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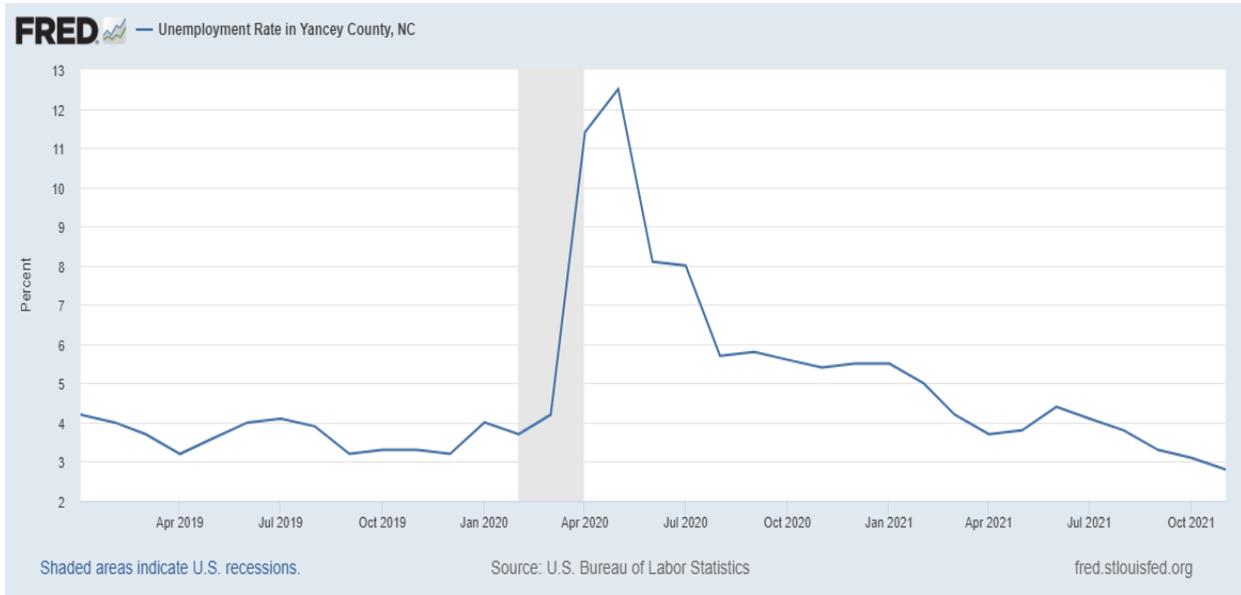
## **2021 Economic Development Report for Yancey County** **Rural Rebound & Economic Growth in a Rapidly Evolving Economy**

As Planning & Economic Development Director for Yancey County it is my privilege to share with you a year-in-review report to look back at 2021 and efforts made to stabilize, enhance, grow, and diversify the economy in our community. To say that 2021 was an interesting year, or to say that it was an eventful one, would both be understatements. Looking back on 2021 two topics were prevalent in every community across the country: “Covid” and “The Economy” and they are inextricably linked. I would hazard a guess that words “inflation”, “supply chain”, and “interest rate” were probably second only to “Covid” on the lips of many individuals this past year. The lingering effects of an evolving public health crisis is certainly not within my area of expertise nor any other economic developer that I know. However, I think it is important to begin by noting recognizing the hard work our public health, public safety, and emergency management professionals do daily and to recognize our frontline workers who continue to show up to work, day in and day out. They are the driving force behind much of the economic development I will discuss below.

As baffling as it is to say in many ways Covid served as a catalyst for economic growth in Yancey County in 2021. As people left more densely populated areas in 2020 there was a school of thought among some economists which held that rural areas would see an economic renaissance of sorts. As 2020 and 2021 wore on, much of the exodus from cities did quickly reverse in large part and at a nationwide level there wasn’t a rural resurgence on the magnitude originally predicted by some. However, there were rural communities which did excel and grow their economies. Yancey County was one of those communities. Looking at the underlying data behind why this is the case a single conclusion can be drawn; that the rural communities who experienced growth in 2021 were experiencing a growing economy before Covid. The resulting economic impacts of Covid just sped up that growth. To illustrate why that is the case and lead off a more detailed discussion of specific projects in our county in 2021 I’ll start this report with a look at some macroeconomic data.

## **The Yancey County Economy at a Macroeconomic Level:**

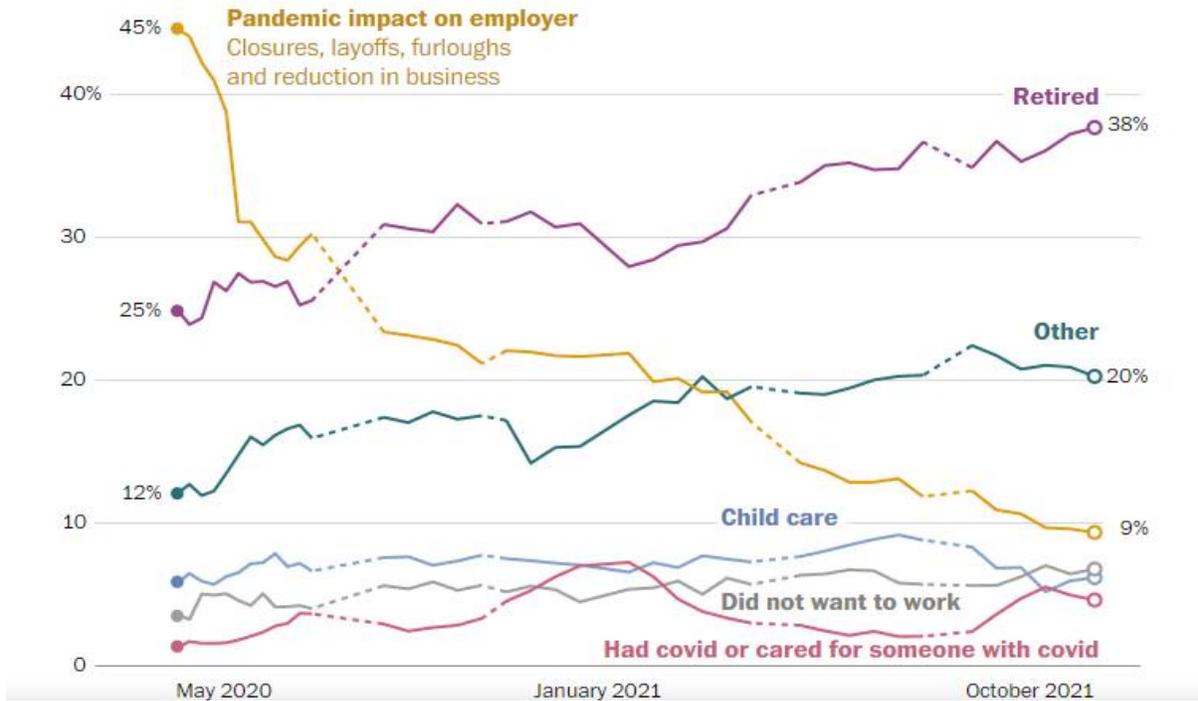
One of the key topics in the business community in 2021 was whether the unemployment rate in the nation and in individual communities would rebound and how to deal with what evolved to be an increasingly tight labor market. In truth, discounting the spike and rebound in the unemployment rate, we had a tight labor market before Covid when we ended 2019. That is true nationally and it is true in our community. What does the unemployment picture look like in Yancey County? To better illustrate that data below is a chart depicting the unemployment rate in our community from January 2019 through the most current data available (November 2021).



In December 2019 Yancey County ended the year with what was then a record low unemployment rate of 3.4%. At the height of the Covid shutdown in May 2020 Yancey County's unemployment rate grew to a staggering 12.5%, again mirroring the trend nationwide. Since that time Yancey County's unemployment has fallen overall. As of the most recent data available in November 2021, not only has Yancey County's unemployment recovered it continued to fall to 2.8%, well below the previous record low in December 2019.

While fantastic news for our community, an extremely low unemployment rate does convey certain challenges for our businesses as it indicates a tight labor market, a condition we would forecast to continue into 2022 and perhaps beyond, due in large part to an increased number of persons formerly in the workforce who have retired during Covid in greater numbers than new workers entering the workforce. This data is well illustrated by a graph representing a recent national survey conducted by The Washington Post which demonstrates that retirement is by far the largest reason people have left the workforce in the past two years. As I mentioned earlier, this is another example of Covid serving as a catalyst to speed up a trend that already existed and was evolving more slowly pre-pandemic.

Main reason for not working in the last seven days, among respondents under 75



**Business Startups/Closures in Yancey County:**

Over the last five years Yancey County has seen growth in small business startups. One of Yancey EDC’s key partners in small business development alongside the Yancey County Chamber of Commerce is the Mayland Community College Small Business Center. I would be remiss if I did not acknowledge Allen Cook’s great leadership of that program. From 2016 through 2021 the Mayland Small Business Center assisted twenty-five new business startups in Yancey County. An impressive number in any rural community and that figure only reflects those businesses who utilized the center.

Business closures have been a metric by which communities gauged the impact of Covid on their economies. To illustrate that data point here, I have included a graph below which charts the number of private businesses across all industry sectors in Yancey County from 2016 through 2021.



As can be seen from the graph, Yancey County has seen a steady increase in new private business across all sectors over the previous five-year period. However, despite a leveling of new businesses opening during the first two quarters of 2020 during the peak of the Covid economic shutdown, Yancey County saw a modest rise in new business startups in Q3 of 2020 and explosive growth from Q4 2020 through Q2 of 2021 (349 private business establishments grew to 369 over three quarters). This information shows that despite the negative economic impacts of the pandemic Yancey County has continued to grow its business community. While this news is cold comfort to businesses which did close due to the pandemic in our community from a macroeconomic level Yancey County continues steady growth of new entrepreneurs and recruitment of new business.

Having looked at two key macroeconomic indicators which tend to show economic recovery and growth for Yancey County despite the Covid pandemic I'll move forward into more detailed information about economic development projects undertaken in 2021, focusing specifically on industry development, small business development, the travel and tourism economy, housing and workforce development, and public infrastructure investments.

### **Industry Development:**

A project which has been carried from year to year from 2020 through 2021 and will continue development into 2022 is the Little Leaf Farms twenty-acre greenhouse, 100-job project, to be constructed in the Micaville Community. Since my 2020 year-end report when the project was delayed due to Covid impact the deal has moved forward in 2021. Yancey County acquired a 97-acre site adjacent to the former Hickory Springs Manufacturing (now The Quartz Corp) facility upon which to situate the project in line with an incentive agreement with the company. The company's total investment in the deal grew from the initially announced \$86.6 million to \$91 million per the terms of the new contract. Since acquiring the property a permit to construct has been filed with the Army Corps of Engineers. Complete design has also commenced and will be conducted through the first two quarters of calendar year 2022. In further support of the project

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and additional potential development at the county's 97-acre site (the Little Leaf Farms project will occupy only forty acres of the site) the Town of Burnsville has partnered with Yancey County government to extend water service to the property along with the presently existing sewer service. Yancey County received one of the inaugural grants from the newly announced Golden LEAF Foundation SITE Grant Program for the project in an amount of \$1,000,000 (one of only five grants announced in the initial round of funding for the program across the state) and has pending applications for further funding with the Appalachian Regional Commission and the US Economic Development Administration. Funding announcements for those grants are expected by Q2 of 2022.

Yancey County was pleased to welcome The Quartz Corp to the Micaville community in 2021. The Quartz Corp is a regional corporate citizen with operations in Mitchell County. In 2021 they acquired the former Hickory Springs Manufacturing plant in Micaville, repurposing the 150,000 square foot facility for processing, warehousing and distribution operations and have undertaken building renovations. Yancey EDC was pleased to assist in facilitating the deal which put the recently empty manufacturing facility back in operation within only 12 months of it becoming vacant.

Longstanding Yancey County industry leaders Glen Raven Mills and Altec both continued to experience modernization, growth, and expansion throughout 2021. Glen Raven made significant investments in new equipment and technologies and Altec continued to expand its mid-sized utility truck operations in Yancey County with a third facility under construction. Our community is fortunate to have such stalwart industry partners anchoring this sector of our economy and we certainly congratulate both those companies on working to grow their industries amid a tightening labor market and supply chain difficulties.

#### **Small Business Development:**

I highlighted high-level data relative to small business development earlier in this report. Taking a deeper dive into that topic, our community saw numerous new entrepreneurs start operations along our Main Street business corridor in Burnsville and we've seen a rise in independent and commercial franchise development along the US Highway 19E Bypass corridor. In 2021 Yancey EDC awarded six grant awards to new business startups through its Downtown Entrepreneurship Assistance Program, more than any previous year. Looking ahead to 2022 to continue to assist new entrepreneurs we will seek to add a loan program as well as the grant funding currently offered, partnering with the MAY Coalition to administer the loan fund. Yancey EDC continues to partner with the Yancey County Chamber of Commerce, the Town of Burnsville, and the Mayland Small Business Center to support the Business Builder Breakfast series, a program geared toward providing professional development resources to local business owners. The program was able to resume in person in 2021 after transitioning to a web-based format in 2020.

Yancey County's small business growth hasn't only been in the retail and service sectors. In the healthcare sector Yancey County and Yancey EDC worked with Mountain Community Health Partnership in their acquisition of a clinic space in Burnsville located on Pensacola Road. Yancey County received a \$200,000 grant from the US Department of Commerce to support renovation of the clinic space through the Department's Rural Building Reuse Grant Program.

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This new facility will provide increased access to healthcare opportunities for our citizens and will result in sixteen new, high-paying jobs in the health care sector in Yancey County.

### **The Travel & Tourism Economy in Yancey County:**

Perhaps no single sector of the local economy experienced more growth in 2021 than the travel and tourism sector. While it is true that Covid drastically altered the method of travel and the destinations chosen by most of the traveling public in 2020 and 2021, the idea that all rural communities benefited from growth in the tourism sector is a fallacy. Many rural communities did not, a few did. Yancey County was one of the communities that benefitted and as mentioned earlier this has to do with the fact that we were experiencing steady growth in the tourism economy prior to the Covid pandemic. The resulting effects Covid had on travel served as a catalyst to speed that growth.

To illustrate that point, looking at the total dollars generated by tourism and related spending in Yancey County over the past five years, Yancey County has gone from total tourism related spending \$38.4 million to \$53.4 million with the largest year over year increase between the most two recent years reported (growth from \$45.9 million to \$53.4 million). This past year when eighty-six of the state's one hundred counties saw a decline in tourism revenue, Yancey County saw the third highest growth in tourism spending, an increase of 16% over the previous year. Judging the impact of tourism by the amount of occupancy tax generated in Yancey County resulting from overnight stays, we saw a doubling of occupancy tax generated in 2020 and that amount on track to double again in 2021 (with the final months of Q4 2021 to be reported by the NC Department of Revenue).

The increase in occupancy tax paved the way for the Travel & Tourism Committee of the Yancey County Chamber of Commerce to engage in more effective, targeted advertising to continue to grow this sector of the economy. Those efforts have paid off in new and interesting ways. In 2021 Yancey County saw two nationally televised series shoot their productions in our community. The PBS series "The Highpointers" filmed its new season in and around Yancey County, with the series slated to air in Spring 2022. Amazon Studios also shot scenes for its new sci-fi thriller series "The Peripheral" in Yancey County, as well as other communities in surrounding Madison and Buncombe Counties. The Amazon Studios series, produced by Academy and Emmy Award winning producers Jonathan Nolan and Lisa Joy, is also slated to air on Amazon Prime's streaming service in 2022. Not only did these television productions bring in cast and production crews to spend money in our communities they will serve as advertisements for our community and enable us to attract future film and tv series production projects.

In a year when the Asheville Regional Airport was the only airport in the state to experience growth over its 2019 passenger numbers, we can observe that the Asheville metro and surrounding areas will continue to grow as a preferred destination for travelers. This is especially true for Yancey County as travelers seek to visit our community for unparalleled outdoor recreation in the Black Mountain range and the huge number of artists and artisans in the Toe Valley region.

In the more traditional definition of business recruitment Yancey EDC was pleased to work with the new owners of the NuWray Inn who closed a deal to acquire the oldest continuously

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operating inn in the state and have dedicated themselves to its renovation and restoration. The project, which will include a new restaurant and expanded room stock, represents a multi-million-dollar capital investment in the community and the creation of over forty new jobs in connection with the project by the time it is built out completely. The project was supported by incentives offered by the Town of Burnsville and Yancey County to incentivize the new jobs to be created and the new tax revenue to be generated by the resulting capital investment. The historic inn, which has served as an anchor of the Burnsville Town Square since 1833 is a prime example of how development can honor the history of the community, and simultaneously invest in its continued growth.

Yancey EDC and the Chamber of Commerce commissioned an update of the hotel market demand aggregation study previously conducted by Magellan Strategies in 2019 in Q4 of 2021 and continue to move forward with efforts to recruit hotel development per the established policy directive of the Yancey County Commissioners and the Burnsville Town Council. Yancey County's large growth in overnight stays and occupancy tax is currently attributed to an increase in short-term rentals through platforms such as AirBnB and VRBO. The NuWray project will add increased hotel stock. We continue to believe that as the area grows, recruitment of a franchise hotel property will be increasingly likely, as Yancey County is the only county in the Asheville metro area which does not yet have a franchise branded hotel property.

#### **Housing & Workforce Development:**

There was a time in recent memory when it was unlikely that you would hear a group of economic developers discussing housing. Residential development is not an area where government incentivizes development, for a variety of justifiable reasons. By contrast, I would say that now you would be hard pressed to listen to a group of economic developers talk about any topic without housing coming into the conversation. The boom in the residential real estate market in Yancey County is typical of many areas across the country. As houses were purchased rapidly, due in large part to record-low interest rates which have persisted for the last two years, supported by the Federal Reserve's monetary policy (again, implemented to deal with the economic impacts of the Covid pandemic) we have seen a depletion of housing stock. This, coupled with the fact that many properties have been purchased and converted to short term rental stock and due to increasing pressures from the Buncombe County real estate market which is setting price-point record highs across the state has resulted in a shortage of housing stock, particularly middle-market workforce housing. Not only is availability a concern, so is price. The graph below shows the increase in median house price in Yancey County over the past five years (100 units = \$2,000)

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As of the most recent data available the median home sales price in Yancey County was \$324,720, only slightly under the national median home sales price of \$329,000. (Data from the major national brokerage Redfin puts the average median price of a house in Yancey County at \$330,250, a 23.2% increase over the previous year, the National Board of Realtors calculates the median listing price for new houses coming on the market in Yancey County as of 2021 to be \$407,5000.)

It is true that many of the variables which solve the housing equation are in the hands of private developers. Based on a review of real estate transactions which closed in 2021 we do anticipate an uptick in residential development in 2022. However, there are solutions which local government can seek to provide which will incentivize much needed residential development and ensure that it provides equitable housing solutions across the board.

Yancey EDC was pleased to work with the Northwest Regional Housing Authority as they developed plans for their recently announced workforce and affordable housing development. Supported by cash investment from the housing authority and a generous grant contribution from The Dogwood Health Trust, the new development will provide twenty-seven single family housing units. The development will also be supported by Yancey County and the Town of Burnsville through funding from a newly established \$2.1 million infrastructure fund which will finance public utility connections for qualifying residential housing projects. The fund will be implemented in 2022 and is a collaborative investment of public funding received through the American Recovery and Reinvestment Plan Act (ARRPA) and a grant from The Dogwood Health Trust. The grant will also fund a housing report and study which will generate additional programs which can be implemented by local government to continue to incentivize as appropriate the construction of new residential housing.

While Covid and its impact on the economy and the labor force have been the hot topic of conversation, it is worth remembering that there are other challenges which face our community, and which erect barriers to gainful employment. The continued effects of substance abuse and misuse, particularly opioid abuse, affects our entire region. In preparation for receiving funds from

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the settlement of the Cardinal Health opioid class action lawsuit, of which Yancey County is a plaintiff, the county applied to The Dogwood Health Trust for a planning grant which was awarded in an amount of \$600,000 to fund development of strategies to best invest the forthcoming lawsuit settlement proceeds, which will in turn have positive impacts on our labor force. The lawsuit is expected to be settled in 2022 with funds being made available sometime during the calendar year.

It is worth specifically mentioning the great work done by The Dogwood Health Trust in Yancey County, and in our western North Carolina region, with our communities to make investments in areas which affect the quality of life and economic development of our community. All the projects I have detailed in this section received substantial financial support from the Trust. Their investments in housing, equity, entrepreneurship, and workforce development should be highly commended.

### **Public Infrastructure Development:**

Another word perhaps overused in 2021 was “unprecedented”, often in less than positive ways. I will take the liberty of using it here in a more positive context. Through huge cash investments which came to the states through ARRA, through the work done at the state government level to iron out North Carolina’s first official state budget in two years, and due to the effective work of the Yancey County Manager and County Commission, as well as the Burnsville Town Manager and Town Council to lobby for increased investment in our community, Yancey County received some of the largest financial investments in recent memory targeted for public infrastructure improvements and the construction of public facilities.

Making sure that our public infrastructure keeps up with the demands of a growing population and a growing business community is essential. In 2021 many investments in these projects were announced through grants awarded and legislative appropriations made through the state budget. A list of the major public utility investments include a \$2 million grant through the Community Development Block Grant program to fund major improvements to the West Main wastewater sewer collection system operated by the town, a \$1 million grant from the Golden LEAF Foundation to assist with funding a major waterline extension to the Micaville community, a \$2.5 million grant from The Dogwood Health Trust to help establish a residential utility fund and to fund major infrastructure planning for public utility extensions to the West Yancey area, \$3 million from state funds appropriated for major improvements to the Town of Burnsville’s current wastewater treatment system, and \$10 million from state funds appropriated for expansion of public utility capacity and enhanced service to the West Yancey community. These grants along with a \$700,000 grant through the NC Department of Transportation to fund a new transit facility in Yancey County, a \$5 million appropriation to fund a new public safety and dispatch facility bring the total of projects funded through grants and federal and state appropriations of over \$24 million toward infrastructure and public facility projects.

For an economic developer to be successful in their efforts to recruit new industrial or commercial prospects, having properties on hand to market is essential. With the announcement of several recent projects in Yancey County, Yancey EDC has turned its focus toward the development of new suitable industrial property. A result of initial discussions with Mitchell County EDC and the Yancey and Mitchell County Boards of Commissioners, both counties

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appointed a joint committee to evaluate the possibility of developing a joint industrial site. Multijurisdictional industrial sites are permitted in North Carolina through a cost and revenue sharing arrangement. At present, no multijurisdictional industrial site exists west of the Piedmont/Triad area. If successful, a joint project between Yancey and Mitchell Counties would result in the first such industrial park in western North Carolina. To support this effort Yancey County applied to USDA for a Rural Business Development Grant which was awarded in an amount of \$50,000 to engage the services of an economic development site consultant to evaluate and assess eight potential sites for development, to select a potential site, and to certify that site. At present, the consultants' initial report has been rendered to the joint committee with recommendations for the first two phases of the project. We anticipate further development with this project to be announced in Q1 of 2022 as the boards of commissioners of the two counties meet and discuss the recommendations outlined in the assessment.

### **Summary & Conclusion:**

Each year economic developers and officials at all levels of local government across North Carolina eagerly await the release of the new County Distress Ranking (commonly known as the Tier Designation) report for the state. North Carolina's tier system evaluates each of the state's one hundred counties to determine which counties are economically distressed. Each year the forty most economically distressed counties in the state are identified as Tier 1 counties, the next forty are designated as Tier 2 counties, and the twenty most economically prosperous counties are identified as Tier 3 counties. The ranking system evaluates each county on a combined 1 to 100 scale based on the average unemployment rate, the county's median household income, population growth, and the adjusted property tax base per capita. Going into 2022, Yancey County has again been designated a Tier 2 county, but it is worth a little deeper dive into the report to judge how Yancey County's performance across these economic criteria has progressed. On the scale used by the NC Department of Commerce with 1 representing the most economically distressed county and 100 representing the most affluent county, Yancey County scored 75. This score is only six points short of Tier 3 designation and represents the highest aggregate score of any of the Tier 2 counties in the Asheville metro area, a score which indicates continued economic growth for Yancey County when compared to our peer communities

Due to the combined efforts of our local business community and the collaboration of local government agencies and individuals working together with other stakeholders, Yancey County met the continuing challenges presented by Covid and a rapidly and continually evolving economic landscape in 2021. Though 2021 offered new and unique challenges it also offered new and exciting opportunities. I have said often that my job is a rewarding an exciting one and that I could not be more fortunate than to do this work in our community. I know that this is a sentiment that is shared by all my colleagues at every level of local government in Yancey County and in the Town of Burnsville. I wish the best for all those who live, work, and do business in Yancey County and hope for another year of continued partnership, perseverance, resilience, and success.

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5 January 2022

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