downtown development was dividing offices into small lots to cater to the wealth of small businesses"

"The City could use a small business assistance thrust and be more overtly supportive. The City needs to tell its small business story"

"Entrepreneurial activity is increasing locally"

"Asheville is a natural draw for entrepreneurs and small business"

Although Asheville has an overall positive small business environment, it appears to have much less small business development and start-up activity in the high-tech arena. Forbes magazine produced a feature titled "Boomtowns, USA" in their May 31, 1999 edition that ranked metro areas for "the best places for business and careers." The Forbes study closely evaluated the concentration of high tech businesses in 162 of the biggest metro areas in the U.S. Out of the 162 metro areas included in the study, Asheville was ranked at 156. Specifically, Asheville ranked poorly on overall high-tech growth and the number of technology clusters, which brought its overall score down.

Leadership in the City of Asheville recognizes the need for more technologically oriented and knowledge-based industries. The City's strategic planning process is currently addressing workforce development and training issues as part of the strategy to feed and nurture such industries. Many of the individuals interviewed by LGC agree that one of the best ways to grow high tech firms is to create a business climate conducive to high-tech start-ups. Furthermore, there are many synergies between Asheville as a business location and the rationale behind many high tech entrepreneur business location decisions. For example, software developers would likely favor the Asheville area because they tend to favor business locations most notable for their exceptional quality of life. However, it is also important for a community to have a strong program in

computer science at the university level to sustain and grow software-related firms.

Despite Asheville's current shortcomings in high tech entrepreneurial growth, the area has experienced sustained success in the formation of small businesses in addition to an entrepreneurial spirit that is alive and well. Although it is hard to fully document new business formation, 1999 Dun and Bradstreet data indicates that over 914 firms employing 9 employees or less each have opened within the last three years in Buncombe County. These firms employ a total of 2,396 employees. Although some of these businesses may not be representative of entrepreneurial business development, the data still serves to capture some of the ongoing small business development in the Asheville area.

Therefore, LGC rates the overall small business development climate as a strength of the region, and we believe that there is potential for high-tech entrepreneurial growth as facilities such as the new Knowledge Center and the Incubator at A-B Tech come to fruition.

Vibrant Downtown: Strength

Asheville has successfully achieved a revitalization of its urban core, which gives it a competitive advantage in economic development. The results of the citizen survey administered by Lockwood Greene to the residents of the Asheville area indicate that local citizens were very satisfied with downtown Asheville. Sixty two percent of citizens surveyed indicated they were "most satisfied" with downtown Asheville. Thus, downtown Asheville ranked on the "Top 10" list of strengths for the City.

Businesses prefer to locate in communities that are growing and prosperous, and often the downtown is symbolic as a life sign of the community. From the perspective of an outsider, if the downtown is dying, so might the town. Business investment is likely to proceed cautiously in situations such as these. Therefore, Asheville has a competitive advantage with its lively and prosperous downtown. Many people believe that the on-going prosperity of Buncombe County is ultimately linked to the prosperity of downtown Asheville. There are spin-off benefits to the region that often go unnoticed because the downtown is prosperous. It is much more difficult for people to recognize what the area would be like if the downtown were truly dying. In recent years, the effects of revitalization have been extremely noticeable. The revitalization of downtown has spurred tremendous small business

development, retail and restaurant growth, and a likely increase in tourist traffic through downtown.

Although much progress has been made since the mid-1980s in revitalizing downtown Asheville, stakeholders explain that there is still much to do. The following comments were expressed by local employers and stakeholders during our interviews:

"The downtown needs to be more pedestrian friendly"

"The downtown needs to be redefined with a center city plan"

"We still need to focus on basics such as trash collection and security issues"

"Other cities come to Asheville for a model of successful downtown development"

"New downtown improvement would spin off private sector development and have a very positive impact on trade and services"

"The civic center is in bad shape"

The decision whether or not to build a new civic center or a civic center in conjunction with a hotel, or a conference center/upscale hotel complex is important to the long term vibrancy of downtown Asheville. While LGC recognizes the issue is complex as well as controversial, we believe that Asheville would be well served by either the revamping of the civic center or by the addition of a conference center and a high-end full service hotel. In this report we will not attempt to analyze the myriad of topics surrounding

this issue since it is currently being extensively studied by another consulting firm. It is our understanding that the hospitality industry in Asheville is generally against renovations to the Civic Center because they would be subject to an increase in the occupancy tax which they believe is unfair. The hospitality industry believes it is unfair for the City to place the burden of financing the project (through the occupancy tax) solely on their industry. Therefore, like so many issues, it appears that this issue comes down to who would finance the project more than controversy over the project itself. The results of the current study will shed light on the future direction of the civic center and potential conference center. But LGC does firmly believe that the benefits of a new or revamped center with ample meeting spaces, conference facilities, and/or entertainment venue space would far outweigh the impact of an increase in the room occupancy tax. Numerous employers expressed the need for additional meeting spaces – and revealed that other than a few select locations –there are not ample venues with space to hold large-scale meetings.

Development Potential of the French Broad River and Swannanoa River Corridors: Strength

The French Broad River and Swannanoa River Corridors are currently underutilized and often unnoticed resources that have the potential to be tremendous assets the City's quality of life and economic development strengths. The organization Riverlink has been working for years toward a planned economic and environmental renewal of the entire riverfront. Riverlink is a regional organization spearheading the revitalization of the riverfronts and their tributaries as a place to work, live, and play. The organization is working toward creating a river greenway system that would include mixed-use development. Currently, Riverlink has completed a demonstration portion of the greenway full of picnic tables, benches, grills, observation decks, native wildflower beds, and restrooms. Riverlink's ultimate plan connects Asheville's riverfront with businesses, neighborhoods and entrepreneurs. Part of the plan is to restore vacant office space and encourage commercial development in close proximity to the riverbanks.

LGC believes the renewal of the river corridors is an extremely important initiative that will serve to augment the economic development vitality of the community and provide continued quality of life enhancement for years to come. Some residents believe that due to Asheville's proximity to the

mountains and the Blue Ridge Parkway, the river has gone underutilized as a recreation opportunity and unnoticed as an engine for economic growth. The strategic planning efforts currently underway will continue to move Asheville toward the economic and environmental renewal of the river, as the river has been voted a priority issue in the City's economic development initiatives by stakeholders, local employers, and leadership in the community. Although there are obstacles to overcome, a strategic action team has been formed to articulate and advance these action steps it thinks City Council should undertake to help make the renewal of the river a reality.

The following comments were heard during our interviews:

"The French Broad River should be kept safe for recreational activities – not just economic development – we need to work together on this because sometimes big business dominates – they talk so loud and they have such deep pockets"

"Riverlink is a solid non-profit organization with over 1000 members""

"I see big issues with River development because the railroad owns the property along the river – getting the right of way from them would be impossible"

"Re: the river development – there is no access from downtown, no north/south access to the river, I advocate a parkway along the river, or a corridor study with DOT money"

"The riverfront development should include recreational/park aspects, tourism, and economic development"
"I am an advocate for river development – should model like Chattanooga – mixed use is the key for the river – living, working, and playing – like the new urbanism

model – it must be carefully planned and I would only agree with it if designed appropriately"

Competitive Labor Cost: Strength

SIGNIFICANCE

Labor costs are one of the most critical cost factors in a location decision. Labor is a major cost contributor typically accounting for 35 percent or more of a manufacturing project, and 70 percent of an administrative office facility. As a result, labor costs are closely scrutinized in the site selection process.

Wages and salaries appear to be relatively low in the Asheville area compared to other communities throughout the Southeast. Total private sector wages are 13.9 percent less than the average for the State of North Carolina. Wages for some specific occupations such as accountants, computer programmers, medicine/health services managers, industrial engineering technicians, and first line supervisors are at least 12 percent less than the state average (See the chart "Average Hourly Rates in Selected Occupations" on the next page). Furthermore, the average weekly earnings for manufacturing workers, in particular, are generally less than the wage rates in many competitor communities. (See the second chart titled "Weekly Earnings for 1998").

Although low labor cost is a strength for employers in the region, LGC recognizes that on the flip side, low wages are a weakness for the individual living in Asheville. This is compounded due to the rising cost of living in the area. Residents and employers alike explained the large disparity

between wages and the high cost of housing and overall high cost of living. However, since LGC is evaluating Asheville from a *business* investment perspective, low wage rates register as a strength of the region.

Local employers and stakeholders during our interviews expressed the following comments:

"To get mfg. workers – Asheville must have affordable housing – cost of living is too high here"

"We need to find better ways for lower and middle class to live – there just are not enough modestly priced houses"

"Wages are not keeping up with Asheville's rising cost of living"

"Wages are fine now, but I think they will continue to go up to keep up with the cost of living and housing issue (mfg. employer)"

"We pay a little below the average going wage, but our wages are increasing (mfg. employer)"

Average Hourly Wage Rates in Selected Occupations for 1998

Occupation	Asheville MSA	North Carolina	% Difference
Construction Managers	$17.26	$22.72	-24.0%
Marketing, Advertising, and Public Relations Managers	$19.73	$27.68	-28.7%
Medicine and Health Services Managers	$16.71	$20.09	-16.8%
Accountants and Auditors	$14.21	$17.52	-18.9%
All Other Engineers	$20.77	$21.87	-5.0%
Computer Programmers	$16.32	$23.45	-30.4%
Drafters	$12.99	$13.76	-5.6%
Industrial Engineering Technicians and Technologists	$12.74	$14.62	-12.9%
Loan Officers and Counselors	$14.93	$17.91	-16.6%
Sales Agents, Advertising	$20.26	$24.95	-18.8%
Sales Persons, Retail	$7.44	$7.60	-2.1%
General Office Clerks	$8.44	$8.57	-1.5%
Automotive Mechanics	$10.79	$12.99	-16.9%
Electricians	$12.20	$13.71	-11.0%
First-line Supervisors and Manager / Supervisors, Production and Operating Workers	$11.32	$16.32	-30.6%
Machine Assemblers	$11.05	$11.42	-3.2%
Machinists	$11.50	$12.80	-10.2%
Pipelayers	$7.83	$8.28	-5.4%
Truck Drivers, Heavy or Tractor-Trailer	$10.27	$10.81	-5.0%
Welding Machine Operators and Tenders	$10.74	$11.52	-6.8%

Source: North Carolina Employment Security Commission; Labor Market Information Division Wage Rates in Selected Occupations Report; calculations by LGC

Weekly Earnings for 1998

	Manufacturing	Durable Goods	Non-Durable Goods
North Carolina			
Asheville	$471.96	$484.64	$453.33
Charlotte-Gastonia-Rock Hill	$525.67	$564.14	$497.32
Greensboro-Winston-Salem-High Point	$486.02	$496.54	$499.95
Raleigh-Durham	$538.30	$557.63	$512.21
Statewide NC	$486.62	$509.57	$465.75
South Carolina			
Statewide SC	$449.00	$446.16	$450.71
Tennessee			
Chattanooga	$468.02	$510.56	$438.88
Knoxville	$489.13	$516.40	$451.76
Georgia			
Atlanta	$534.94	$562.78	$508.62
Virgina			
Roanoke	$576.28	$561.18	$596.51

Source: Bureau of Labor Statistics
State and Area Employment , Hours, and Earnings Report

Education (K-12): Strength

SIGNIFICANCE

The quality of local education is one of the most important quality-of-life factors evaluated in the site selection process. Companies know that strong school systems make it easier to recruit and attract key management employees. They also contribute to improving the skill base of the local workforce. Corporate site selectors pay particular attention to the comments of local employers when evaluating the quality of public education.

The majority of local residents are very pleased with the K-12 public education in the Asheville area. A review of SAT scores over the last 8 years indicates that both the Buncombe County and City of Asheville school districts have made tremendous progress. The City system appears to have higher SAT scores looking at an average of the last 4 years, although their scores have dropped off slightly in recent years. Buncombe County scores have been steadily increasing each year. In 1998, the County average SAT scores were 40 points higher than the City. However, both 1998 average SAT scores for the County (1047) and the City (1000) systems outperformed the average for the State (982) – and are generally keeping up with national averages (1017). It is important to keep in mind that many factors can influence test scores, such as the percent of students taking the SAT. This factor alone influences the scoring because if a larger, more diverse student body takes the test, the scores will tend to be lower on average. However, this is not always the case. For example, the chart on the following page

indicates that in 1997, Buncombe County, which had 58.0% of its students tested, had a higher average SAT score than the City of Asheville, in which 64.2% the students were tested. In contrast, the chart indicates that in 1999, Buncombe County had a lower average score than the City of Asheville, even though Buncombe County had fewer students taking the test than Asheville. With this in mind, it is important to look at trends and not any year in particular.

Scholastic Assessment Test Results: Mean Total Score and Percent Tested

	1997		1998		1999	
System/School	**Mean**	**% Tested**	**Mean**	**% Tested**	**Mean**	**% Tested**
Asheville City	1018	64.2%	1000	83.4%	1069	77.8%
Buncombe County	1020	58.0%	1047	56.6%	986	55.7%
- *A.C. Reynolds*	1057	57.7%	1089	56.9%	1056	60.0%
- *Charles D. Owen*	1009	65.3%	1036	55.6%	1073	46.1%
- *Clyde A. Erwin*	971	46.1%	1003	47.3%	1035	43.7%
- *Enka*	978	48.7%	1008	49.3%	1048	49.3%
- *North Buncombe*	1037	64.1%	1070	56.9%	1037	55.7%
- *T.C. Roberson*	1029	70.7%	1044	75.5%	1053	75.7%
North Carolina	978	59.0%	982	62.0%	1063	61.0%
United States	1016	43.0%	1017	43.0%	1016	43.0%

Source: North Carolina Public Schools Infoweb (www.dpi.state.nc.us)

In addition, the Asheville area educational attainment figures are generally keeping up with national averages and far exceeding state averages. As of the 1990 Census, the percent of persons with a high school degree or higher in the City of Asheville was 75.1%. In Buncombe County, 74.5% of the people had a high school degree or higher, and in the State of North Carolina, 70.0% had a high school degree or higher. The national average of persons over 25 possessing a high school degree or higher was 75.2%. The percent of persons with a bachelor's degree or higher are as follows: City of Asheville (23.0%), Buncombe County (19.1%), State of North Carolina (17.4%), and the United States (20.3%). In sum, the City of Asheville's resident population has higher achievement figures than the County at large, whereas both areas tend to outperform the State. However, Buncombe County residents fall slightly short of the national averages on both measures of educational attainment. It is also important to note that more recent comparisons to national averages will be available with the upcoming 2000 census data. These figures will more accurately indicate the actual educational attainment over the last decade.

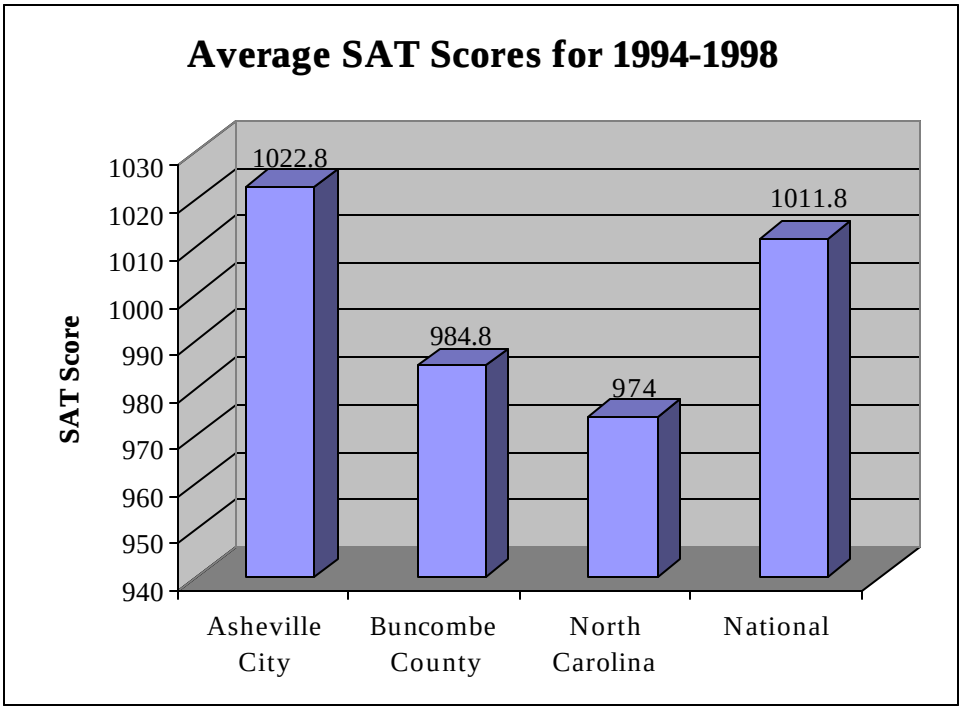
Some interviewees believe there is still room for improvement in the County and City schools despite many notable positive achievements. One interviewee rated the schools as average to below average – this was mainly because he was dissatisfied with the amount of trailers used at the schools to relieve over-crowding. Another improvement noted by an interviewee is

the need for more vocational educational programs in the high schools and the need for better funding of the County schools.

SAT Scores

High Schools	1991	1992	1993	1994	1995	1996	1997	1998	Average 94-98
Asheville City	888	888	888	1031	1044	1021	1018	1000	1022.8
Buncombe County	886	886	886	916	910	1031	1020	1047	984.8
A.C. Reynolds	943	943	943	956	925	1048	1057	1089	1015
Charles D. Owen	844	844	844	864	881	969	1009	1036	951.8
Clyde A. Erwin	893	893	893	891	884	994	971	1003	948.6
Enka	879	879	879	933	928	997	978	1008	968.8
North Buncombe	928	928	928	891	920	1067	1037	1070	997
T.C. Roberson	947	947	947	930	910	1078	1029	1044	998.2
North Carolina	859	859	859	964	970	976	978	982	974
National	902	902	902	1003	1010	1013	1016	1017	1011.8

Source: Asheville Chamber of Commerce



Source: Data from the Asheville Area Chamber of Commerce; calculations by Lockwood Greene Consulting

The following comments were received during our interviews of stakeholders and local employers:

"The school systems are very good – we are blessed – and we see continuous improvement –for example, with the recent passing of the bond referendum – we see good support and a good attitude toward the schools"

"7 of the 9 City of Asheville schools were ranked as exemplary"

"Schools are above average for North Carolina – average on a national scale"

"K-12 is a solid educational system"

"Schools are good but it depends on which specific high school – there should be two districts within the County because the County schools are too geographically large and diverse"

Education (K-12) as of Fall 1998

Public Schools

	City of Asheville	Buncombe County	North Carolina*	National**
# Elementary Schools	6	22	1,308	N / A
# Middle Schools	2	6	351	N / A
# High Schools	1	6	397	N / A
Student Enrollment	4,423	24,036	1,245,608	67.3 million
# Teachers	370	1,654	78,627	3.8 million
% Faculty with Advanced Degrees	41.60%	39%	36.40%	34%
Per Pupil Expenditure	$8,156	$5,000	$5,492	$6,624
# High School Graduates	207	1,354	59,049	2.7 million
% Going on to Additional Education	75%	85%	80.80%	N / A
% Graduates to 4-year College	65%	57%	46.60%	N / A
% Graduates to 2-year College	1%	37%	0.70%	N / A

* 1997-1998 data, except # of teachers which is 1998-1999 data
** 1997-1998 data

Source: Asheville Chamber of Commerce; National Center for Education Statistics

Tourism's Economic Impact: Strength

Lockwood Greene Consulting has rated the economic impact of tourism in the area as a strength of the region. Tourism has grown over the past decade to become a large contributor the economy of Asheville. According to information supplied by the Asheville Area Chamber of Commerce, the tourism industry in 1998 in Buncombe County employed 7,950 workers. Moreover, statistics reveal that in 1998 the annual economic impact of tourism reached $800 million, an increase of $602 million from 1983. According to the North Carolina Department of Revenue retail sales have increased 132% between 1984 and 1998. In 1984, sales were $1.3 billion, and by fiscal year 1997-98, retail sales exceeded $3 billion. Buncombe County data reveals that hotel / motel sales for the County have risen from a total of $17,549,672 in 1984 to $89,967,581 in 1998, demonstrating the enormous growth of the tourism industry in Asheville. Furthermore, the Asheville Convention and Visitors Bureau data indicates that since 1983, the number of hotel rooms in Buncombe County has increased from 3,529 in 1983 to 6,564 in 1998.

Attractions like the Biltmore Estate, the Blue Ridge Parkway, Handmade in America, and the Grove Park Inn have had a significant impact on the economy. Many restaurants and other amenities, which have recently located in Asheville, may in large part be due to the growing tourism industry and may not have located in Asheville otherwise.

The results of Lockwood Greene's leadership survey reveal that the "impact of the tourism industry on the City" is considered a top strength of the community as voted by the community's leaders and stakeholders. Almost eighty-three percent of those responding to the survey rated the impact of tourism as a strength of the City – ranking it fifth on the list of the top ten strengths of the City.

The tourism industry in Asheville greatly influences the overall economic vitality of the city. To indicate a measure of the overall economic vitality of the area, we cite results from a recent comparative study. The Asheville metropolitan statistical area was just ranked number 53 among 316 metropolitan areas in the U.S. for "economic strength" by the POLICOM Corporation of Jupiter, Florida. The Study was based on data from 1973 to 1997 and measured 18 economic elements. Although economic vitality is related to numerous factors, the growing impact of tourism on the Asheville economy undoubtedly contributed to Asheville's high ranking.

Telecommunications Infrastructure: Strength

SIGNIFICANCE:
Business and industry are increasingly becoming information-based. Access to and flow of information and data are critical. Those communities with modern telecommunications infrastructures (ISDN, fiber-optic cable, digital switching, points-of-presence, etc.) gain a competitive advantage in this environment.

Lockwood Greene has rated the telecommunications infrastructure in the area as a strength of the region. The majority of employers rate the telecommunications capabilities in the area as very good. Wadley Donovan's recent study rated Asheville's telecommunication infrastructure as good and growing. The location of two call centers in Buncombe County is a testament to the adequacy and competitiveness of the telecommunications infrastructure in the area. Listed below is a brief description of the Bell South telecommunications infrastructure in Asheville and (for the most part) in Buncombe County:

- Central Offices – There are seven central offices in Buncombe County and each have digital switches. Each office has alternative digital, fiber optic interoffice routes so that a cable cut along one route would not disrupt that central office's connection to the rest of the network.
- Fiber Optics – Fiber optics facilities have been widely deployed both between central offices and in the "local loops" to businesses and residential developments. Bell South has deployed a SONET fiber optic

"ring" architecture in Asheville for even greater service reliability. T1 and T3 connections are available throughout the county. Additionally, Bell South will provide fiber optic facilities to a location or building if a company needs fiber for its applications.

- Advanced Telecommunications Services include: ISDN, Frame Relay, Cell Relay (ATM), SmartRing (Route diversity), MemoryCall, BellSouth.net (internet access), and Bell South Mobility DCS (digital wireless service)
- Three interexchange carriers – MCI/Worldcom, Sprint, and AT&T have physical POP's (Points of Presence) located in the City of Asheville.

Higher Education Resources: Strength

Asheville is fortunate to be home to the University of North Carolina at Asheville (UNC-A), a branch of the University of North Carolina system. UNC-A is designated as the liberal arts campus for the UNC educational system. Having a university or college in a community always enhances that community's attractiveness to business investment, in part, because a university presence makes for a more well rounded community with more cultural and intellectual offerings available in the community. Also, depending on synergies between employers in a region and the nature of the curriculum at the university, the labor pool graduating each year as well as the continuing education courses at a university may be of benefit to local businesses.

The University of North Carolina at Asheville provides a solid foundation for higher education in the region. Undergraduate degree programs are in the arts and humanities, the natural and social sciences, and other liberal arts. The 1998 Fall enrollment figure for UNC-A was over 3,000 students. The University also sponsors many extra-curricular activities such as lectures, sporting events, cultural productions, performing arts and musical series. The university community and its resources greatly contribute to the Asheville community.

However, it is important to note that UNC-A is not a research institution and does not have a curriculum focus in the sciences and engineering. Thus, it can not provide the type of labor pool or spin off entrepreneurship that some research institutions can (e.g., the Research Triangle and NC State, etc) in order to stimulate high tech start-ups or fuel the labor pool in high tech industries.

Even so, the University provides resources to the area that would aide employees as well as some employers, and is considered a strength of the community. Employees may further their basic education by pursuing or finishing their degrees at night which will indirectly benefit employers. The university's role in creating a more educated workforce is extremely valuable. In addition, some employers may also use the University to enhance recruiting efforts. Having the continuing education resources of the University available is an unusual community amenity. The City and the university should continue to find ways to work with one another to augment resources available to both.

Furthermore, Asheville residents as well as employers may also draw upon the higher education resources present in the region, such as Western Carolina University, Appalachian State University, Mars Hill College, Warren Wilson College, Montreat College, and Brevard College.

Some of the comments about UNC-Asheville as expressed by employers and stakeholders are noted below:

"We rely on UNC Asheville and Western Carolina for nurses" (Mission Hospital)

"In recent years, the university is getting more involved in the community"

"UNC-Asheville did an economic assessment and determined that it has an $84 million impact (direct and indirect) on the community"

"UNC-Asheville has an immediate need for more student housing"

"UNC-Asheville houses the NC Center for Creative Retirement which enhances the opportunities for retired persons to contribute and become involved in the community"

Areas of Mixed Responses

Labor Productivity and Work Ethic: Mixed

SIGNIFICANCE

Labor productivity remains a critical factor in the decision to expand an existing operation, close and relocate a facility, or develop a new facility in a different location. Despite the increasing application of new labor-saving technology and increasing capital intensity, labor continues to be among the top cost factors for most operations. Labor conditions are among the key primary factors examined in the initial stages of analysis when companies and location consultants consider an area for a potential existing facility expansion or new facility location. Labor productivity is analyzed in several ways, including composition of the labor force, absenteeism and turnover rates and employer comments.

Lockwood Greene interviews with local employers revealed mixed opinions about the productivity of the labor force in Asheville. Some local employers rated their workers as the best in the industry while others report work ethic problems and high turnover rates. The variance in the responses is attributable to a variety of reasons such as the diversity of occupations, working conditions, pay level, quality of benefits, treatment of the workers, reputation of the company, and the nature and quality of the employer. Furthermore, the low unemployment rate in Asheville contributes to the labor problems facing local employers.

The following comments were revealed during LGC interviews of local employers:

"Our labor productivity is good – one of the best, the quality of workers is very good"

"Labor productivity is above average, and quality of workers (work attitudes, education, cooperation, etc) is average to above average"

"Labor productivity and work attitudes are good but absenteeism is a problem – although that's a fact of life"

"Attitudes are good, education is fair, and cooperation is good, productivity is very good"

Results from Wadley Donovan's study of the local labor force in Asheville indicate local employers are generally satisfied with the quality of their labor force. Wadley Donovan's study revealed that Asheville employers rated their employees' basic skill levels as average, and their work ethic and productivity as above average. However, employer ratings of employee turnover and absenteeism were generally rated as poor and in need of improvement. Lockwood Greene interview results were consistent with these findings. Since some labor characteristics were rated as above average and some were rated as below average – they tend to cancel each other out for a final rating of neutral or average. Therefore, for all of the above reasons productivity and work ethic fall into an area of mixed results in this evaluation as neither a strength nor a weakness.

Labor Availability: Mixed

SIGNIFICANCE

Labor availability is critical to all site location projects since it influences labor cost, turnover and productivity. Lockwood Greene Consulting analyzes labor availability for its clients in several ways, including overall size of the labor force, commuting distances, unemployment rates, composition of the area employment base and employer comments.

Local industrial employers report that the labor market in the Asheville area is tight, but that good labor is not altogether unobtainable. As of July 1999, the unemployment rate in Buncombe County was at 2.2 percent. Local employers reveal that it is becoming more and more difficult to attract workers, especially in certain skilled occupations such as electricians and machinists. Employers indicate that increasing recruitment and retention efforts have helped to lessen the severity of the situation. Employers must now go to far greater lengths to find quality applicants. Asheville employers believe their labor situation is for the most part just a product of the national trend toward full employment or very low unemployment rates.

Employers looking to fill upper-level office / management oriented positions have fewer problems finding the workers they need in the Asheville area. There is a pool of retired but active persons who still want to remain in the workforce, as well as a dearth of jobs in this sector in Asheville, making the

labor force more plentiful and more competitive for these jobs. However, according to Asheville area employers, office positions such as office support staff, legal secretarial positions, clerks, and phone workers are also becoming more difficult to fill and retain. During peak seasons when large numbers of extra workers are needed, call centers located in the County have experienced labor availability problems. Although generally during most of the year, they do not experience labor problems.

The situation in Asheville is not unique to the area. Asheville's labor market situation is consistent with the nationwide trend toward full employment, which is prevalent in many areas of the country. LGC rates the labor availability situation as neither a strength nor a weakness.

The following comments regarding the Asheville labor market area were expressed by local employers during our interview process:

"If we don't get more industry inside Asheville, we won't have a workforce to keep a manufacturing base – we need less service jobs"

"Major problems are retaining employees and finding qualified applicants" (mfg. Employer)

"Generally, we receive a good level of response when we advertise for openings" (Call Center Employer)

"We would continue to grow if we could find labor" (Mfg. Employer)

"We are losing workers to restaurants… recruiting is a major problem" (mfg. Employer)

"To get workers, we must have affordable housing"

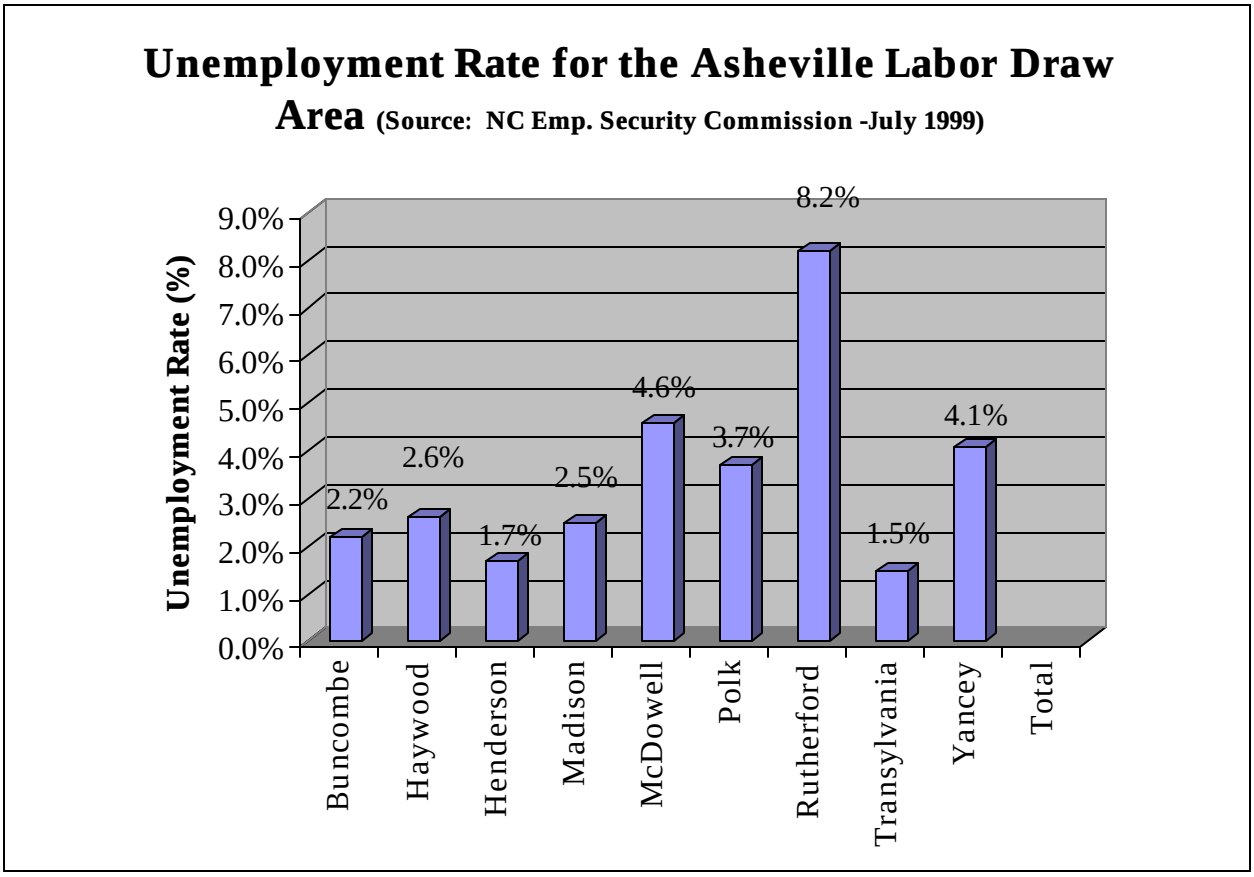
"Problem finding skilled workers (electricians, machinists, etc)"

The following charts demonstrate the low unemployment rates in the Asheville labor draw area.

Labor Force for The Asheville Labor Draw Area

County	Labor Force	Employed	Unemployed	Unemp Rate
Buncombe	103,600	101,340	2,260	2.2%
Haywood	25,310	24,640	670	2.6%
Henderson	36,230	35,630	600	1.7%
Madison	9,110	8,880	230	2.5%
McDowell	20,650	19,690	960	4.6%
Polk	7,630	7,350	280	3.7%
Rutherford	30,890	28,360	2,530	8.2%
Transylvania	11,680	11,510	170	1.5%
Yancey	6,510	6,240	270	4.1%
Total	**251,610**	**243,640**	**7,970**	

Source: Employment Security Commission of North Carolina
As of July 1999


Unemployment Rate for the Asheville Labor Draw Area (Source: NC Emp. Security Commission -July 1999)
Unemployment Rate (%)
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
2.2%
2.6%
1.7%
2.5%
4.6%
3.7%
8.2%
1.5%
4.1%
Buncombe
Haywood
Henderson
Madison
McDowell
Polk
Rutherford
Transylvania
Yancey
Total

Air Transportation: Mixed

SIGNIFICANCE

For many firms, ready access to a major commercial airport is important. This proximity expedites the movement of managerial staff between facilities, enables customers to be readily served, and ensures timely delivery of air cargo and small packages. Frequently, a relocating firm will require a new location to be within an hour to an hour and a half from a major airport. Air access is likely to grow in significance as a locational factor.

Although the presence of the Asheville Regional Airport is a strength of the region, many stakeholders and employers we interviewed are unsatisfied with the reliability and cost of the local air service. Furthermore, over 53 percent of citizens responding to the LGC citizen survey in the newspaper ranked commercial air service as an area in which they were "most unsatisfied". In this citizen survey, air service registered as seventh on the list of the top ten weaknesses. However, at the same time, the airport also provides many advantages to the region.

The following comments regarding the commercial air service were expressed during our interview process:

"The local commercial air service puts us at a disadvantage – its too expensive – we might as well drive to Atlanta"

"Air transportation was the main reason we were leaving Asheville – flights in and out of Asheville are frequently cancelled and often unreliable"

"Air service is too expensive – it puts us at a disadvantage"

Although there is some dissatisfaction regarding cost and reliability of service as noted above, the Asheville Regional Airport provides many advantages to the community. The Asheville Regional Airport is the only commercial air service airport in Western North Carolina with an average of 27 flights a day to its hub airports of Atlanta, Charlotte, Cincinnati, Pittsburg, and Raleigh. A traveler can fly to Asheville from 180 U.S. cities and 40 international cities with just one connection. Commercial air service is provided by US Airways, US Airways Express (Piedmont and CCAir), and Delta Connections (ASA and Comair). The primary runway is 8,001 feet long, and 150 feet wide capable of serving large jet aircraft. Furthermore, the Asheville Regional Airport is currently conducting a "Fare Watch Program" which aims to monitor fares between Asheville's top 10 markets and Greenville/Spartanburg with a goal to keep Asheville fares with $20 of Greenville fares (Asheville Regional Airport Authority). As demonstrated by this program, the Airport Authority is aware of the cost issue and is taking strides to keep flight cost competitive. For all of the above reasons plus the cost and reliability issues, air service in Asheville is evaluated as neutral in this assessment.

Lack of Unified Vision/Direction for Economic Development: Mixed

SIGNIFICANCE

The disposition of a community or region to economic development, its cooperation and concern for existing businesses and industry, and its competitiveness in attracting expanding and relocating companies are all evaluated closely by companies during the site selection process. However, many factors affect the economic development efforts. Furthermore, the effectiveness of the local economic development organizations, their funding levels, and their leadership greatly contribute to the economic development climate of any given region.

What strikes the outsider about Asheville is the diversity of opinions expressed about the community's future. LGC discovered during our interviews of over 60 employers and stakeholders that Asheville has an extremely active and diverse resident population. Views on economic development vary widely and there are many people involved in a variety of community action oriented campaigns and advocacy groups. Analogous to "single issue" voters, it appears that many people have a specific issue they care deeply about and have dedicated volunteer time and efforts to work toward their particular goals.

Attitudes toward economic development are generally mixed. Some interviewees believe Asheville should focus on tourism as its main business

recruitment focus, whereas, others believe that the City needs more manufacturing jobs in order to elevate wage and skill opportunities for the workforce. Others believe attention to the potential development of the French Broad River is the way to bring sustainable development to Asheville. Yet others think continued downtown revitalization will have the greatest impact on Asheville's prosperity. As demonstrated, economic development means different things to different people and opinions regarding how to go about achieving quality economic development are as diverse as the definition itself.

Therefore, because of the attitudinal diversity present in Asheville, it is sometimes a challenging task to find unity or agreement on common projects that would be perceived as beneficial to all. This politically active, diverse environment makes it difficult for the City of Asheville to get enough people behind any single initiative to truly make a success out of it. Broad-based support is very difficult to achieve in this environment.

LGC also believes that since the Chamber of Commerce is primarily organized to market the area, the City economic development program should work toward "product development" – developing the product to sell. This arrangement would serve to clarify the roles of these economic development agencies, which would in turn present a more unified front to prospects as well as create a more effective economic development program for both agencies and the community as a whole. It is important to keep in

mind that successful communities are usually those with strong and united leadership and solid economic development programs.

The following comments, expressed during LGC interviews, illustrate the variance in opinions and views toward development priorities for the City:

"Asheville should recruit small to medium sized businesses – which are knowledge based – the area would be great for software development"

"There is hot-button diversity in this town… and you can't get enough people behind any single issues to make it work"

"Asheville needs to sell what it is, not what it is not"

"Some people want a big market, others want to shut the gates"

"The city is not big enough to get much bigger"

"If you bring in more industry – it will only reduce prosperity per person"

"City needs to focus on specific issues, issues arise because they try to appease everyone"

"There is 'class rage' here in Asheville – there are large discrepancies among classes, among those who retire to Asheville and those who don't want things to change and those who don't need a job…"

"New urbanism is the answer for Asheville... it will include the diversity in Asheville"
"The community is split with regard to economic development, many folks in Asheville don't want any growth and don't see growth as good – the city needs to reach a compromise with these people"

Electric Power Cost and Reliability: Mixed

SIGNIFICANCE:
Reliable electric power is vitally important to manufacturing and office facilities. Companies rely on a continual supply of adequate electricity to power production processes, run computers, and maintain heat and light. As new manufacturing plants grow more power intensive, electric power reliability is growing in importance. New sophisticated machine controls, large motors, and other types of equipment are particularly sensitive to even momentary outages. Given the importance of electric power, electric power costs are typically the most important utility cost for most manufacturing companies. The cost of electric power varies widely by geographic region, and is examined closely by corporate site seekers.

LGC interviews with local employers revealed mixed results in regard to electric power cost and reliability. Some local manufacturers expressed dissatisfaction with their service, whereas, for other Asheville establishments, electric power was not an issue. The dissatisfactions expressed were both about reliability and price.

The following comments were expressed during our interviews and demonstrate the variance in opinion among local Asheville employers with regard to their satisfaction with electric service.

"Power goes off about every 6 months or so for 1-3 hours – cost is fine, reliability is more of a problem"

"Electric power is expensive here compared to other states like Kentucky"

"Electric power has been a problem – we lose power frequently – last few snow storms we lost it for 3-4 days – cost is not the issues, it's the surges that can damage our equipment – power company has not been responsive to our calls"

"Electric power is a problem – power surges, CP&L is working on this"

Data from the Edison Electric Institute (see the following chart on Typical Electric Bills) demonstrates that the cost of electric power in Asheville is competitive for smaller demand users, but not as competitive for large, heavy industrial users. For example, the chart indicates that for companies with a 500 kW demand at 200,000 kWh per month, Carolina Power and Light Company charges $9,749, which is significantly lower than Duke Power Company's rate ($11,134) and North Carolina Power's rate ($11,280). In this case, Carolina Power and Light's price is also lower than the rates of many power companies in surrounding states, such as South Carolina Electric & Gas Co., which charges $11,554, and Georgia Power Co., which charges $12,576. In contrast, the chart shows that for higher demand industrial users, Carolina Power and Light Company rates are generally higher than other power companies in the region. For example, an electric bill for companies with a 10,000 kW demand at 6.5 million kWh per month from Carolina Power and Light Company is $294,710, which is significantly higher than the rates of other power companies that serve North Carolia, such as Nantahala Power & Light Company ($223,218) and North Carolina Power ($288,931). This rate is

also higher than those of other power companies in surrounding states, such as Old Dominion Power Co. in Virginia ($203,578) and South Carolina Electric & Gas Co. ($242,820). However, with this in mind, it is important to note that electric power contracts with large users are often negotiated and therefore, the rates may often be less, but discounted rate information is often not published.

Typical Industrial Electric Bills as of January 1, 1998

North Carolina	At 500 kW demand at 200,000 kWh per month	At 10,000 kW demand at 6.5 million kWh per month
Carolina Power & Light Co.	$9,749	$294,710
Duke Power Co.	$11,134	$288,744
Nantahala Power & Light Co.	$9,534	$223,218
North Carolina Power	$11,280	$288,931
Average	$10,424	$273,901

South Carolina		
South Carolina Electric & Gas Co.	$11,554	$242,820
Average	$10,906	$264,902

Virginia		
Appalachian Power Rate Area	$9,165	$192,043
Delmarva Power & Light Co.	$12,540	$368,730
Old Dominion Power Co.	$8,486	$203,578
Potomac Edison Co.	$10,092	$231,999
Virginia Power	$10,793	$249,205
Average	$10,215	$249,111

Georgia		
Georgia Power Co.	$12,576	$267,859
Savannah Electric & Power Co.	$10,328	$277,510
Average	$11,452	$272,685

Source: Edison Electric Institute

Water Supply, Water and Sewer Availability and Capacity: Mixed

SIGNIFICANCE

Lack of available water and sewer capacity are immediate elimination factors for many companies during the site selection process. Water availability is particularly important to such industries as food processing, chemical industries, chip manufacturing, and electronics. Sewer capacity is important to all types of industries and businesses. Availability of excess water and sewer capacity is also an indication of a community's readiness for economic development.

The evaluation of water resources in Asheville received a mixed rating for many reasons. Several important conditions exist which should be noted when considering the extent to which this factor received mixed results. First, separate authorities, which are independent of the city, control both the water system and the sewer system. Second, at the time our interviews were conducted (late April 1999), the Asheville area had very recently suffered through one of the longest droughts on record. The drought strained the water system reservoirs resulting in highly visible public awareness campaigns, etc. (i.e., daily headlines about number of day's supply left in reservoirs). Simultaneously, a new water source treatment plant thought to be on-line in time to alleviate such severe conditions experienced construction delays, further adding to the frustrations. That new plant is now on-line.

Therefore, at the time we conducted our interviews, residents and local employers alike commented on the need for improvement in water capacity, cost of water, and infrastructure replacement. Due to the addition of Mills River Plant, there is now good capacity for future growth although the cost of water and necessary long-term infrastructure replacements are still of valid concern to residents and employers. Although these factors appear as overall weaknesses in our evaluation of Asheville's water resources, it is important to note that efforts are underway to improve the situation. Two significant accomplishments have occurred within the last year which focus on improvement of the water system. First, a first-ever comprehensive list of needed improvements for the water system was developed, and second, a $3 million grant from the State of North Carolina for water systems improvements was awarded. Long term plans to augment the infrastructure in Asheville should continue to be pursued.

In sum, water resources in Asheville are given a mixed or neutral evaluation because while great improvements have been made in some areas (the addition of the new treatment plant significantly augmenting capacity), improvements are still needed in other areas (i.e. the need for long-term infrastructure improvements and cost reduction).

A table documenting the current water supply is displayed on the following page.

Water Supply

	Safe Yield
North Fork Reservoir	22 MGD
Bee Tree Reservoir	3 MGD
Mills River	5 MGD
Total	**30 MGD**

Treatment Capacity	41 MGD
1999 Average Consumption	21 MGD
1999 Peak Load	27 MGD
Excess Capacity	14 MGD

Source: Asheville Chamber of Commerce,
Asheville Water Resources Dept.

Weaknesses

Lack of Industrial Sites and the Cost of Real Estate: Weakness

SIGNIFICANCE:
A large portion of all site searches begins when the prospect comes to look at available sites or buildings. Therefore, shell or turnkey speculative buildings can be very important to the success of industrial recruitment efforts. Likewise, today many manufacturing and industrial operations seek modern campus-like industrial park settings for their new or expanding facilities, or look to the best prepared site with the most infrastructure. The stakes are high and the industrial prospect knows that what he or she cannot find in one community may be readily available in the next. Thus, to enhance competitiveness, a community should provide a mix of available speculative buildings and/or prepared sites and modern industrial parks with infrastructure consisting of rail service, wastewater treatment, gas, electricity, and nearby highway access.

For the following reasons, Asheville's industrial site inventory and cost of real estate are rated as weaknesses in this assessment:

- The natural topography and existing pattern of development in Asheville limits the availability of relatively level land outside the floodplain, which would otherwise be suitable for industrial sites.

- The few remaining available sites in the existing site inventory in Asheville and Buncombe County are small and lack the necessary acreage for even medium-sized industrial prospects.

- Due to the limited availability of developable raw land, the relatively strong demand from competing uses (retail commercial, service, office, etc.), and the relatively high cost of site preparation, the costs of acquiring and developing property largely prices Asheville out of the conventional industrial development market for most manufacturing firms.

- With the exception of the new Biltmore Park Corporate Technology Center, which addresses a very narrow segment of the industrial market, Asheville's supply of sites remaining in industrial/business parks is practically depleted. This puts Asheville at a significant competitive disadvantage for companies specifically looking for a "park/campus" environment.

- The one bright spot in the land and facility arena is in the office market, where the private sector is serving the market well. Asheville has a pool of relatively aggressive local commercial developers who are responsive to the suburban office market and appear to be well adapted to meeting the demand for this type of space.

Housing Availability and General Cost of Living: Weakness

SIGNIFICANCE

As companies seek to recruit and retain professionals and managers, the issue of housing availability and the general cost of living become increasingly important. Furthermore, the availability of a future workforce is dependent on the continually growing stock of housing for moderate-income families. This location factor generally becomes important in the analysis of final candidate communities for a new facility.

Lockwood Greene's employer and stakeholder interviews revealed that many residents feel the cost of living is particularly high for a community the size of Asheville. Many residents state that the cost of housing is especially expensive and that housing cost is the main reason for Asheville's high cost of living rankings. Many residents state that they would expect high housing cost in the Research Triangle or the Northeast, but not in Asheville.

Further analysis as to the causes for unusually higher housing costs is outside the scope of LGC's work. However, there are a number of reasons that are often discussed as root causes. On the supply side, the reasons offered include: mountainous terrain adding costs to site development and

foundation build-up, too much or too little regulatory environment as a disincentive to developers (both have been argued to be the culprit), influx of rich retirees and others (homebuilders doing well catering to custom-built market thus no incentive to speculate in lower price market), the NIMBY (not in my backyard) phenomenon regarding multi-family and low-moderate income rental housing. On the demand side, the primary reasons given relate to the predominance of low-wage jobs of a tourism and retiree-based economy which exacerbates the affordability gap.

The American Chamber of Commerce Researchers' Association (ACCRA) Cost of Living Index ranked Asheville's cost of living at 106.6 with a national average of 100. The index reflects cost differentials for a mid-management standard of living. In food, utilities, transportation, and miscellaneous, Asheville only ranked a few points above the national average, but for housing, Asheville received a 120. Health care was the only cost of living measure in which Asheville ranked below the average (93.5). Please see the chart on the following page.

ACCRA Cost of Living Index

Third Quarter, 1998

	All Items	Food	Housing	Utilities	Transp.	Heath Care	Misc.
Asheville	**106.6**	**100.7**	**120**	**102.6**	**104.6**	**93.5**	**101.6**
Charlotte, NC	99.1	98.9	100.2	96	97.8	98.2	99.6
Winston-Salem, NC	97	95.7	102.6	97.6	96.8	86	94.6
Raleigh/Durham, NC	101.8	98	109.5	109.5	95.3	99.8	99.5
Chapel Hill, NC	120.4	106.6	162	162	97	108.2	106.1
Charleston, SC	100.6	98.1	95.3	95.3	91.5	103.6	102.6
Columbia, SC	95.2	98.9	88.9	88.9	89	92.9	93
Chattanooga, TN	95.5	96.2	92.1	92.1	91.5	92.5	101.5
Johnson City, TN	93	93	91.3	91.3	86.3	87	96.8
Knoxville, TN	97.2	99.2	89.3	8.3	94.8	96.7	104.6
Richmond, VA	108.3	96.3	111.5	128.4	105.4	105	107.8
Roanoke, VA	96.8	96.1	99.9	87.6	89.4	95.7	99.1

Note: The average for metropolitan and non-metropolitan places is 100.
The index reflects costs for a midmanagement standard of living.

Source: Asheville Chamber of Commerce

The availability of housing for low income families, the cost of housing overall, and the level of wages and salaries paid locally were ranked among the top 10 weaknesses by respondents to Lockwood Greene's leadership survey on the economic development situation in Asheville. Over 85 percent of the respondents ranked availability of housing for low-income families as a weakness, making it the number one weakness on the list. Cost of housing ranked number four on the list of top 10 weaknesses with over 76 percent. Housing availability and cost also registered within the list of top 10 weaknesses as identified by citizens.

Furthermore, many industrial employers reported difficulties retaining workers because the cost of living is too high for some of their workers to make ends meet in Asheville. This was especially true for establishments paying at the low end of the wage scale or for unskilled workers making relatively low wages. Generally, wage rates in Asheville do not match the growing cost of living and rising housing cost.

The affordable Housing Market Study and Strategy for Asheville prepared for the Department of Community Development by Christian & Associates, reports that ownership housing prices have been rising at more than 7 percent annually over the past three years. Furthermore, proportionately more buyers in Asheville have been low to moderate income earners than in other regional markets.

The National Association of Home Builders' (NAHB) Housing Opportunity Index reports that 67.3 percent of the homes in the Asheville MSA are affordable for a family with the median income – which translates into 32.7 percent which are not affordable for the median income family. The Housing Opportunity Index is a measure of the percentage of homes sold in a given market that a family earning the median income in that market could afford to buy. Within the regional division of the South, Asheville ranks 51st out of 64 metropolitan areas ranked from most affordable to the least affordable. The 1998 fourth quarter NAHB statistics report the median family income in the Asheville MSA to be $40,500 and the median home sales price to be $112,000.

Coupled with these problems, it appears that there is a resistance to rental properties by area residents, and a resistance to build low-end to modest housing by area developers.

The chart on the following page displays average home sale prices in Asheville.

The Asheville Board of Realtors January 1999 figures reveal that the average home sale prices in the Asheville area are as follows:

Average Housing Costs

Average Home Sale Prices	
2 Bedroom House	$85,168
3 Bedroom House	$137,928
4 Bedroom House	$216,511
5+ Bedroom House	$257,991
2 Bedroom Condo	$103,251

Apartment Rental Rates	
1 Bedroom Apartment	$535 /mth
2 Bedroom Apartment	$625 /mth
3 Bedroom Apartment	$710 /mth

Source: Asheville Chamber of Commerce

The following comments regarding housing were expressed during LGC's interviews:

"Issues in Asheville include lack of affordable housing, starter homes are just not affordable, and there is a void of nice apartments for rent"

"Affordable Housing – we need to find ways for lower and middle classes to live – there are not enough modestly priced homes"

"The biggest concern among the citizens is the disparity among wage level and jobs – people need a broader wide range of job opportunities – since its costs so much to live here"

"Affordable housing may effect some people's decisions to move here – Asheville has the 2nd highest cost of living in the State of NC"

"Re: housing - we need loan pools with low interest to convince developers to build affordable housing – this all goes back to political leadership in my opinion"

"Re: housing – the developers are going for the big homes and not enough are building for low end – so the real answer is how to get them to change"

City Relations With Business and Industry: Weakness

LGC interviews revealed that some local employers in Asheville are unsatisfied with particular City of Asheville services, specifically, the City's development process. As this issue has been noted on other occasions and in previous studies, city management and staff have instituted several process improvements and are continuing to work toward solving the problems. The city manager has already directed appropriate staff to create an internal task force to review the entire process and make recommendations for changes. Also, communication efforts (such as regularly scheduled Development Forums) have been implemented with the development community to foster dialogue and to more effectively address problems.

The problems stem from the perception among industry that the City can be difficult to deal with and the development process is very slow. Perception may often speak louder than reality. Nevertheless, the City should continue to evaluate its development process in order to further streamline the process and make it more customer-friendly. At the same time, Asheville should work toward improving its image among industry. It will take time, consistent effort, and real, meaningful improvements to improve the City's image. However, it is important to note that during our interviews, many local employers acknowledged the situation was already improving.

The following comments were revealed during LGC's employer interviews:

"The city needs to reduce the problems with the development procedure and encourage businesses success"

"The perception of the City's development process is bad, but we haven't had any problems"

"City's development process is improving, but the system needs evaluation"

"Relationship with the City is strained because information is not shared – mistrust prevails"

"The downtown merchants group was formed because the downtown merchants felt the City was overlooking them.. but in the past three years, the relationship has improved."

"City gets so concerned with trees, they lose the forest"

"Some of Asheville's biggest issues are the lack of confidence among people for the City government and the lack of trust with City government"

"The County is too focused on tourism and they have not given enough to the manufacturing companies that have been here for years – with our history in Asheville, one would think we would get more attention"

Lack of Graduate Education and University Research in the Science/Engineering Disciplines: Weakness

SIGNIFICANCE

Advanced technology companies tend to cluster near major research-oriented universities. The research coming out of these institutions often results in entrepreneurial firms commercializing the product of this research. The proximity of graduates and faculty attracts companies who seek to employ this highly sought-after talent.

Lack of a major university with graduate programs in the sciences and engineering is not necessarily a weakness in many communities. However, LGC has identified it as a weakness for Asheville because of the interest among community leaders in pursuing advanced technology and knowledge-based industries.

Although Asheville is fortunate to have UNC- Asheville available locally, access to graduate programs and research activity is still limited. A graduate program in engineering is now available at UNC-A through NC State, which uses online and classroom activity for its engineering program. It has a new program called mechatronics that consists of computer science, mechanical engineering, and electrical engineering. This is certainly an asset for the community, and the growth of this program should assist in attracting firms that need continuing education for their engineering staff.

Although UNC-A offers an atmospheric sciences program that is used by the National Climatic Data Center (NCDC), this agency finds it difficult to attract and retain scientists because of the lack of graduate level programs in related sciences and the lack of comparable alternative jobs in the area. NCDC generally hires local UNC-A students at the entry level. However, the school's curriculum, particularly in meteorology, is not perceived as rigorous enough for the needs of the agency.

The impact of this weakness is the difficulty in attracting to Asheville companies involved in advanced technologies, such as biotechnology, telecommunications, environmental technology, computer sciences, and software development, etc.