



MARCH 22, 1996

OIG REPORT 96-4(H)

MEMORANDUM Federal Co-Chairman
 ARC Executive Director

SUBJECT: Interim Survey Report of ARC Grants Awarded for Industrial Park Site
 Improvements--1987-1992

PURPOSE: The purpose of our survey was to determine the status of industrial park site improvement grants, with emphasis on the accomplishment of employment objectives.

BACKGROUND: ARC provided partial funding for the development of industrial parks in the Appalachian region. This funding was primarily for the development and construction of infrastructure such as access roads, site development, and water and sewer line improvements at existing or planned industrial sites. The ARC Office of Inspector General (OIG) has initiated a preliminary survey of industrial development grants awarded.

Basic agencies were responsible for project administration, including monitoring of infrastructure improvements and project accountability and reports. Consequently, this survey was limited to identifying the extent of development at the selected sites, including comparisons of estimated and actual development and employment creation or retention.

Funding for the 41 projects in our survey totaled \$38,005,970, including \$11,484,256 from ARC; \$6,586,050 from other Federal agencies; and \$19,935,664 from state and local governments.

The survey was performed by OIG and Tichenor and Associates, C.P.A. staff.

SCOPE AND SOURCE: The survey scope included most of the industrial site improvement projects for which ARC contributed funds between 1987 and 1992. The basis for our survey conclusions were the responses by grantees to a questionnaire and observations noted during field visits to sites in conjunction with other scheduled OIG reviews.

METHODOLOGY: Informational surveys were sent to 41 grantees requesting information about industrial park site improvements that had been funded, in part, by ARC grants. The surveys requested specific information on the following:

- o names of all business establishments currently occupying the site;
- o the approximate number of jobs created or retained as a result of the improvement project;
- o any projections on expected additional growth;

- o comments with respect to program or project strengths and weaknesses, successes, or problems.

Also, observation visits were made to 13 sites in Alabama, Georgia, Kentucky, Maryland, North Carolina, Tennessee, and West Virginia in order to visually identify and/or verify the extent of development. These observation visits, which were conducted in conjunction with other scheduled work in the geographic area, did not include testing at the industrial sites; but followup contact with grantees was initiated where required to clarify information or observations.

The results of the survey are included on Attachment A to this report. Attachment A does not contain the specific identity of companies in line with commitment noted in the survey questionnaire. Company identification is provided under separate cover for internal ARC use. We believe this approach contributed to the high degree of responses received.

Our site visits identified activity consistent with the survey responses received from grantees. Summarized employment issues and responses follow.

SUMMARY OF RESPONSES: We compared the 41 grantees' anticipated employment objectives, as stated in the grant applications, to the survey responses, which provided actual employment achievements, and drew the following broad conclusions.

- o 19 grantees reported exceeding their employment objectives. Of these, 15 grantees reported exceeding employment objectives between 200 and 500 percent.
- o 8 grantees generally obtained their employment objectives.
- o 12 grantees had not yet attained employment objectives, with 6 grantees noting attainment of 50 to 80 percent of goal. These grantees stated that they anticipate additional employment at the industrial site. In three cases, little or no development has resulted to date.
- o 6 grantees indicated less than 50 percent attainment of employment goals to date; and in three cases, there was little or no commercial development to date.
- o 1 grantee had not received the grant funding under their industrial site improvement grant.
- o 1 grantee did not accept the award from the ARC and, therefore, has no reportable employment statistics.

On an overall basis, it appeared that the program has been successful in assisting with local development, including the overall creation or retention of employment exceeding the cumulative estimates. The following examples denote examples where the estimated and expected development has not occurred to date.

No development has occurred at one Georgia site where ARC provided \$200,000 and other Federal agencies, \$490,000, for installation of water lines in 1988. A primary problem was the

noncompletion of a road bypassing the local town and providing better access to the industrial site. Efforts are continuing to obtain tenants, and our site visit indicated the site had been developed and was available for occupancy.

In this case, we also noted media publicity indicating that local officials were considering selling the site apparently to obtain reimbursement of the approximately \$214,000 local investment. We notified the cognizant Federal agency, and the grantee was informed about the applicable regulations with respect to sales and disposition of proceeds. As of February 1996, the grantee had employed a person with responsibilities for attracting industrial tenants.

At another site visited in Tennessee, little development had occurred although one of the companies that had committed to building at the site had done so but at a substantially reduced scale.


Conversely, our field visits also disclosed instances where development had exceeded estimates and other instances where continuing development and expansion was occurring and/or anticipated.

Our analysis of factors associated with the industrial development sites, such as proximity to interstate or major roads, railroads, or urban areas, did not provide a clear correlation as to reasons contributing to success, partial success, or failure in achieving development objectives. Comments by respondents indicated that changed conditions, such as economic turndowns in the early '90s or, as previously noted, unavailability of improved access, were the primary reasons for difficulties in attracting additional businesses.

On a related issue, our field observations at 13 sites visited disclosed no instances where ARC contributions were identified on a general sign or by separate identification. Industrial park identification signs were only noted at a few locations. In one case, Federal, state, or local funding was identified for several agencies; but ARC was not included on the list.

CONCLUSION AND RECOMMENDATION: Based on our initial survey, we concluded that there was a high degree of project success in relation to project estimates. Followup testing will include grants made in 1993 and 1994 and, as applicable, additional contacts with less than successful sites noted in our survey to update the status of development efforts and potential for increased success.

In this connection, we recommend that ARC contact and work with grantees that have experienced difficulty to assist, if possible, in identifying potential strategies for improvement and/or alternative uses for the developed site. ARC should consider advising the management of successful industrial development parks of the need to publicly identify Federal, including ARC, participation.


Hubert N. Sparks
Inspector General

Attachment

ARC/INDUSTRIAL PARK IMPROVEMENTS GRANT DATA/INFORMATION

Project Name & Address	Description	Funding	Proposed Job Creation	Commitments	Questionnaire Response	Project Status 11/95
Hanceville Industrial Park AL-10488-90 City of Hanceville 112 Main Street Hanceville, AL 35077	Extension and installation of water and sewer lines and constructing an access road from north of Blountsville St & US Hwy 31 inters. to the site paralleling US Hwy 31	ARC--- \$200,000 Local--- \$297,150	120 to 160	1 company 120 jobs	1 company 130 jobs	Met objective
Colbert County Industrial Park Improvements AL-10233-89 Tuscumbia, AL 35674	Water, sewer and access road improvement for 200-acre industrial park	ARC--- \$200,000 Federal--- \$689,775 Local--- \$489,775	152 new jobs	--	40 jobs 100 anticipated	Partially met objective to date
Toccoa Industrial Park Water and Sewer Lines Stephens City Dev Authority GA-10835-91 203 North Alexander Street P.O. Box 579 Toccoa, GA 30577	173-acre industrial park. Includes sewer and water, pump station	ARC--- \$180,000 Federal--- \$350,000 Local--- \$170,000	700+	--	3 companies 80 jobs	Limited achievement of objectives
East Holmes Industrial Park OH-10336-89 County Office Bldg 2 South Clay St Millersburg, OH 44654	Two water wells; 100,000 gallon water storage tank; access road	ARC--- \$300,000 Local--- \$478,000	100	3 companies 62 jobs	3 companies 62 jobs 25 anticipated	Met objective
Harrison City Ind Park Infr Village of Cadiz OH-10858-91 128 Court St Cadiz, OH 43907	Dev industrial park; water & sewer lines; 100,000 gallon water tank; access road	ARC--- \$150,000 FHA--- \$189,000 State--- \$35,000 Local--- \$71,000	100 to 340	1 company 70-80 jobs initially 200-275 in 5 years	4 companies 161 jobs	Met objective
Washington City Ind Park Sewer System VA-09744-87 205 Academy Drive Abingdon, VA 24210	Public sewage treatment and distribution system for existing	ARC--- \$433,910 SWVED-- \$276,079 Local--- \$487,637	82	4 companies 82 jobs	3 companies 240 jobs 20 retained jobs 100-200 anticipated	Exceeded objective
Wardell Ind Park Access Rd Tazewell Cnty Bd of Spvs VA-09674-87 Box 2, 315 School Road Tazewell, VA 24651	Access road to Wardell Industrial Park	ARC--- \$370,000 State--- \$173,300 Local--- \$35,549	60	2 companies 60 jobs	4 companies 145 jobs 30 anticipated	Exceeded objective
Big Stone Gap Ind Pk Sewer Town of Big Stone Gap VA-10329-89 505 East Fifth Street Big Stone Gap, VA 24219	Sewer line to serve Big Stone Gap Industrial Park	ARC--- \$32,825 Local--- \$32,825	15	1 company	2 companies 205 jobs	Exceeded objective
Alleghany County Ind Pk County of Alleghany VA-10018-88 110 Rosedale Ave Covington, VA 24426	Industrial site development expenses	ARC--- \$125,725 Local--- \$125,725	12-45	1 company	1 company 32 jobs 18 anticipated	Exceeded objective
Carroll County Ind Pk Carroll City Board of Spvs VA-09992-88 P.O. Box 515 Hillsville, VA 24343	Site grading, storm sewers, sewer pump station, and sewer lines	ARC--- \$500,000 State--- \$1,000,000 Local--- \$200,000	150	1 company	1 company 700 jobs 100 anticipated	Exceeded objective

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Morningside Ind Pk City of Salamanca NY-10078-88 225 Wildwood Ave Salamanca, NY 14779	Extend sewer service and access road	ARC--- \$133,500 Local-- \$35,800	30	2 companies 30 jobs	3 companies 15 jobs 9 retained jobs 8 anticipated	Partially met objective
Wellsville Air Ind Pk Sewer Town of Wellsville NY-10405-89 47 North Main Street Wellsville, NY 14895	Sanitary sewage collection system	ARC--- \$150,000 Federal-- \$856,000 State--- \$268,640 Local-- \$438,060	Retain 32 add 11; 10 new	2 companies 11 jobs	No progress on project except lease of hangar space	Did not meet objective
W. Olean Ind Pk Infra Cattaraugus Econ Dev Zone NY-10621-90 1010 Wayne Street Olean, NY 14760	Water, sewer, storm drains, and access road improvements	ARC-- \$90,000 PHA-- \$200,000 EDA-- \$970,000 State-- \$300,000 Local-- \$541,200	15	2 companies 15 jobs	1 company 39 full time 71 part time 40 anticipated	Exceeded objectives
Enterprise Zone Ind Pk City of Hagerstown MD-9504-86R One East Franklin Street Hagerston, MD 21740-4855	Construction of an access road from intersection Heister & Burhans to Western Limits	ARC-- \$807,418 Local-- \$3,034,462	150 residences 100-125 jobs	1 company 100-125 jobs	Numerous businesses 300 full time 500 part time Residences unknown	Exceeded industrial development objectives
Cumberlind Rd Ind Pk Sewer Mercer County Commission WV-10359-89 Mercer County Courthouse Princeton, WV 24740	Construction of a sewer line to Mercer County Industrial Park	ARC-- \$750,000 Local-- \$771,600	175 new; save existing	2 companies 100 jobs	3 companies 173 jobs	Met objectives
Clinton Industrial Park Wastewater Extension Proj TN-9726-87 Town of Clinton Clinton Municipal Building Clinton, TN 37716	Improvements to existing wastewater treatment plant	ARC-- \$309,750 Local-- \$509,750	355 jobs	3 companies 240-275 jobs	3 companies 219 jobs	Partially met objectives
Polk County Ind Pk Sewer Polk County TN-10374-89 P. O. Box 128 Benton, TN 37307	Sewer lines and a wastewater treatment plant	ARC-- \$618,400 State-- \$69,750 Local-- \$85,000	170 new jobs	2 companies 170 jobs	1 company 40 jobs 1 residence complex 5 jobs	Partially met objectives
Kiski Valley Ind Pk Access Armstrong Cty Ind Dev Auth PA-10280-89 402 Market Street Kitanning, PA 16201	1,600-foot access road to industrial park	ARC-- \$125,240 Local-- \$125,240	41	1 company 41 jobs	County rejected grant	Not completed
Kiski Valley Ind Pk Dev Armstrong Cty Ind Dev Auth PA-10327-89 402 Market Street Kitanning, PA 16201	Site development of industrial park addition	ARC-- \$292,400 Local-- \$292,400	85-95	4 companies 85-95 jobs	18 companies 233 jobs 284 retentions	Exceeded objectives
Allegheny Particle Board Ind Mt. Jewett Borough PA-10674-90 P. O. Box 472 Mt. Jewett, PA 16749	Sewage collection system and access road	ARC-- \$690,300 State-- \$690,300	285	3 companies 285 jobs	3 companies 238 jobs 100 anticipated	Substantially met objectives

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Johnstown Ind Pk Exp Johnstn Area Econ Dev Corp PA-10884-91 111 Market Street Johnstown, PA 15901	Expansion of industrial park, internal access, sewer, water, and storm drainage infrastructure	ARC-- \$225,000 EDA-- \$800,000 State-- \$800,000 Local-- \$116,600	100	1 company 100 jobs	Postal Service retained 140 jobs. Not same as company making commitment	Did not meet objectives
Reed Ind Pk Access Rd Pennsylvania Dept of Transp PA-10914-91 715 Jordan Avenue Montoursville, PA 17754	Widen and improve 1.6 miles of State Route 2008 from Elysburg to Reed Industrial Park	ARC-- \$300,000 State-- \$300,000	275-285+	4 companies 275-285 jobs	3 companies 88 jobs 461 retentions	Partially met objectives
McDuff Ind Park Access Rd Borough of Blawnox PA-10870-91 316 Freeport Road Blawnox, PA 15238	Reconstruction and widening 4th Street to accommodate a railroad crossing	ARC-- \$56,900 State-- \$36,208	10-15	1 company 10-15 jobs	Funding not received from PHA	No project
Alcom City NE Ind Pk Access Rd Alcom County MS-09710-87 County Courthouse Corinth, MS 38834	Construct a 2,800-ft access road and a box bridge to replace existing narrow bridge	ARC-- \$249,900 State-- \$249,900	132-137	3 companies 132-137 jobs	1 company employs 300	Exceeded objective
Ind Park Water System Ext City of Byhalia MS-09698-87 P.O. Box 412 Byhalia, MS 38611	Water system improvements	ARC-- \$180,000 Local-- \$222,985	110	2 companies 110 jobs	2 companies 325 jobs 30 anticipated	Exceeded objective
Mantachie Ind Pk Water Improvements Town of Mantachie MS-10609-90 City Hall Mantachie, MS 38855	Switch from mechanical to lagoon filtering in the wastewater treatment facility	ARC-- \$80,000 State-- \$450,000	350	1 company 150 jobs initially 350-650 eventually	1 company 100 jobs to date	Partially met objective
Ecu Ind Pk Improvements Town of Ecu MS-10901-91 P.O. Box 526 Ecu, MS 38841	4,000 feet of sewer line; 2,000 feet of water line; and .6 miles access road	ARC-- \$78,400 Local-- \$78,400	75	2 companies 50 jobs	3 companies 120 jobs 131 retentions	Exceeded objectives
Turner Ind Park Access Rd Lee City Bd of Svcs MS-10934-91 P.O. Box 1785 Tupelo, MS 38801	Construct .4-mile access road	ARC-- \$176,000 Local-- \$57,800	200	1 company 100 jobs initially 400 after 3 years	1 company 306 jobs other businesses over 1,400 jobs	Exceeded objectives
Holly Springs Ind Pk Bridge City of Holly Springs MS-10935-91 1605 South Memphis St Holly Springs, MS 38635	Replacement of the West Street Bridge	ARC-- \$83,740 Local-- \$20,936	250-300	1 company 250 jobs	1 company 250 jobs 200 anticipated prison to employ 250-350	Exceeded objectives

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NE MS Ind PK Access Rd Phase II Yellow Ck State Inland Port MS-11103-92 Route 4, Box 509 Iuka, MS 38852	Construct 5,600 feet of access road	ARC-- \$200,000 State-- \$120,000 Local-- \$80,000	--	--	3 companies 25 jobs	Exceeded objective
Golden Triangle Ind Water Treatment Plant Lowndes County Board MS-11112-92 P.O. Box 1364 Columbus, MS 39701	Water system purification with a new system of filters	ARC-- \$426,125 CDBG-- \$255,675 Local-- \$170,450	55	1 company 55 jobs	1 company 55 jobs 100 anticipated	Met objectives
Cullman Industrial Park AL-9937-88 Cullman County, Alabama	Access road to industrial park	ARC-- \$200,000 State-- \$600,000 Local-- \$494,300	100 jobs	1 company 100 jobs	several companies 137 jobs 300 anticipated 2,350 retentions	Exceeded objectives
Mallard Fox Creek Ind PK Decatur-Morgan City Port Authority AL-9774-87 P.O. Box 2026 Decatur, AL 35603	Water and sewer lines	ARC-- \$200,000 Federal-- \$200,000 State-- \$250,000 Local-- \$1,450,000	50 jobs	--	2 companies 68 jobs third company 320 anticipated jobs	Exceeded objectives
Bridgeport Ind PK Rail Spur AL-9807-87 Bridgeport, AL	Construct a rail spur and turnout to serve industrial park	ARC-- \$86,000 Federal-- \$51,600 Local-- \$34,400	75 jobs initially 400 jobs total	1 company 75 jobs initially 400 eventually	1 company 733 jobs	Exceeded objectives
Limestone County Ind PK AL-10331-89 Athens, AL	Water and sewer lines and access road	ARC-- \$100,693 Local-- \$151,039	150 jobs	1 company 150 jobs	2 companies 420 jobs 125 anticipated	Exceeded objective
Berea Industrial Park KY-9753-89 & 89R Madison County, KY	Construction of water line	ARC-- \$459,425 Local-- \$600,000	430 jobs	--	4 companies 614 jobs	Exceeded objectives
Richmond Industrial Park South Phase 2A KY-10439-89 Madison County, KY	Improvements to water line, sewer line, road grade, and drains	ARC-- \$400,000 Federal-- \$275,000 Local-- \$400,000	--	--	4 companies 180 jobs 600 anticipated	Exceeded objective
Winchester-Clark County Industrial Expansion KY-11141-92	Construction of street, water lines, sewer lines, pump station, and mass grading	ARC-- \$350,000 EPA-- \$730,000 State-- \$347,000 Local-- \$373,000	73 jobs	2 companies 73 jobs	2 companies 133 jobs 122 anticipated	Exceeded objective
Northern Garrett Ind PK MD-10874-91 Grantsville Garrett City, MD	Wastewater treatment, access, fire protection, utilities, and wetland protection are to be provided	ARC-- \$317,400 Federal-- \$529,000 Local-- \$211,600	60 jobs	2 companies 60 jobs	2 companies 36 jobs	Partially met objective
Jefferson City Ind PK WV-10369-89	Construct on-site water supply, storage system, and distribution lines	ARC-- \$505,205 Local-- \$996,800	100 jobs in 1 year 2,000-3,000 jobs anticipated	--	numerous businesses 800 jobs 570 retentions 4,000 anticipated	Met objective

ARC/INDUSTRIAL PARK IMPROVE ITS GRANT DATA/INFORMATION

Project Name & Address	Description	Funding	Proposed Job Creation	Commitments	Questionnaire Response	Project Status 11/95
Fannin County Ind Pk GA-9735-87 Fannin County Commission	Installation of water and sewer lines, an access road, and site preparation work	ARC-- \$200,000 Federal-- \$490,000 State-- \$75,910 Local-- \$214,090	39 jobs	2 companies 39 jobs	No activity	Did not meet objectives

