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ECONOMIC DEVELOPMENT STRATEGIES FOR ORIGINAL EQUIPMENT MANUFACTURER COMMUNITIES IN NORTH CAROLINA

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Executive Summary

This document is prepared for NCGrowth, which is a university center operating within the Kenan Institute of Private Enterprise at the University of North Carolina. NCGrowth's mission is to help businesses and communities create good jobs and equitable opportunities through applied research and technical assistance. NCGrowth predominately works with communities in North Carolina, though they also spend time in partnership with localities in the Lowcountry of South Carolina.

NCGrowth's work focuses primarily on economic development. Other major subjects or topics of their work include business retention, strategic planning, and workforce development. Each of these sub-topics are relevant when considering issues that communities and existing businesses could face amidst the influx of new jobs and economic growth resulting from large employers choosing to locate in North Carolina.

This project originated from the Asheboro Chamber of Commerce approaching NCGrowth to deliver a workshop related to issues associated with the opening of Toyota's battery plant at the Greensboro-Randolph Megasite. The original idea for this project relied primarily on existing case studies to determine how communities with large automotive manufacturers captured economic output and supported existing manufacturers. It quickly became clear that those case studies were not available, and the project pivoted to a different but similar path.

The new path involved two different inquiries:

- (1) what can we learn from how local and regional chambers of commerce interact with the large automotive manufacturers in their region?
- (2) are there any interesting programs or strategies that aim to address issues such as using historically underutilized firms, supporting small businesses, and equitable economic growth generally?

To answer the first question, I spoke with a regional chamber of commerce and a local organization that works alongside its local chamber in two areas known for their large automotive manufacturer: Vance, Alabama and Greer, South Carolina. For the second question, I profiled a couple of interesting ideas (and secured interviews where possible) that speak to issues around equity in economic development.

This project is meant to highlight ideas that other communities and economic development groups have used in their own practice. Some of them would need tailoring for implementation in North Carolina communities, while others might be more straightforwardly applicable. My hope is that this document highlights aspects of these programs that spark an insight for the reader regarding how to address issues like business retention, using underutilized firms, and other relevant topics.

Ultimately, this project lands on a few main observations and recommendations for communities hosting OEMs. These include: (1) the focus in these communities is primarily on developing talent; (2) to grow this talent, chambers of commerce should develop a symbiotic relationship with the large employer in their region; (3) any workforce programs centering on education should seek to explicitly collaborate with industry and the K-12 system; (4) community benefits agreements may serve as a viable tool for avoiding preemption in states with conservative legislatures; and (5) developing an early warning network is a step that communities can immediately take to set themselves up to inject equity into their manufacturing sector.

North Carolina Background

North Carolina is in the midst of an economic development boom, with 2022 being a record year for both new jobs and investment in the state. In terms of employment growth, there was a net increase of about 190,000 total jobs, the most in one year since the early 1990s (Harrington & Levy, 2023). Governor Roy Cooper also announced more than 28,000 new jobs in future years, representing 182 business recruitment, expansion, or rural development projects. These projects will bring in more than \$19 billion in capital investment (Rhoades, 2023).

One key element to North Carolina's economic growth strategy is the attraction of large manufacturers to occupy its industrial megasites. Two out of every three new, relocation, or expansion projects announced in the past year were manufacturing operations (Parker, 2022). Of these projects, large manufacturers in the clean energy space have received particular attention. For instance, Governor Cooper highlighted the growth of North Carolina's electric vehicle industry in his most recent State of the State speech (2023). President Biden was also sure to mention North Carolina's investment in manufacturing in a March 2023 visit (Ruggles, 2023).

One example of clean energy investment in North Carolina is Toyota's electric vehicle battery operation. In December 2021, Toyota announced that it planned to invest \$1.29 billion into a new North Carolina plant, eventually employing approximately 1,750 people. In August 2022, the company more than doubled its investment, pledging another \$2.5 billion towards an expansion that will create an additional 350 jobs (Boudette, 2022). Hiring has already begun for the project, though Toyota will not begin manufacturing on site until 2025 (Crews, 2023). The Toyota electric vehicle battery plant will be located at the Greensboro-Randolph Megasite and projects to have an immense impact on the surrounding region.

While the entire region will be affected, one county that hopes to benefit most from the jobs and investment by Toyota is the namesake of the megasite—Randolph County. Randolph County has a population of more than 144,000, with a labor force of about 65,000 people (“Demographics”). The median household income is \$51,598, which is significantly less than the state median of \$60,516. The countywide poverty level (13.5%) is only slightly higher than the statewide figure (13.4%) according to the US Census Bureau (Quick Facts, 2023). However, other sources such as the NC Rural Center report a larger discrepancy, with 14.6% of Randolph County residents below the poverty line (“County Data, Randolph”).

Given the benefits that large employers can bring to a region, one common concern is *who* exactly will benefit from the economic growth. While there are numerous studies about the economic impacts of large development projects on states and larger regions, there are fewer that measure how much of that impact is captured by specific localities and/or groups within those localities. This research gap can be attributed, in part, to the difficulties posed by the time lag between observable development and the siting of a large employer. Another issue—particularly in non-urban areas—is the lack of adequate and/or sophisticated datasets in small towns and rural areas that pose a challenge for longitudinal studies.

Granting those difficulties, one study that does attempt to address the issue by Ghosh and Chifos examined the land use effects of a Toyota manufacturing plant on rural counties in Kentucky over three decades to determine how much growth was attributable to the site (2017). Part of their conclusion included that the residential, retail, and other support and commercial services that develop five-to-ten years after siting tend to gravitate towards the urban parts of the region. Thus, more often than not, the rural areas in the same region do not see or benefit from that growth. This, in turn, can make it difficult for the rural host county to “recover losses from tax breaks given to corporations and to gain the impetus for local growth and tax base expansion.” While the study acknowledges that the issue can be addressed through intentional local

development policies and planning, it does not go into much detail about what that would look like in practice.

In another recent working paper, Qian and Tan attempt to answer the question of what happens to incumbent residents following the entry of a large high-skilled firm to a community (2021). To do so, the authors constructed a dataset of 391 such entries in the U.S. from 1990 to 2010. They then followed incumbent residents over thirteen years using microdata including address histories, property characteristics, and financial records. In short, they conclude that the net impact of high-skilled firm entry is generally positive. Looking at *who* benefits reveals that high-skilled incumbents, particularly those who are homeowners, benefit substantially from the entry of these firms. Low-skilled homeowners also benefit, though to a lesser extent. Finally, low-skilled renters are harmed, facing an annual welfare loss equal to a .2% decline in their wages one year prior to entry of the high-skilled firm.

Roadmap

This project is organized into a few distinct parts. First, I provide brief profiles on how organizations at both the regional and local level approach their relationships with the original equipment manufacturer (“OEM”) in their community. These profiles provide narratives that highlight how the organizations tackle more traditional topics like business retention, workforce development, and education.

I then move on to profile a few newer—and more unconventional—ideas for economic development in OEM communities. These ideas tend to focus on equitable development, including the use of historically underutilized businesses and business retention through an equity lens. While the ideas profiled could apply to businesses that operate within the supply chain of large employers like Toyota, they are equally viable outside of the OEM ecosystem. Both narrative sections—traditional and unconventional—provide a few high level takeaways at the conclusion of certain profiles. However, the primary purpose is to simply provide snapshots of the program or entity.

Finally, at the conclusion of this project, I summarize the most important observations gleaned from the narrative profiles. These observations are an attempt to make sense of the information uncovered in a way that may be applicable to North Carolina communities—particularly those that are nearby to the megasites driving economic development in the state. These observations will take the form of both general reflections and recommendations on the macro level, as opposed to the takeaways that were specific to each profile.

Traditional Strategies in OEM Communities

Business Retention in Greer, SC: the Greer Development Corporation

The purpose of this section is not to highlight a particular program. Rather, this section is meant to profile how one organization approaches a particular area of concern in a region that hosts a major automotive plant. In this case, the organization is the Greer Development Corporation, the area of concern is business retention, and the location is Greer, South Carolina, which is within close proximity to the state's BMW plant. Through speaking with the organization's Executive Director about their business retention philosophy and strategy, I will provide one example, for better or worse, of how an organization approaches business retention near a large manufacturer.

What is the Greer Development Corporation?

The Greer Development Corporation ("GDC") is a 501(c)(4) non-profit organization that operates as a public/private partnership. The GDC's operating partners include the City of Greer, the Greater Greer Chamber of Commerce, and numerous private sector businesses. The organization is governed by a nine-member board of directors representing the various partners and has three full-time staff members who focus on economic development. Their job titles include Executive Director, Marketing Director, and Chief Engagement Officer. The GDC maintains an annual budget of approximately \$400,000 to carry out annual objectives ("About - Greer Development Corporation").

Greer and BMW

Greer is an appropriate location to examine because of its proximity to a major automotive manufacturing plant. In 1992, BMW announced that it would locate its first North American production plant on 900 acres just outside the Greenville-Spartanburg airport. The announcement came as the textile industry that Spartanburg County had relied on collapsed, leaving 25,000 people in the county unemployed, according to Councilman David Britt. Two years after the announcement, the first BMW rolled off the production line in Greer (Hughes, 2023).

Since 1990, Greer has grown from fewer than 12,000 residents to more than 32,000 ("Greer, SC"). Spartanburg County has experienced similar growth, adding 109,000 people in the same time frame (Hughes, 2023). On both the city and county level, manufacturing is the largest employment sector for residents ("Greer, SC"). As of 2016, for Spartanburg County as a whole, there were approximately 1,700 manufacturing establishments, the vast majority of which employed less than 100 employees ("Greer, SC"). BMW is by far the largest of these businesses, with 11,000 on site jobs in its 8 million square foot facility (Plant Spartanburg).

GDC's Business Retention Framework

According to Reno Deaton, Executive Director of the GDC, the organization works within four primary areas: (1) business retention; (2) new business recruiting; (3) marketing; and (4) product development. Of these, Deaton described business retention as the most important function of the GDC:

"The most important of these functions is the business retention function. The opportunity to keep businesses that are already here instead of having to bring in new business is the most important thing. Keeping those businesses here means we continue the investment in

our community and keep residents employed without interruption.” (Personal Interview, Reno Deaton)

The business retention framework that the GDC follows is traditional compared to how economic development organizations typically approach this issue. There is a staff member whose primary function is retention. That person goes through the process of setting up visits to Greer’s existing industries on a first round basis. Then, after learning and understanding what those businesses’ challenges and opportunities are relative to the current business climate, they determine which immediate challenges GDC can address.

The GDC also makes referrals and provides resources for existing businesses. However, their primary goal is mining data from site visits to develop a set of programs that will then help them effectively approach the second round of visits. Between the first and second visits, the GDC analyzes how to make critical issues that they have identified as common among industries more solvable and fixable:

“So, you may go out the first round, and you clean up [a company’s] workforce and supply chain and sustainability, which is, in our case, the three big issues. And so, then we’ll design some programs to address those things. And then the third go around, during years to three to five, is about making sure that they’re now plugging in [to our suggestions], and we’re staying up to date on those issues.” (Personal Interview, Reno Deaton)

It is unclear whether there was a novel or targeted business retention strategy in the immediate aftermath of BMW’s initial announcement and opening in 1994. While Deaton was not living and working in Greer for the initial wave of development that followed BMW’s arrival, he has been in his position for expansions and additional investments. For instance, BMW announced in 2022 that it would invest \$1.7 billion into the state as it shifts to focusing on electric vehicles. That investment includes a \$1 billion addition to the Greer factory and \$700 million for an electric-battery plant to be built nearby. The Greer expansion will add an unspecified number of workers while the electric battery plant will employ 300 beginning in a few years (Krisher and Collins, 2022). Considering these looming changes, I asked Deaton about the challenges that these expansions present relative to business retention to try to get a sense for whether those circumstances will alter the GDC’s strategy. His response:

“[The challenges will be] all about talent, talent, talent. You know, certainly the overall economic climate here in our community is much different than it was when BMW first opened. Right now, we have an unemployment rate under 3%, which in many cases means basically full employment. I mean, if you want a job at 2.5% unemployment, you’ve got it. Juxtapose that with when BMW first located in South Carolina. They were hiring people from all kinds of disciplines. Teachers would go to work there, police officers would go to work there. And today, the climate is different, the expectation, not from the just from the [original equipment manufacturer], but from all suppliers, is the person who applies for a job will have a certain base level skill relative to the job that they’ll be asked to do.” (Personal Interview, Reno Deaton).

While Deaton acknowledged that there are clear differences between the implications for business retention now than when BMW first opened, he also harped on the fact that, at the end of the day, it’s all about talent. While the focus closer to the opening of a large employer in the region might need to be on backfilling talent to those businesses that lose employees, the focus at this point is more on upskilling and providing the large employer with the baseline level of talent that it needs.

On the equity side, there was no indication that the GDC looks to provide more services to particular businesses or targets who they reach out to in particular ways. When asked about the topic, Deaton answered

by simply noting that they want to bring programming that is available to all industries in Greer. Further, he stated that the GDC tries to instill values around equity into all of the industries that they serve by way of the programming they provide. However, he framed most of his answer around welcoming people who move into the area from other regions and recognizing their cultural diversity rather than strategies for assisting particular firms or groups already present within the community.

I also posed the question to Deaton about what the GDC's priorities would be if they *were* in the situation of a major employer like BMW opening (rather than expanding) in Greer. He listed a few responses, all in line with the earlier focus on talent:

- 1) “[M]ake sure all of the training resources that might be offered by partners on the state level and beyond are in place, and that there's a very seamless onboarding process for employees who are going to choose to move in that direction [of accepting employment at BMW].”
- 2) “There will be repositioning from other industries. Take the hospitality industry. The new restaurant opens and all the waitstaff from the other restaurants want to go over to the new restaurant. It's new, and it's different. I think some of that to a certain degree can happen on the industrial front as well. And, so, as those positions are vacated, what are we doing to make sure that those other industries have training resources, attraction resources, to make sure that they're pipelining people in the right direction?”
- 3) “[A]s a community, what are we doing to market to talent from outside the community? As soon as jobs become available, people from all over, become interested. And so, what are we doing to make sure that we're providing the resource for them to move here to locate here to get pipeline in the available jobs, and to become part of the community and to enrich the community in the way that they uniquely can?”

Finally, Deaton emphasized the importance of partnerships. The GDC is a small organization of three staff members, with only one dedicated to leading retention efforts. That means that the GDC must connect with resources available on other governmental levels—the county, the region, and the state.

Principles for an Effective Partnership: West Alabama Chamber of Commerce and Mercedes-Benz

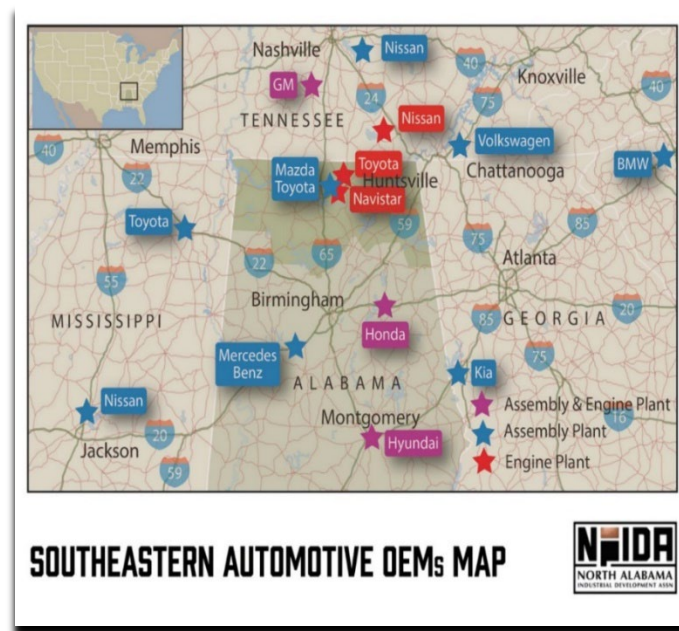
Alabama Snapshot

In the last thirty years, Alabama has established itself as a leading southern state in automobile manufacturing. Current employment in Alabama's automotive manufacturing sector is approaching 40,000 employees, up from only a few thousand in the early 1990s. More than half of those jobs are in the state's automotive supplier network, which is itself composed of about 150 Tier 1 and 2 suppliers. In 2022, exports of Alabama-made vehicles and parts exceeded \$9 billion, making it the number three auto exporting state in the country (“Automotive”).

In particular, Mercedes-Benz's decision in 1993 to open its only U.S. auto assembly plant in Alabama was a game changer. Since then, Honda, Hyundai, and Toyota have also joined Alabama's auto manufacturing industry. In total, Alabama currently has six major automotive original equipment manufacturers (“OEM”).

Four of those are assembly plants, while two are engine assembly manufacturers (Toyota and Navistar) (“Alabama Manufacturers”, 2021).

One 2016 study found that the automotive industry and expansion of automotive exports has had a strong impact on auto-plant-based counties. These benefits accrue primarily to counties in which the auto plants and their suppliers are located, with middle-income households being the largest gainers. This was true even in Black Belt counties, where poverty is most concentrated (Zhang et al., 2016).



Source: North Alabama Industrial Development Association

The Chamber of Commerce of West Alabama

The Chamber of Commerce of West Alabama (“CCWA”) is well known for its positive working relationship with Mercedes-Benz, which is the original equipment manufacturer (“OEM”) in the region. To gain a better understanding of what differentiates the CCWA from other regional chambers in the state—and, for that matter, the country—I spent a short part of my interview with Donny Jones asking about the relationship. Jones is the Executive Vice President & Chief Workforce Officer for the Chamber of Commerce of West Alabama. He is also the primary contact for the relationship between the CCWA and Mercedes, whose plant is located in Vance, Alabama (Personal Interview, Donny Jones, 3/20/2023).

According to Jones, the dividing line at which the relationship between the Chamber and Mercedes became what it is today is 2014. Prior to then, the two had what he describes as a typical relationship. Mercedes might sponsor an event here or there but was otherwise not regularly involved. In 2014, West AlabamaWorks (“WAW”) was established with the explicit goal of improving and focusing on workforce development in the region (Blankenship 2018). WAW now works in tandem with the CCWA and supports economic and workforce training activities throughout the nine-county region (“About Us”). WAW and the CCWA have an overlapping relationship, demonstrated by the fact that Donny Jones is also the Executive Director of WAW in addition to his role at the CCWA.

There are two key elements of the CCWA and its relationship with Mercedes that stood out during our conversations: (1) the symbiotic relationship between the two and (2) their focus on education.

First, the relationship between the two is explicitly symbiotic, with Jones referring to it as a “marriage-type relationship.” To illustrate the point, Jones pointed out that the CCWA’s Vice Chair for Education and Workforce Development is Mercedes’ Chief of Staff. Jones himself also has reciprocal access to Mercedes, as he often walks the floor of the Vance plant itself and works with Mercedes directly on developing training programs. Jones is also on Mercedes’ advisory board (Personal Interview, Donny Jones, 3/20/2023).

Further, many of the Chamber’s programs provided to the nine-county region by the CCWA and WAW are industry-led, with Mercedes as an active participant. These programs have led to more than 1,000 permanent employment placements at Mercedes in the last eighteen months (Personal Interview, Donny Jones, 3/20/2023). This type of relationship makes logical sense: manufacturing is the region’s leading employer, with Mercedes driving much of that through direct employment and suppliers. WAW’s State of the Workforce Report further echoes the industry-led ideal, saying that “[e]mployers should be an integral part of planning for training as they can help identify future skill needs and any existing gaps.” (Addy et al., 2021).

The symbiotic relationship extends past issues of pure employment. Three of the larger initiatives that the CCWA is working on right now are childcare, housing, and transportation. Jones emphasized each of these issues for their impact on OEMs and large employers, in addition to their general importance. Mercedes has aligned with the CCWA specifically because of the impact those topics have on employees. For example, the CCWA has worked with Mercedes to try to make their on-site childcare center more impactful for the past two years (though there was not time to delve into what exactly that means from a strategy standpoint in our interview).

The second element that seems clear is a focus on education. This focus is, in part, because educational attainment in the WAW region is lower than the rest of the state. Between 2015 and 2019, the region (85.9%) had a lower high school graduation rate for residents twenty-five and over than Alabama as a whole (86.2%). Similarly, the region (23.8%) lagged behind the state (25.5%) on attainment of a bachelor’s degree or higher. In WAW’s own words: “Improving education is vital because a highly educated and productive workforce is a critical economic development asset.” (Addy et al., 2021). One of the more explicit examples of this focus on education—as well as the symbiotic nature of the relationship between all parties—is explored further in the next section (Re-Engaging K-12).

I also asked Jones about how the CCWA approaches other areas of interest. Regarding business retention and how the CCWA supports existing businesses amidst the growth in the region, the CCWA’s approach seems fairly passive. Jones acknowledged that the growth in the region has created some concern for how individual business will be impacted. As one example, Jones was planning to announce a new manufacturer coming to the region a few days after we spoke that would create approximately 180 skilled trade jobs. He had already received calls from employers in the area worried about how that could harm their businesses. Jones’ response to the concerns: “there’s nothing that we’re doing for the new employer that we can’t do for you as well. You just have to come to the table and ask.” (Personal Interview, Donny Jones, 3/20/23).

Jones acknowledged that some of the concern from these businesses is around competition for employees. While he agrees that an OEM coming into the community may poach skilled trades employees from other businesses, he thinks that communities should be paying closer attention to subsidiary tier suppliers and logistics, as those are the follow-on companies that will directly compete for employees with industries like food service and hospitality:

“There are roughly 30,000 [jobs] tied to the Mercedes plant, where there are only 5,000 employees. So, for every one job at the OEM, you’ve got at least five jobs added on top of that in the form of a service contract in a logistics contract, or a tier one, two, or three

supplier contract. That is where all the [harm] takes place . . . those hourly wage levels start impacting your small businesses, your medium sized businesses, and your hospitality and tourism business.” (Personal Interview, Donny Jones, 3/20/2023).

Finally, Jones suggested that other chambers of commerce could benefit from becoming more hands-on and involved in the workforce space. For instance, he believes that communities don’t move quickly enough to get suppliers up and running before an OEM begins production, which affects the entire ecosystem. This is partly because local groups like the chamber of commerce focus only on the immediate impacts of the large employer, as they don’t have a true understanding of the larger picture: “Most chambers kind of understand it. But they don't have a true grasp [on how interconnected this all is] because they don't work in the workforce space. They just deliver workforce programs. That’s the big difference between us and other chambers, we actually are on the ground, in the foxhole. And we know the impact that an OEM has on a community as a whole.” (Personal Interview, Donny Jones, 3/20/2023).

Alabama itself is supportive of the CCWA’s approach. The state has contracted CCWA to go into the North Alabama region to begin working with Mazda Toyota’s assembly plant and Toyota’s engine production plant. Specifically, Alabama Industrial Development Training (“AIDT”), which is the state’s workforce training agency for industrial development and ranks in the top five among all U.S. state workforce training programs (“Workforce & Training: AIDT”), wants the CCWA to build out their relational model between OEMs and chambers of commerce in other parts of the state (Personal Interview, Donny Jones, 3/20/2023). Considering that AIDT has already helped Alabama gain the number one ranking for South Central states in Site Selection’s 2023 Regional Workforce Development Rankings (Arend, 2023), that is a pretty resounding endorsement of the CCWA’s relationship with its OEM.

Ultimately, what has allowed the CCWA to improve its relationship with Mercedes is (1) its industry-led and symbiotic approach and (2) the explicit focus on education and workforce development. Moving forward, Donny Jones has communicated his willingness to meet with chambers from other regions, including those that are preparing for their own incoming OEM, to discuss the CCWA’s approach and philosophy.

Re-Engaging K-12: Alabama’s Modern Manufacturing Program

The Modern Manufacturing Program (“MMP”) is included in this document for a few key reasons. First, it interfaces specifically with Alabama’s automotive industry, providing a model for the multiple electric vehicle megasites opening in North Carolina. Second, it is a model that can be easily targeted in an equitable manner by offering scholarships or piloting the program in particular regions. It is also a model that Toyota is already familiar with, as they are one of the OEMs in Alabama that is participating in the program. This familiarity could make it easier to work with Toyota to pilot a North Carolina version of the program in the Randolph County area. Finally, the MMP serves as an example of an industry-led initiative that further illustrates how the CCWA, WAW, and Mercedes work together (as discussed above).

Background of the MMP

West AlabamaWorks launched the Modern Manufacturing Program in 2021 as an industry-led initiative. Its mission is to prepare individuals for entry level manufacturing careers with the state’s OEMs and suppliers. The program can be applied in traditional high school career technical programs, dual enrollment programs, or adult education programs within the community college system. According to WAW’s

dedicated MMP website, there are currently almost 400 students participating in just that region alone (“Modern Manufacturing Center of Excellence”).

The MMP itself was conceived in a meeting with various logistics companies that supply large manufacturers in the region. Those groups communicated that one of their biggest needs was not just in advanced manufacturing, but also production, assembly, and the other more basic facets of manufacturing. That started a six-month back-and-forth process with logistics companies, suppliers, and Mercedes that resulted in the MMP (Personal Interview, Donny Jones, 2/16/2023).

The initial program was launched at Brookwood Career Technical Education Center, which is about ten miles from Mercedes’ location in Vance. The pilot program was completed by less than twenty students and was entirely funded through WAW (Personal Interview, Donny Jones, 2/16/2023). The response from industry was overwhelmingly positive, leading to expansion of the program and state funding via a consortium through the Alabama Automotive Manufacturing Association, which included Mazda, Toyota, Honda, and Hyundai. This funding helped create the Modern Manufacturing Center of Excellence at Brookwood, where there is a dedicated staff to evaluate the fidelity of the program as it expands.

The MMP does not focus only on advanced manufacturing. In fact, even its name is intended to distance it from the exclusiveness that accompanies terms like “advanced manufacturing.” As Donny Jones put it:

“You’ve got a lot of kids who are being missed in our education system who are not college material in the traditional sense, meaning they are the ones who [by choice or necessity] go directly into the workforce. Well, those kids don’t take [advanced placement] classes, and they don’t take advanced math and advanced everything else. That’s why we didn’t want to call this advanced manufacturing, because the name itself would be a negative to a lot of the kids that we’re trying to recruit into these courses. So, even the name had a lot of discussion and dialogue about it because we didn’t want to discourage some of the kids who could benefit the most from these courses.” (Personal Interview, Donny Jones, 2/16/2023).

Rather, the MMP prepares students for the baseline competencies that they need for various positions in the automobile manufacturing sector, with a continued track in advanced skills available after completion. The program follows a standardized process:

- 1) Students begin by taking an assessment to determine skills, learning style, interests, and aptitudes.
- 2) All students then take a workforce essentials course as the starting point, serving as an introduction to potential jobs, tools, and manufacturing opportunities tailored to students and identified through the initial test. Part of the workforce essentials piece of the program involves classes on soft skills, including interviewing and general day-to-day expectations of a large manufacturer.
- 3) Students then have the opportunity to work in a hands-on manner with vehicles donated by the nearby OEM. This takes place in labs built specifically for the needs of the OEM and suppliers in the region and incorporates modern education techniques such as the utilization of virtual reality learning.
- 4) Students finish with five-to-seven stackable credentials, the opportunity for an Associate in Applied Science (AAS) degree, and potential salaries upwards of \$40,000 per year, which is much more than the state’s median income of about \$30,000.

At this point, there are twenty-four schools across Alabama that participate in the program. According to Jones, the state funds at least four schools around each major OEM in the state. In WAW's nine-county region, there are seven schools participating in the MMP and at least ten schools will be added statewide in the next year (Personal Interview, Donny Jones, 2/16/2023).

Although the selection process for which high schools are chosen for the program is not currently targeted to specific communities, that is one eventual goal. Jones, commenting on the possibility of targeting this program in an equitable manner, went on further to say:

“I would love to say that eventually we'll get to that. At this point, we're just trying to find willing partners. Currently, we're targeting the major schools around the OEMs. We're targeting the major feeders where employees and their families live . . . Overall, it's been participation of the willing because some of this is pushing a boulder up a hill. Academia is not used to having a partner that's coming in and saying, ‘we want to help you do this, but you've got to do it the way that we've set it up.’ Sometimes academia doesn't really like being told how to do things, especially in the academic space. So, it's a changing of philosophy, and that takes a minute to sink in. That's why we're looking for those schools that want to be a part of this. And it's easier to get something started in areas that are willing to look at these processes and curriculum differently. There's a couple of schools out there that we would love to have involved in this program. But they want to control it. And that cannot happen because this is a business and industry-led model.” (Personal Interview, Donny Jones, 2/16/2023).

The MMP is also linked with apprenticeship programs offered by the state's OEMs. For example, Mercedes operates a Modern Manufacturing Apprenticeship that allows students aged sixteen and up to gain paid work experience at the Vance location. The program originally came “from the combined effort to create a program for a steady pipeline of production workers from a group of local manufacturers, Tuscaloosa County and Tuscaloosa City School Systems, Shelton State Community College (SSCC), and the Chamber of Commerce of West Alabama.” (“Modern Manufacturing Apprenticeship Program”). According to Jones, the programs are linked tightly enough that the head of the Mercedes apprenticeship program visits the MMP classrooms at least once per week (Personal Interview, Donny Jones, 3/20/2023).

The MMP is also a primary vehicle for employing workers for Mercedes' electric vehicle battery plant, which is close to the larger Vance plant. That battery plant plans to hire 600 people, though only 200 were employed as of 2022. As part of their plan to fill the gaps, Mercedes worked with the CCWA and WAW to attract high school and community college students to the jobs through the MMP (Thornton, 2022).

Applications for NC

North Carolina is particularly well-suited to apply the MMP model. The North Carolina Community College System (“NCCCS”) is comprised of fifty-eight colleges that are located within thirty miles of almost all North Carolinians (“NC Community Colleges”). The number of community colleges, which would be a primary partner for this type of program, is more than double the total in Alabama (“Alabama Community College System”).

Moreover, North Carolina is a leader in early colleges, which could prove useful in implementing the MMP model. Early colleges allow attendees to potentially finish high school with an associate degree, workforce credentials or certificates, and/or a handful of credits transferable to four-year universities (Bell et al., 2019). As of 2019, there were 133 early colleges in the state, with many located on the campus of a college or university. For example, STEM Early College is located on North Carolina A&T's campus in Greensboro.

Recently, Toyota donated \$1 million to be split between two recipients in Randolph County and Greensboro, one of which was North Carolina A&T. The donation will create the Toyota STEAM lab for K-12 students and A&T education majors (Hill, 2022). As previously mentioned, Toyota is also one of the OEMs that is involved in the MMP. While Toyota is already partnering with Greensboro Technical Community College and NC FAME for advanced manufacturing (Jonhson, 2023), additional students outside of the advanced manufacturing space could be targeted with a program like the MMP.

The MMP model also aligns with some of the goals identified in the NCCCS's strategic plan. The 2022-2026 Strategic plan identifies adding dual-enrollment opportunities—such as those provided by early colleges—as an important goal (2022). Moreover, the NCCCS has also identified other objectives around workforce development that could be met by the MMP model.

The NCCCS also recently received funding from the U.S. Department of Labor for ApprenticeshipNC over a four-year period. That funding is meant in part to build partnerships with HBCUs, which could go towards building a pilot program at locations like North Carolina A&T. Relatedly, setting aside diversity scholarships for continuing education from a program like the MMP into advanced manufacturing or further coursework at A&T could be a viable equity tool.

Lessons Learned and Key Takeaways

- 1) It is important to engage K-12 students in the state's manufacturing strategy. This is something that both Donny Jones and Dan Swinney (of Manufacturing Renaissance) mentioned in interviews for this project. In fact, Dan Swinney thinks that manufacturing principles should be taught even before high school:

“You want change in mindset in K-12 and beyond, where we have appropriate programs focusing on technology, on innovation, on teamwork, on product development, and so on. And that can be done. If you wait until just high school, you're missing the opportunity, because it takes a long time to change the mindset that students have, as well as their parents about the position of manufacturing. So, investment in education is critical.” (Personal Interview, Dan Swinney).

- 2) It is better to establish this type of program and accompanying career pathways for manufacturing sooner than later. The MMP was not developed until more than twenty-five years after the opening of the Mercedes plant in Vance. As Donny Jones put it: “if you don't have this [type of program] up and running by the time the site opens, then you have a problem” as the site expands.
- 3) Gaining the support of academia and school districts will be critical. Academia has provided the most institutional pushback in Alabama, particularly around curriculum. This is understandable, though not ideal for an industry-led initiative.
- 4) Once in place, the program can serve as a means for equitable development by targeting opportunities to communities and schools that need it most. With that said, one of the pushbacks that both Dan Swinney and Donny Jones mentioned involved concerns about tracking, which means sorting students into specific pathways based on achievement or ability. Making a program like the MMP optional and available only to students of a certain grade level could alleviate some of those concerns.

Equity-Focused Strategies

Re/Cast: Increasing Equity Through Targeted Succession Planning

Re/Cast was chosen for inclusion in this document for two reasons. First, it approaches business retention and equitable development in a novel way. This was one of the few programs I found that was explicit about its mission to increase representation and equity across racial and socioeconomic lines, thereby influencing *who* benefits from economic growth. That it does so by strategically facilitating succession planning was an approach I had never seen. Second, the idea behind Re/Cast is geared specifically towards manufacturing, which aligns with the initial topic proposal and could be helpful for North Carolina communities as the state continues to focus its economic development strategy on manufacturing.

Manufacturing Renaissance

Manufacturing Renaissance (“MR”) was founded by Dan Swinney in 1983 with a focus on “retaining and rebuilding the manufacturing sector for the benefit of our society.” (Swinney, 2021). The paradigm that MR wishes to create relies on several distinguishing features: the celebration of the dynamic and positive role of labor; an embrace of democratic and participatory forms of management; commitments to end poverty and discrimination; embracing affirmative action as an opportunity to recover stifled talent; and investment in education and workforce development infrastructure from pre-school forward; among others. These features inform the prototypes that MR has built over the years, including Re/Cast.

Chicago Focus and Re/Cast

The genesis of MR’s original idea for Re/Cast came partly from the organization’s original function. At first, MR was seen mostly as a “plant closing” organization, called in by various community groups to determine if an expected plant closing could be forestalled. Part of that assessment included determining whether there was a problem that (1) could be solved and (2) was worth solving based on the projected political or financial investment.

MR quickly recognized that many small manufacturing companies in the city were at risk of closing because an aging—often White—owner needed to retire but had no plan or successor in place. Dan Swinney noted that the model of ownership succession within families presented new problems in the 1980s, as children in line to inherit smaller manufacturers no longer had interest in the field. Since those manufacturers were often in the supply chain of larger companies, it created a problem “hidden in plain sight.” (Swinney, 2021).

After completing a 1989 study for the City of Chicago on 800 small companies with less than 250 employees and an owner who was fifty-five years or older, MR found that 40% of those companies were at risk of closing. They also recognized that Black and Latinx entrepreneurs had been excluded from the market by noting that 99% of the manufacturing companies in Illinois were owned by White people. A recent article about Re/Cast by Next City noted how this type of disproportionate representation in ownership can lead to diversity problems in the industry, observing that many small-to-mid sized businesses aspire for the family to take over the business. When that doesn’t happen, the business is already behind on finding a successor. This often leads to owners turning to their immediate networks, which are often predominately White. Three separate diversity and acquisition organizations said that these networks create a “high probability the company[ies] would be passed down to a white person.” (Udavant, 2021).

Those numbers presented an opportunity to demonstrate their “new paradigm” through saving these companies in an equitable manner. Thus, Chicago Focus was born as a subsidiary of MR that aimed to

“assist companies facing a succession challenge in being acquired by employees as well as Black and Latinx entrepreneurs” (Dan Swinney Interview). In doing so, it would immediately save jobs and contribute to business retention efforts in the city. Further, diversification of the ownership structures within the sector would give greater control of the assets to the community, as the ownership would more closely reflect the community’s makeup. Chicago Focus worked with Chicago United—who represented the interests of the Black community—and borrowed money from local foundations, raised funds, and hired a staff (Personal Interview, Dan Swinney).

Chicago Focus completed “seven or eight acquisitions” and began to make a name for itself within the city. However, the problem of capital quickly became clear:

“At one point, we just didn’t have the capital . . . we’re a non-profit organization, and most people in the non-profit community don’t have a clue about how to operate within a for-profit setting. Or they’re very skeptical about somebody with a background in community development being focused on acquisitions. That is still [an issue we run into]. So, we had a hard time raising capital to sustain the work.” (Personal Interview, Dan Swinney).

From a business retention perspective, the companies targeted were viable companies. Losing them to a succession issue would mean that not only did the entrepreneur who started the company lose their decades-long investment, but workers also lost their jobs. That, in turn, can fragment aspects of the supply chain (depending on which companies close). Dan Swinney believes that MR could have prevented 80% of closings that took place before Chicago Focus shut down in 1995 (Personal Interview, Dan Swinney).

After closing Chicago Focus, MR continued working on the essential building blocks for Re/Cast. For example, they published a 2002 paper that offered a framework for “identifying companies in risk of closing due to lack of a successor with the goal of identifying new local entrepreneurs committed to keeping companies open.” (Swinney, 2022).

In 2017, MR brought the succession planning idea back off the shelf with Re/Cast: Advisors in Manufacturing Succession. MR recommissioned their 1989 study and determined that 60% of the small companies with aging owners now faced a risk of closing, a significant uptick from the previous 40% (Swinney, 2021). Crucially, MR identified two areas of focus in their updated business plan: (1) creating an Early Warning Network (“EWN”) and (2) Diversifying Ownership:

(1) Early Warning Network: MR notes that succession issues can be handled successfully if identified and addressed in a timely manner. One example that MR constantly cites is Reempresa, a government-supported company based in Barcelona, Spain that facilitates hundreds of acquisitions of companies with succession challenges each year. Along with the Cook County Bureau of Economic Development, MR created the Cook County Early Warning Network (CCEWN) to begin this process. In the first three months, CCEWN reached out to over 700 companies to gather data.

The EWN uses two approaches in gathering data on specific companies. First, they employ purchased data resources (such as IBISWorld) that provide research on a macro level of what industries are at-risk. They then pair that with state labor market information to examine layoff trends by manufacturing subsector, providing a basis for targeted outreach. Second, and perhaps more traditionally, EWN uses its connections to community networks to secure information on companies.

With permission of the company, the EWN staff then meets with stakeholders to identify issues and proper forms of assistance, including financial restructuring; new market/diversification assistance; operational restructuring and cost management; workforce training; and, importantly, facilitating ownership transition where appropriate.

(2) *Diversifying Ownership:* with the facilitation of ownership transition, the EWN and Re/Cast can arrange the acquisition of companies by their employees, and by Black, Latinx, and Native American men and women. With ownership comes the ability to shape production, culture, and hiring around the values of the owner.

Re/Cast quickly established a target sub-group for its efforts. Its strategy was to find “healthy manufacturing companies that have aging owners, between 15 and 50 employees, \$2 million to \$15 million in sales, and potential for growth.” (Clogston and Kock, 2022). Although Re/Cast gained steam soon after its launch, the COVID-19 pandemic kept it from growing how MR planned, and it soon shuttered. However, MR is emerging with a new, more polished version of its original idea.

Current Proposal – Manufacturing Successions Solutions

Manufacturing Renaissance is now in the process of relaunching its Re/Cast initiative under a new name: Manufacturing Successions Solutions (MSS). MSS is proposed as a demonstration project that MR hopes will lead to replication of the project across the country. The new program will be based in three different cities: Chicago, Cincinnati, and Memphis. The primary partners for these sites include Manufacturing Renaissance (Chicago), the Minority Business Accelerator (Cincinnati), and the Black Business Association (Memphis). The Century Foundation will also play a role in assisting each of the sites and partners. The National Advisory Committee includes representatives from the primary site partners, as well as leaders from the Chicago Community Loan Fund, the African American Leadership and Policy Institute, and Reempresa (Swinney, 2022).

The vision laid out in MR’s proposal includes a possible timeline: Year 1 is dedicated to securing financing for the three-year project, selecting and training key staff, developing operating plans for increasing capacity, and other foundations of the project. MSS will also attempt to arrange one or two acquisitions in each city in the first year to establish momentum. Year 2 will see the creation of the Early Warning Network for this specific project, recruitment of entrepreneurs of color, and community forums to introduce the project in participating cities, and an additional two-to-five acquisitions in each city. Finally, Year 3 will hopefully see an uptick to ten-to-fifteen acquisitions in each city and a published case study, manual, and paper on policy recommendations for future iterations (Swinney, 2022).

Lessons Learned and Key Takeaways

- 1) It is imperative that any group attempting to put this idea into practice have adequate funding up front. Smaller prototypes like the original Chicago Focus and Re/Cast can be inefficient and expensive, exacerbating the issue of insufficient capital. Without the necessary amount of investment up front, prototype programs in the mold of Re/Cast are at greater risk of failing.
- 2) One particular program will not solve the root problem of lack of diversity in manufacturing. There must be a variety of programs that work together to build a working ecosystem dedicated to equitable development around the manufacturing sector. MR has a

vision for what these programs could look like and how they could work together to create a more equitable environment.

- 3) Partnerships with groups that represent the specific target communities are crucial for identifying and connecting with entrepreneurs to whom businesses can be transferred. While it is obviously important to identify potential opportunities for business transfer through an early warning network, without willing entrepreneurs who are ready to step in the sale cannot be completed.
- 4) When asked if he had advice for communities that might find this project interesting and worth pursuing, Dan Swinney identified a few key considerations:

“[A]nybody who wants to start a project like this has to recognize that there are a variety of things that you have to develop for this to be successful. That includes an early warning network, it includes a recognition by local government about the importance of supporting efforts on interventions, whether it's in succession, or whether it's in education . . . you need a development team with adequate sophistication and that shares your values and interests in retaining companies in the area rather than simply moving them. Finally, you need to be able to identify a pool of entrepreneurs who have the backing to sustain a company in the future.” (Personal Interview, Dan Swinney).

Philadelphia Anchors for Growth and Equity

This section profiles one region’s strategy for incorporating historically underutilized firms into the supply chain of local anchor institutions. In theory, as large employers occupy megasites and contribute to population growth within a given region, the needs of anchor institutions like hospitals and schools will also increase. This presents an opportunity to meet with those anchors to analyze opportunities for integrating local firms into their supply chain. Philadelphia Anchors for Growth and Equity (“PAGE”) represents one example of how this has been done, albeit specifically in an urban setting.

Program Description

PAGE is a collaborative effort between the Economy League, the City of Philadelphia, and more than a dozen Philadelphia-area institutions. PAGE’s goal is to utilize anchor institutions with a heavy presence in the community to bolster businesses owned by people of color. “Anchor institutions” include hospitals, universities, and other institutions with long-term investments in their community. The theory of PAGE is that these institutions can leverage their major purchasing power to grow and expand local businesses owned by people of color by working them into the supply chain. This theory promotes the utilization and potential growth of a community’s historically underutilized firms.

The founding members of PAGE are Philadelphia’s large educational and medical institutions. According to PAGE, the “34 universities and hospitals located in Philadelphia together spend \$5.3 billion on goods and services every year, but nearly half of [those] dollars are . . . spent outside of Philadelphia.” (“About Philadelphia Anchors for Growth and Equity”). Looking closer at the local business landscape indicates that at least \$530 million of those dollars spent outside of the city align with local market supply, creating a missed opportunity for local businesses. If only one quarter of those dollars were captured, PAGE

estimates that it would create 1,250 new manufacturing jobs and 4,000 indirect jobs in Philadelphia (“About Philadelphia Anchors for Growth and Equity”).

The process that PAGE follows is captured in a three-tiered framework:

(1) PAGE Research & Development

PAGE R&D works to build trust with local anchor institutions and assess their procurement spend. Further, they advocate for those institutions to shift where they spend their money and map out contract opportunities for local, diverse businesses.

Each partner institution provides their purchasing data for nineteen different industry categories, which PAGE then uses to put together a supplier landscape analysis. That analysis helps determine how much the institution was spending on local businesses in total and, specifically, Black-and-Brown-owned small businesses. PAGE then creates an individualized spend shift report to show where the anchor can begin spending their money locally on businesses associated with PAGE (Impact Report, 2022).

(2) PAGE Prep

PAGE Prep is the second tier and focuses on building capacity for Black-and-Brown-owned small businesses so that they can actually fulfill contracts with participating anchor institutions. This is one of the most significant barriers on the demand side, as many small businesses simply cannot keep up capacity to fulfill the volume that anchors need.

Part of how PAGE Prep supports local minority businesses grow their revenue and capacity is through tailored consulting services. These include: (1) facilitating introductions between minority-owned business and procurement leaders, supplier diversity managers, and local distributors; (2) supporting suppliers and anchors in navigating capital access bottlenecks; (3) pre-vetting to help diverse entrepreneurs understand contracts they are best managed to tackle; (4) providing insight on various sales processes and upcoming anchor opportunities; and (5) advising suppliers on potential new investments. PAGE supported fifty-nine businesses through consulting services and estimates that it contributed to \$35 million in contract revenue for minority suppliers through its consulting (Impact Report, 2022).

(3) PAGE Capital

Finally, PAGE Capital helps Black-and-Brown-owned small businesses connect and build relationships with the investment community. The ultimate goal of this tier is to create a cohort of both individual and institutional investors willing to advise, mentor, and invest in Black and Brown businesses. This is done by recruiting and informing investors, facilitating networks, and identifying specific types of capital needed so that the investors can be properly connected with PAGE Prep graduates.

PAGE Capital has also birthed what PAGE calls the Hurdle Fund. This was launched in 2022 to “eliminate small, low-cost hurdles—including insurance, equipment, certification, and more—that prevent minority-owned businesses from starting new or growing existing contracts with local institutions.” (Impact Report, 2022). Examples of Hurdle Fund grantees include Supreme Oasis Deli and Bakery, which received a grant to purchase a new machine to reduce labor hours for production of their pies, leading to an indefinite contract with a local retailer. Another company, PeopleJoy, received funding to implement security and integration enhancements to complete a contract with the University of Pennsylvania. In all, PAGE Capital handed out seven grants with a total value of \$127,500 in 2022 (Impact Report, 2022).

Holding Developers Accountable: Community Benefits Agreements

What are Community Benefits Agreements (CBAs)?

At the most basic level, a CBA is a legally enforceable contract, signed both by community groups and a developer, that sets forth a range of community benefits that the developer agrees to provide. The community groups ideally consist of organized representatives of the communities that will be most directly affected by the development. In exchange for the promised benefits, the community groups promise to support—or at the very least to remain neutral towards—the proposed project before the various government bodies that provide the necessary permits and subsidies for the developer (Gross et al., 2005). Since community opposition can influence regulatory approval and affect whether agencies are willing to help fund the project, CBAs stand as a particularly helpful tool with which the community can exert leverage on a developer.

Theoretically, community groups can attempt to negotiate for any benefits that they want. However, there are a variety of benefits that are commonly included in CBAs, including: (1) living wage requirements for workers employed in the development; (2) a “first source” hiring system, to target job opportunities in the development to residents of low-income neighborhoods; (3) space for neighborhood-serving child-care center; (4) construction of parks and recreational facilities; and (5) construction of affordable housing. The groups that become involved in negotiations may coalesce around particular salient issues or represent various interests, depending on the project.

The timing of CBA negotiations is fairly intuitive. CBAs are negotiated *prior* to governmental approval of a project when there is still some influence for the community to exert. Since CBAs are enforceable private contracts, attorneys will need to become involved to formalize the agreement.

Examples of CBAs in the South

Though CBAs are much more prevalent in California and other states outside of the South, there are still some examples that we can point to in the region. The two primary cases are the CBA negotiated for a new Major League Soccer arena in Nashville, TN, and another for an electric bus company in Anniston, AL.

1) Nashville Soccer Holdings and Stand Up Nashville

Probably the most prominent example of a Community Benefits Agreement in the South is Nashville’s CBA around its stadium project for the city’s new Major League Soccer (MLS) team. In 2017, MLS named the city as a potential site for an expansion team. The city council quickly approved a plan to issue \$225 million in revenue bonds for the project if selected. However, there were concerns regarding whether minority and women-owned businesses would receive contracts for the project—as well as other community frustrations—leading to initial public resistance (Porterfield, 2021).

One common underlying source of tension was the fact that Nashville’s accelerating growth worsened “racial and economic inequities that negatively impacted the city’s working-class communities.” Issues included lack of affordable housing, rising cost of living, and relatively low wages for public employees who worked in the city. Amidst this climate, the city was also dealing with threats from the Tennessee Senate to preempt local-hiring mandates passed by Nashville voters for contractors working on big-ticket, city-funded projects (Harrison, 2016).

To avoid state intervention, advocates and a small group of city council members worked towards a separate, private agreement with Nashville Soccer Holdings (which was heading the stadium project). The CBA involved broad coalition groups, including Stand Up Nashville (“SUN”) and various community

groups, churches, and neighborhood leaders. Each group contributed to the project in different ways. For example, SUN “researched upcoming construction projects, strong examples of CBAs from across the country, and state preemption. . . . [and] hosted conversations” with relevant stakeholders. City council members organized meetings with developers, signed letters supporting the CBA, and held off on a council vote for the development until community needs were met. The entire process ran from early 2017 to September 2018 (Porterfield, 2021).

What resulted was a CBA that included numerous community benefits:

- Setting aside 20% of housing units built at the development site as Affordable and Workforce Housing;
- Commitments to hire stadium workers directly from the community and paying at least \$15.50 per hour;
- A large childcare facility;
- Mandatory safety training for construction workers and supervisors;
- Inclusion of minority contractors;
- other benefits related to construction careers for those with barriers to employment.

To read the executed agreement, click [here](#).

One major takeaway from Nashville’s CBA is that it demonstrates how communities in the South can circumvent state preemption. As one case study notes: “States, particularly more conservative ones, may prevent local officials’ attempts to intervene or regulate community benefits agreements with private entities.” (Porterfield, 2021). By shifting the agreement to a private contract between the developer and community groups, this concern was mitigated and the city was able to pursue more equitable development.

2) *New Flyer and Jobs to Move America*

Another example of a CBA in the South can be found in the case of New Flyer of America Inc. (“New Flyer”), which is a heavy-duty bus manufacturer. Signed in May 2022, the agreement’s parties are New Flyer, Greater Birmingham Ministries (“GBM”), and Jobs to Move America (“JMA”). The CBA applies to New Flyer’s facilities in both Ontario, California and Anniston, Alabama, making it the first multi-state CBA (“JMA Press Conference”).

The CBA negotiated by the parties involves benefits such as ensuring that 45% of new hires at the plants were from historically disadvantaged groups. Further, 20% of promotions at each plant are reserved for members of those disadvantaged groups (Scheiber, 2022; Executed CBA, § 2.3). New Flyer also committed to not asking about applicants’ criminal history, bringing the Anniston plant into the same standards that are statutorily required by other states in which New Flyer operates (Executed CBA, § 2.2). Regarding enforcement, the parties agreed that tracking data would be released to coalition partners on a quarterly basis (Executed CBA, § 2.3.2). Other benefits included the development of a pre-apprenticeship program and technical training programs (Executed CBA, § 2.6–7). However, the agreement only lasts for five years and must be extended by mutual agreement on an annual basis after that term (Executed CBA, Art. X). To see the full executed CBA, click [here](#).

Pros and Cons of CBAs

There are multiple pros and cons to pursuing a Community Benefits Agreement as an equitable economic development strategy:

Pros

- “CBAs can improve the governmental approval process of proposed projects by promoting inclusiveness, enforceability, transparency, efficiency, and clarity of outcomes.” (Gross et al., 2005).
- CBAs may give neighborhoods (or towns) a more meaningful role in the development process than the opportunities that existing land use processes provide.
- CBAs give neighborhoods an opportunity to address issues, such as wage rates or employment practices, that the local government does not typically address in the normal land use process. This is due, in part, to the restrictions that courts have placed on what government can explicitly negotiate with developers.
- For developers, CBAs may garner community support for the project and therefore increase the chances that the project will be approved and provide. Further, it provides more certainty that the project will not be challenged in court.
- City officials may also see CBAs as a positive because they may allow municipalities to bypass legal constraints on land use regulation imposed by statute and judicial precedent since the negotiating group is the community rather than the government.
- Relatedly, CBAs may allow local officials to secure more for their own constituents than the public approval processes might allow.

Cons

- Inadequate organizing and negotiations in the first CBA in a neighborhood or city can set a bad precedent for future agreements.
- Legal expenses that come with hiring attorneys to review the final contracts add an additional layer of expenses.
- The need for public approval of subsidies and exceptions is the leverage that brings developers to the negotiating table. It is unclear how CBAs would work in a situation requiring no such approval (see next section for a possible answer to this question).
- Negotiating a CBA can be complex, lengthy, and laborious. For community groups, the process might demand more in organizational capacity, staffing or resources than they have at their disposal.

Are CBAs a Potential Tool in Megasite Locations?

The short answer to this question is: probably not. According to Tyler Mulligan (Professor of Public Law and Government at the UNC School of Government), the nature of negotiations for the types of large interstate projects that occupy North Carolina’s megasites make it highly unlikely that we will ever have CBAs in that context:

“The reason why you can’t find CBA case studies around things like automobile manufacturing plants is because of the prisoner’s dilemma, which is a public policy game theory in which prisoners have an incentive to “confess” when they are separated from each other and told that the first to confess will get the lightest sentence, and the last will get the worst sentence. In this case with economic development incentives, there are multiple prisoners who are the various governments competing for the large employer. They are separated from each other and not told what the other is bidding or who the other bidder even is. All they know is that whoever confesses first and most convincingly (by giving the best incentives) will win the competition to locate the business. Everyone has incentive to confess as completely as they can. There is zero incentive for anyone to not

cooperate with the company that is seeking incentives.” (Personal Interview, Tyler Mulligan).

Instead, CBAs tend to be viable tools for development that is *not* inter-state. For real estate development—hotels, grocery stores, or apartment buildings—CBAs will be a more workable option. Part of the reasoning behind this is that these businesses are coming to the area/market based on their own market analysis. While they would love to get additional incentives from local governments, their analysis of the local economy is likely what drives them to the area. This is what gives local communities leverage to negotiate in the form of a CBA. Alternatively, the ability of a large employer that is taking bids from multiple states to decide to locate elsewhere is what makes it more difficult for the community to exert leverage.

An Alternative Strategy

That CBAs are not as likely to be useful for large megasite projects does not mean they cannot be considered alongside one. I posed one particular question to Tyler Mulligan that garnered an interesting response: “Are CBAs useful for the development that *follows* the big inter-state businesses that occupy megasites?”

The possible model for CBAs around megasites could involve (1) finding similar plants that have opened elsewhere, whether from the same company or not; and (2) identifying the industries and businesses that typically follow those plants. While large manufacturers have the power to exert every incentive possible from state and local governments, the follow-on companies are locating in the area *because* of the presence of the large manufacturers. This could include suppliers relocating to be closer to the manufacturer or other related industries. It is much more likely that those second-order developers or suppliers will be better targets for CBA negotiations.

Key Takeaways

- 1) CBAs may not be optimal equitable development strategies for communities to pursue with companies occupying megasites due to issues around community leverage and the interstate nature of the bidding process.
- 2) One potential avenue through which to consider CBAs are for the follow-on industries and suppliers that inevitably follow the larger, inter-state companies.
- 3) The time to begin building coalitions for possible CBAs is well before follow-on industries/companies announce their intent to relocate to the area. Building coalitions and laying infrastructure for CBA negotiations is a long process.
- 4) CBAs can serve as a method to circumvent state preemption in conservative states on matters of equitable development.

Observations and Recommendations

While some sections within this project included mini-takeaways, the following were the observations and recommendations that seemed most important after speaking with interviewees:

1) Both local and regional chambers in areas with large OEMs seem to be primarily concerned with talent and workforce development. In the case of the Chamber of Commerce of West Alabama, the entire structure of the organization has been designed to maximize its ability to produce talent to fill roles at the OEM and its suppliers. Even local organizations like the Greer Development Corporation constantly reference talent in their responses to questions about issues like business retention. Ultimately, this seems to be where their focus lies within chambers and their partners' relationships with OEMs.

2) Chambers of commerce should strive for a symbiotic relationship with the large employer in their region. This type of relationship is beneficial for two primary reasons. First, it allows for more effective workforce programs, as the chamber is more easily able to craft their programs to fit the needs of the large OEM and its suppliers. Second, it makes it easier to align community goals with the resources that the large employer can bring to bear. Making the connection between the community and the OEM more explicit allows the OEM to clearly see that it too is affected by issues like affordable housing, childcare, and transportation, making it more likely that they will be willing to contribute to improving those areas.

3) Workforce development programs centered on education should seek to collaborate with local K-12 school districts. Large employers in the region can help shape the program by providing resources and apprenticeship opportunities, as well as working with the district to best align the curriculum with the workforce needs in the community. Further, allowing high school students to begin working towards certification in manufacturing fields can put them on the fast track into the workforce in a way that benefits all parties. Finally, education programs are more easily targeted at the high school level and can be leveraged in a manner that contributes to equitable development. All that said, one thing to be aware of is the difficulty of implementing industry-led programs, as the experience of the MMP in Alabama (and my conversation with Dan Swinney) points towards districts wanting control over the curriculum.

4) Community benefits agreements may be a useful tool for circumventing pushback on equitable development from more conservative state legislatures. This observation is most explicitly illustrated in the CBA example from Nashville, Tennessee, where the state legislature preempted Nashville lawmakers' attempts for a local-hire rule. The preemption strategy in the South is known to create "barriers to economic security in cities whose residents are majority people of color." (Blair et al., 2020). North Carolina has seen an increase in preemption laws that restrict what local government can do (DuPuis et al., 2018). These include a couple which could apply to CBAs. For example, North Carolina prohibits cities and counties from requiring city contractors to abide by project labor agreements. The state has also prohibited cities and counties from raising their local minimum wages above the state's minimum wage. Outsourcing these types of negotiations to private agreements between community organizations and developers (with the support of local lawmakers) may be a promising workaround for the preemption issue.

5) Developing an early warning network through regional councils could be an effective way to inject equity into the manufacturing industry. The development of an early warning network was one of the most specific takeaways from my conversation with Dan Swinney. The system could offer several useful benefits, including insight into which companies may be facing succession issues in the coming years. In the context of a program like Re/Cast, the early warning network could prove instrumental in developing more diverse ownership in the manufacturing industry.

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