

## **A Short History of Stonecutter Mills and Spindale, North Carolina**

**By Tim Barth and Duncan Murrell**

2 April 2004

### **Introduction**

The Stonecutter Mill, only a few blocks removed from Spindale's main street, stands empty. Nearly a thousand local people used to work there in three shifts, a continuous movement of people that was the life of this town, its blood stream, for the better part of eight decades. Now a handful work in the plant, still attending to the plant's funeral arrangements. The size of its floors is overwhelming, made more so by the fact that they are enclosed and dark. Only occasionally is there a sign of life. A few businesses in town rent some space to store equipment and inventory, and their people mingle around at the edges of the floors, dwarfed by the distance between things, figures on a horizon. The Stonecutter company has set out the remainder of its office equipment – old 1970s-vintage typewriters, metal shelves, mimeograph machines, anything that can still be moved – for its final closing sale, a flea market to be conducted nearly five years after the plant closed. It's the last of the funeral arrangements. A number of local people will show up to purchase the old, obsolete equipment on the cheap, and the newspaper will send a photographer, but no reporter. It's an odd and deflated ending to the story of the Stonecutter Mill.

The factory is made of red brick, and in 1920 it was exceedingly modern. Now it doesn't have any obvious use other than to manufacture cloth and yarn, and that kind of business, as Sen. John Edwards has put it, "is gone and isn't coming back." You can see the plant through the window of the town manager's office, looming next to a new brick building, the town's elementary school.

The main street in Spindale is lined with some restaurants, hardware stores, appliance stores – all local -- and an impressive parade of thirty to forty year-old Bradford Pear trees, planted along the CSX rail line when there still was a rail line that ran straight through town. Now the trees brace a thin green sward that runs through town and off into the distance, out of sight. No one walks on it.

Spindale, with 4,000 residents, is one of the four largest towns in Rutherford County. Near downtown, a neighborhood of mill houses surrounds town hall – the largest houses in the front row, each successive row growing smaller until the houses are small boxes with short stoops, the kind of architectural arrangement common in mill towns throughout the Carolinas. Spindale is about fifteen minutes north of the Broad River, which runs west to east, and is a little over an hour west of Charlotte, in an isothermal belt of relatively mild weather due to the presence of the highest mountains east of the Mississippi in the near distance, which causes a temperature inversion enjoyed by places along the mountains' slopes, and which gave this area of North Carolina an advantage in

the growing of fruit crops, particularly apples and peaches. It is beautiful and hilly and rolling country.

The first textile mill came to Spindale in 1916, at a time when rural electrification and plentiful coal for steam plants made it possible to build a mill almost anywhere, when previously they had been restricted to locations on rivers and streams with flows adequate to generate power. The Southern textile industry -- particularly the Piedmont and most especially the Piedmont areas of North and South Carolina -- had become known for innovation and the use of the most mechanically sophisticated machinery in the United States. (For instance, Southern textile mills were much more aggressive in making use of ring spindle technology in the early part of the century, which doubled output and gave them a decided competitive advantage over manufacturers in New England, who were slower to adopt the technology.)

More importantly for the purposes of this case study, Southern textile mills were built almost exclusively with local capital by local entrepreneurs, employing local workers available in abundance. (Northern capital, if it made its way into Southern mills at all, came from companies that supplied machinery and marketing services. Northern companies did not typically make ownership investments in Southern textile mills.) Most of the new workers from the surrounding countryside had left farming by the second decade of the 20<sup>th</sup> century because of what one historian has called “dissatisfaction and desperation” as a result of “the decline of cotton prices, the growing proportion of women to men in the older regions, and the disaffection of the young for rural life.”<sup>1</sup> These elements combined to make it easier for large elements of the rural population to throw over the old ways and to move into town for mill jobs. This dislocation also produced changes in family life that became characteristic of Southern textile mills, even into the 21<sup>st</sup> Century: owners encouraged whole families, particularly those headed by widows, to work in their mills, the result being that women and children under 16 were employed in manufacturing in the Piedmont at a rate four times that of women and children elsewhere in the larger region. Up until recently, women formed a large portion of the textile manufacturing work force in Rutherford County, and children were still dropping out of high school to take jobs in the mills.<sup>2</sup>

The first textile mill in Spindale was Spencer Mills, built in 1916. Spindale Mills opened soon after, and incorporated Spencer Mills into its operation. Other textile manufacturers working various aspects of the business -- spinning, dyeing, weaving -- opened in quick succession: Elmore Corporation, Spinners Processing, Sterling Hosiery Mills, Cleghorn Mills. Spindale, as a town, could hardly be separated from its factories. It has always been a classic mill town.

In 1920, a local man named J.B. Tanner founded Stonecutter Mills, which eventually grew into an integrated operation that ran spinning, dyeing, and weaving operations all on the premises. The factory itself was modern for its time, built of brick and enclosing

---

<sup>1</sup> Edward Ayers, *The Promise of the New South*, 1992

<sup>2</sup> When the Bon Worth textile mill laid off its last 120 workers in Spindale in 1998, 118 of them were women and many were single parents.

immense manufacturing floors (roughly 300,000 square feet) within the walls of several buildings. In 1921, a young man named Ivy Cowan joined the company after getting trained as a weaver at a mill in Henrietta. Tanner made him a clerk, and Cowan rose to become the company's CEO and eventually its owner. The current CEO of Stonecutter, Jim Cowan, is Ivy Cowan's son.

In the 1940s, the company made two decisions to invest in both the community and its workers. It established a profit-sharing plan with its workers that has since paid out \$70 million to employees, according to company officials. In 1945, the company established the Stonecutter Foundation, a non-profit that has invested in numerous community institutions such as the town library and the local community college, Isothermal Community College. According to foundation officials, since 1945 the foundation has made grants totaling \$7.7 million to the surrounding community.

Throughout most of its history, the company operated conservatively.<sup>3</sup> In the 1960s and 1970s, this meant the company did not invest in new equipment and was able to maintain a cash surplus. When management organized a leveraged buyout of the family shares, the new owners were left with a cash deficit and rapidly aging equipment. The debt and the old equipment hindered the company, and if not for the popularity of "Saturday Night Fever" (1977) and John Travolta's blinding white suit made of the synthetic fabric Arnel, which Stonecutter had introduced and was manufacturing, the company would have been in much worse shape. As it was, they were able to buy new equipment for every part of the operation by using the Arnel profits, and by borrowing money in the form of industrial revenue bonds and a 1979 loan at a 9.5% fixed rate – which would be an extraordinarily low rate in the years that followed. The company weathered the 1980s, and went into the 1990s in very good shape.

In the early 1990s, the company invested millions of dollars to again upgrade its spinning operation, purchasing 15 new, state-of-the-art spinning frames for its Spindale mill. In 1995, the company had its best profit year ever, and was marketing itself as a nimble, responsive manufacturer, able to produce custom fabrics (combinations of Arnel, linen, flax, and rayon) and colors with greater ease than almost any other similar manufacturing operation. The culture of the mill, company leaders have said, embraced change, and that flexibility had apparently paid off by 1995. Company leaders had even begun to pursue a joint venture with a sister mill in Mexico, but that deal was never completed.

By 1999, the company was employing 772 workers at its Spindale plant. It was the town's largest employer, its largest sewer customer, and its largest single holder of real property, valued at roughly \$36 million in 1999 – therefore the town's single largest source of property tax revenue.

It's important to note that although Stonecutter was Spindale's largest employer, its employees came from all over the county, and many Spindale residents worked in mills and factories elsewhere, even in South Carolina. Three of the four largest towns in

---

<sup>3</sup> As Jim Cowan put it, "We've always been tight-assed."

Rutherford County -- Rutherfordton, Spindale, and Forest City – are strung together along U.S. 74 like beads on a string, each abutting the other and sharing common borders. The workforce in Rutherford County is mobile, and therefore the town and its residents are affected by changes in its neighbor town and in the larger economy of the region.

Crucial and perhaps irreversible changes began in Rutherford County in the spring of 1998. The first textile mill to announce that it would be closing was the Spindale mill, Bon Worth, which manufactured ladies garments. Bon Worth announced in April of 1998 that it would be closing its Spindale operation, laying off 180 workers, and moving the operation to its new plant in Matamoros, Mexico. Company leaders cited international competition as the main reason for the decision to move. Bon Worth's announcement was the first of a parade of similar announcements by textile manufacturers all over Rutherford County. Next came the old Spindale Mills plant, now called the New Cherokee mill and owned by the Dan River Corporation. It announced in October 1998 that it would be laying off 150 workers and closing the mill because of "corporate restructuring," consolidating its work into two other mills in Sevierville, Tennessee and Danville, Virginia. Next was Schneider Mills in Forest City, the next town over from Spindale, which shut its doors in November 1998 and laid off 142 workers. Cone Mills, also in Forest City, announced in May 1999 that it would lay off 438 workers at its 100-year-old plant a block off the town's main street. Burlington Industries, another Forest City operation, announced it would close its mill and lay off 440 workers by the end of that summer.

In early June, Stonecutter Mills announced that it too would be closing its textile mill. By early July, all 772 of the company's manufacturing workers had been laid off. "The textile industry has been dumped on by the Chinese, Korean and Russian goods," said Stonecutter CEO Jim Cowan at the time. "The textile industry is 10 times the size of the steel industry. When the steel industry says they are dumped on, Washington listens. Washington listens. Washington hasn't listened to the textile industry. Just look at what the mill has meant to this community. I believe this mill meant something to the community. It is the end of an era, a passing away."

### **The Layoff**

Rutherford County had already lost 1,400 textile jobs to closings and layoffs in the year prior to the Stonecutter announcement. The Stonecutter closing increased that number by 55 %, and it brought the town of Spindale's share of county layoffs since 1998 to 51%, or a total of 1,102 in a town with a population of 4,022. There were many more layoffs to come in Rutherford County over the next four years – in textiles and other industries – but at that point, in July of 1999, Spindale had taken the biggest punch.

On June 2, 1999, Stonecutter officials announced the shutdown and its effective date: July 12, 1999. The last actual shift at the Stonecutter plant ended on July 2, 30 days

later.<sup>4</sup> Company officials recently said that their decision to close was precipitated by two consecutive years of decline in new orders and the conviction that 2005 – when tariffs are to be removed on all textile goods in accordance with international agreement – represented a “stop sign” marking the end of their company’s ability to compete in the marketplace. It’s unclear what new circumstances forced an announcement on June 2 (rather than thirty days earlier), but the question is moot as no worker or local government entity brought suit to force compliance or to recoup penalties under the WARN act. Given the good feelings that workers and local leaders had for the company during its 79-year run, this isn’t at all surprising.

According to interviews and anecdote, the company’s workers felt they were well-treated during their employment, that the closing was also handled well by management, and that they were very well compensated by the company – through its profit-sharing plan most significantly, but also through something as minor-but-symbolic as receiving vacation pay for the July 4<sup>th</sup> weekend *after* the last shift had ended and before the weekend started.

### **Had there been a warning of the closure?**

It’s unreasonable to expect that the company would have shared its plans to close with any entity, even the leadership of the town of Spindale, before they were ready to have those plans generally known and before they had notified their workers. Nevertheless, interviews with company management and workers make it clear that there had been rumors down on the mill floor about an impending layoff, or at least about the declining health of the business. As the Stonecutter CEO put it, if you want to know what’s happening in a company, “the most knowledgeable person in the plant is the guy running and maintaining the equipment. He’s watching what’s happening, how much work they’re doing, and they know what’s happening. You can’t trick people.”

A second kind of warning came almost three months earlier, when Stonecutter announced on March 15 that it would be scaling back its shifts and making some (eventually 100) layoffs. The new schedule moved the company to a five-day schedule, rather than the seven-day schedule they’d been working for a decade. The reason given publicly was that the mill was working at 75% capacity, and that the new schedule brought the schedule into line. The language used by management to explain the schedule change is interesting for its positive depiction of the world market, in marked contrast to their vehement language decrying the dumping of “Chinese, Russian, and Korean goods” three months later when the mill closed. From the announcement to Stonecutter employees, March 15:

---

<sup>4</sup> The acceleration was explained at the time as being due to a slowdown in the manufacturing operation and a steady bleeding of jobs after the June 2 announcement. The Worker Adjustment and Retraining Notification Act of 1988 (WARN) requires 60 days notice before a mass layoff, and under its definition Stonecutter’s closing would not have qualified. Company officials explained recently that they qualified for an exception because they had experienced a “sudden and dramatic change of business” which required the closing. The exception to the WARN Act that comes closest to this explanation is the *failing company doctrine*, which provides that businesses able to show that a closing or mass layoff was caused by business circumstances *which were not reasonably foreseeable at the time notice would have been required* are free from the 60-day advance notice requirements under the Act.

*Global changes in the textile industry have now provided us the opportunity to move from a 7-day work schedule to a standard 5-day work schedule. This change, although a positive one, will necessitate some restructuring. Restructuring will maximize the productivity and place Stonecutter in a much more competitive position within our markets and provide a work schedule that most employees find desirable.*

The company, for obvious reasons, struggled mightily to put a good face on the change, but all the key words of trouble were already there: *75% capacity, restructuring, layoffs, global changes in the textile industry*. The announcement and subsequent explanations provided a pretty good clue that something was happening over at Stonecutter. It would have been impossible to tell from this that the company would close by early July, but there was at least *some* warning that all was not well.

The third kind of warning was the general business climate in Rutherford County. When Stonecutter announced its restructuring in March, 1,270 workers textile workers had been laid off around the county due to closings or restructurings at five different textile mills in less than a year. The experience of a textile mill closing – even mills that had been in good financial shape a few years previously and which had been part of the community for many decades – was fast becoming common in Rutherford County, and each of those closings had affected Spindale, either directly or indirectly. A sign of weakness at Stonecutter – for instance, its March restructuring – was therefore much more of a warning than it would have been a few years before.

Nevertheless, workers and town leaders are not seers, and hindsight is always keen. Even if the town had received explicit warning of an impending closure many months in advance, would it have helped? In 1998, Spindale annexed a small community called Oakland, adding \$7.6 million to a property tax base that stood at \$217.4 million, but had been sliding. Consider that the closing of the Dan River plant knocked \$7.5 million from the town's property tax base, and the fact that Stonecutter's closing lopped off another \$30 million. The benefits of annexation – increased annual property tax revenue, roughly \$32,000 in 1999 – was more than offset by the loss in property tax revenue from closed textile mills, and yet the town was still obliged to expand its town services – police, fire, code enforcement, etc -- to the new annexed area. Had the town known they would lose the Stonecutter plant in 1999, one town leader has said, they might not have taken on the new annexation.

Other than saving themselves the expense of annexation, a substantially longer warning may not have helped the town of Spindale at all. Spindale was going to be devastated no matter when they were warned. The town had grown up around the mills, and was absolutely dependent on the textile industry, particularly those companies located within its borders. Much of the town's revenue came directly from the mills within its borders, and much of the rest came indirectly from the textile industry generally: in the form of good salaries that went, in part, into the town's retail sector and into the bolstering and growth of property values. There was a limited amount of retail and commercial activity

in Spindale, but those sectors were very small, and they weren't helped by the closing of the factories. Spindale has not proved to be adept at attracting retail businesses since the Stonecutter closing, and in fact has lost quite a bit. (This will be further explained later in this paper.)

Spindale is, therefore, a town of very limited resources. It certainly is not a town with the wherewithal to go out and attract new industry and replace the lost jobs with similarly well-paid ones. Its sources of revenue, since the early decades of the 20<sup>th</sup> century, have always risen and fallen with the state of the textile industry. The town has very little role in the public support and retraining of displaced workers, and so advanced warning would not have helped the town to prepare for the growth of unemployment. Consequently Spindale – with a few notable exceptions, to be discussed – has been able to do little more than watch the transformation of the town, county, and regional economies, and hope for the best. A warning would not have changed that.

### **Immediate Effects**

The immediate effects of any sort of closing – whether it's a textile mill closing, or a layoff at a telecommunications firm, or at a used car lot – are mostly invisible to empirical analysis. It's not possible to merely list the measurable (or even, the immediately observable) facts of a closing and claim to have accomplished the task of describing that closing's effects in all their complexity. A closing sets off a chain of events similar to the movement of water over a river rock: we see a sheet of water envelop the rock, but not the chaos roiling within it, nor the invertebrates and protozoans caught up by it, nor the nearly indescribable complexity of the physical forces that combine to raise up the smooth veneer out of the wildness of the river itself. The personal cost of being laid off at a factory after thirty years is similarly indescribable, even by the people themselves. Money, and the lack of it, is an easily measurable quantity, and thus this paper is almost entirely concerned with the movement of money and the shifting state of the community's wealth. But this does not take up the loss of self-esteem, the sense of place and community, the generational schism that emerges between the old and young, the break-up of families, the growing knowledge that what you'd thought for decades – that if you worked hard in the mill you would be secure for life – was not strictly the case, and the sadness of watching your hometown transform itself into something you don't recognize.

Perhaps, worst of all, is the feeling described by the local United Way director in Rutherford County, among those who still have jobs: *There is dread. There is the fear of losing what you have. The culture, the morale of the community, is changing.*

Acknowledging that the sum of the intangible effects of a plant closing are beyond the scope of our ability to measure, it is still possible to take a step toward understanding them by describing the web of cause-effect-response that *has* been observable and measurable, thereby describing the conditions within which the intangibles exist. For this purpose, the most clear and readily measurable effects of the closing of Stonecutter Mills

has been those experienced by the town of Spindale as an incorporated town with services to provide and bills to pay.

The most obvious effect of the Stonecutter closing, and the one most documented whenever a mill closes, is the loss of jobs. The number of jobs lost is the most frequently cited statistic in the days after the announcement of a closing. The size of a layoff determines whether the WARN act will be applied, and often what level of involvement the state of North Carolina will have in easing the transition of laid-off workers. But the number of jobs lost is not necessarily the best measure of a closing's immediate effects.

In the case of the Stonecutter closing, the pain workers felt was delayed by at least three factors. The first was the company's profit-sharing plan, which gave many of the workers a considerable cushion to tide them over for months, if not more than a year.<sup>5</sup> The second was the various unemployment benefits and worker retraining money made available to workers from various state and federal sources, which also helped provide financial support. The third factor was the jobs available at other mills in the county and region. In 1999 Stonecutter was the fifth mill in Rutherford County to close or experience a mass layoff. At that time there were still quite a few mills operating throughout the county, and many of those laid off Stonecutter workers were able to find work elsewhere, initially. In 1999 the capacity of the local textile industry to take in some portion of the newly displaced was declining, but good enough to provide jobs for many.<sup>6</sup> (Earlier, in 1998, Stonecutter itself had hired workers laid off from Bon Worth, Dan River, Schneider, and others.)

Taken together, these factors help to explain what officials in Spindale and Rutherford County have described as the Late Pain effect: the year or more it takes for the community to begin to see the effects of individual displacement. For instance, the town of Spindale's *residential* property tax base has stayed relatively steady, and only recently – in the last two years – has there been an increase in foreclosures. The number of Rutherford County residents (and, presumably, Spindale residents) making use of the Workforce Investment Act program has increased exponentially since June 2001, after a much slower increase in the years 1998-2000. Yokefellow – a local church-based food and assistance charity – reported a dramatic increase in the number of new clients seeking assistance in 2003 – 18%, or 623 new families out of a total of 3,055. “People who once gave are now receiving assistance,” said the organization's executive director. In short, county officials report that the *individual* costs of a layoff – while large and dramatic and

---

<sup>5</sup> Stonecutter's profit-sharing plan was a contributory plan based on the company's yearly profits. Through the first \$1 million of profit, the rate the company paid into the plan “ramped up,” and then for every dollar of profit after the first \$1 million, the company paid \$.20 into the plan, distributed to each employee in proportion to that employee's years of service. Since 1945 the plan has paid out \$70 million, including the \$30 million that was paid out to roughly 900 employees when the manufacturing operation closed in 1999.

<sup>6</sup> The unemployment rate in Rutherford County spiked up by 3.5 percentage points (to 8.9%) between January and July of 1999, but held steady and even began declining, until a few more mills closed, thus further decreasing the local textile industry's employment capacity. (See Graph.) Currently, the unemployment rate in Rutherford County is hovering around 12.6 %, and is likely to go higher. Since December 2003 companies have announced more than 1,000 more manufacturing layoffs in Rutherford County. All told, there have been 19 major textile layoffs or closings in Rutherford County since 1998.



devastating – aren't felt fully for at least a year. Spindale leaders confirm that this was the case with the Stonecutter closing.

But some of the other effects of the Stonecutter closing were large, dramatic, devastating, and *immediate*. When Stonecutter closed, the property value of its plant was assessed at roughly \$36 million. At a town tax rate of \$0.42, the annual property tax revenue from the Stonecutter plant was roughly \$151,000 (or 6% of the 1999 town General Fund budget of \$2.6 million). When Stonecutter sold \$30 million in high-tech looms and spinning frames (to a company with operations abroad), the town lost \$126,000 in annual revenue. As the remaining property continues to depreciate – the current county depreciation schedule would put the value of the Stonecutter property, in 2003-2004, at \$2.9 million – the town will continue to lose revenue until the building is turned over to another use.

The more dramatic loss of revenue due to the closing of Stonecutter came as a result of lost sewer revenue. A textile mill like Stonecutter uses an enormous amount of water in its dyeing operations, all of which was treated by Spindale in its wastewater treatment plant. At the time, the town charged \$1.10 per thousand gallons treated, payable each month. At last count, Stonecutter was using roughly 220 million gallons of water a year, and when the plant closed the town lost \$242,000 in annual sewer fund revenue. The effect was immediate – one month Stonecutter was paying an average of \$20,000 a month to the town, and the next month they weren't.

Finally, the closing of the Stonecutter mill had a direct effect on the town's revenue from sales tax. In Rutherford County, sales tax revenue is distributed to municipalities based on *ad valorem* property tax levies. Thus, if the town's property tax levy decreases, so does its share of the county's sales tax revenues. In 2002, the county conducted a revaluation of real property, and Spindale's real property base was determined to have increased by a very small 3.15% since the last valuation eight years before. Not only did this increase lag the rest of the county (16.72%), but when combined with the depreciation of personal property (residential, commercial, and industrial), the town's property tax base has decreased by \$17.7 million since 1998, or 8% -- primarily due to the disappearance of industrial property, especially Stonecutter's, from the tax rolls. The shrinking of the town's tax base – both in real terms, and relative to the tax base countywide – has caused the town's share of sales tax to drop by as much as \$100,000 annually.

Although it is likely not the intention of the Rutherford County Commissioners to *punish* Spindale for experiencing three mill closings and being so dependent on an industrial tax base, the county's method of distributing sales tax amounts to a punishment in effect. At least, that's how a number of town leaders in Spindale see it. A very conservative estimate of the annual cost to town revenue of Stonecutter's closing would be roughly \$400,000. This is a crippling amount of money to a town whose annual revenue – general fund revenues and sewer fund revenues combined – is around \$3.1 million.

The town of Spindale was, of course, not the only entity to experience a loss of revenue due to the closing of Stonecutter Mills. The United Way of Rutherford County had “relied on the generosity of workers in textile plants, and upon the generosity of the textile companies themselves, for the majority of the funds it raised year in and year out,” according to its 2000 Community Needs Survey. Although the amount of the United Way’s yearly pledge from any one factory or mill varied from year to year, the effect of Stonecutter’s closing on the United Way’s potential revenue can be estimated at around a \$39,000 loss: the highest annual pledge of Stonecutter workers was roughly \$29,000, and the highest annual pledge of the Stonecutter Foundation was \$10,000. (The United Way’s annual goal in Rutherford County varies between \$850,000 to \$1 million.) Alone, that amount doesn’t seem like a terribly large amount, and the United Way has experienced greater variation in revenues in years when there were no closings, unemployment was low, and the economy was growing at a good clip. But between the 1997-98 campaign and the 2003-04 campaign, the organization has seen a 15% reduction in the total amount of pledges, or a total of \$143,000, due to layoffs or closings at 20 Rutherford County factories (textiles and others) since 1998.

According to the executive director of the United Way of Rutherford County, this drop would have been much worse if not for workers who managed to hold onto their jobs while their neighbors were losing theirs. “When the chips are down, we’ve found that people actually will give a little bit more,” according to executive director Faye Hassell, and United Way’s own numbers bear that out. The expected loss from textile mill closings alone, since 1998, would have been something closer to \$350,000, not the \$143,000 actually experienced across *all* industries. Hassell described the experience of going to one of the Cone Mills factories at a time when the company had just laid off more than 500 workers and gone into bankruptcy. Only a few hundred workers remained, all of whom knew they were likely to lose their jobs soon. “Those people still pledged \$37,000,” Hassell said. “It’s the culture here. People care about their fellow man.”

Even so, the total losses to the United Way’s bottom line due to factory closings has come at precisely the wrong time – when the area is experiencing rampant unemployment and the United Way’s agencies are more needed than ever. Hassell has seen an increased need for the services of agencies that meet basic needs: rent, other bills, food, insurance. She’s also seen an increase in the need for domestic violence services, and also consumer credit counseling services. In order to better serve these agencies, Hassell and her staff have had to shuffle money around and redirect it away from some agencies and toward those doing crisis work.

Other entities also lost out when Stonecutter closed. The county also collected property tax on the property, which it lost. With the Stonecutter closing, the number of textile mills in the area that could absorb displaced workers was reduced by one. Local businesses in Spindale, especially retail businesses, suffered their own losses. But it’s very clear that it was the town of Spindale that felt the brunt of the measurable impact of Stonecutter’s closing. It continues to suffer now, almost five years later.

## Immediate Responses

*State and Federal.* The most obvious first response to the Stonecutter closing was the arrival of the state's Rapid Response Team, a collection of representatives from the state Department of Commerce (Division of Employment and Training), the local Employment Security Commission office, the Isothermal Planning Commission, and Isothermal Community College. At the time of the Stonecutter closing, this group formed under auspices of the Employment Security Commission.<sup>7</sup>

The RRT's first responsibility, then and now, is to make contact with the management of a company that has just announced a mass layoff, discuss the obligations of the company under law, and to describe the various transition services available to the company and its workers. As a result of that initial contact, the team typically arranges with the company to brief workers in small groups about their rights, sources of compensation, and opportunities for retraining. It's not required that this take place on company property on company time, but this has been the case in almost all instances in Rutherford County.<sup>8</sup> Assuming the arrangements go smoothly, what do these RRTs talk about?

- The program covers a myriad of benefits and programs, the first of which are unemployment insurance available through the Economic Security Commission, and which provide eligible workers up to 26 weeks of benefits.<sup>9</sup>
- The team then counsels workers on the programs available under the Workforce Investment Act of 1998 (WIA), which is also the enabling legislation for the RRTs themselves.<sup>10</sup>
- The RRT also counsels workers (and employers) on the benefits available under the Trade Adjustment Assistance Act (TAA), which was once known as NAFTA-TAA. Although these benefits are discussed in the initial meetings with workers, before they are eligible for the benefits an application must be made – by the company, a union, or a group of three-or-more workers – to the Department of Labor to be certified as a company adversely affected by the pressures of international trade.

Primary among these TAA benefits is the Basic Trade Readjustment Allowance, which covers a displaced worker for 26 weeks *after* unemployment insurance runs out, and while they are enrolled in TAA-approved training. The worker may reapply for

---

<sup>7</sup> Since late 1999 the program has been coordinated by the Division of Employment and Training.

<sup>8</sup> A very few factory owners in Rutherford County have resisted cooperation, and in those cases the members of the RRT have had to organize the meetings outside of the workplace, without the organizational support of the company. This has been very rare.

<sup>9</sup> <http://www.ncesc.com/individual/UI/UiClaims.asp>

<sup>10</sup> . The WIA supersedes the old Joint Training Partnership Act and several other federal grant programs. In Rutherford County, the WIA programs are administered by the Isothermal Planning Commission, which also has responsibility for neighboring counties McDowell, Cleveland, and Polk. For dislocated workers, the WIA provides money for reaching out to workers, assessment of individual skill levels, counseling services, the creation of an individual employment plan, and a myriad of training services. To name a few: occupational skills training, on-the-job training through the community college or private sector training programs, and adult education and literacy training.

Additional TRA when their Basic TRA benefits run out if they are still enrolled in TAA-approved training; those benefits extend another 26 weeks.

Alternative TAA is available to workers of companies that had employed a “significant” number of workers over the age of 50, who are over the age of 50 themselves, and for whom retraining is not appropriate. If such a worker finds another job within 26 weeks of being laid off – for instance, working the register at a gas station for significantly lower pay – and elects to avail themselves of ATAA, 50% of the difference between their new wages and their old wages will be paid for up to two years, not to exceed \$10,000.

Health benefits are also available through the TAA under the Health Care Tax Credit, which pays up to 65% of an individual’s health care coverage while they’re in training (or while they’re enrolled in the ATAA program). In effect, it pays the cost of their COBRA benefits, or the cost of carrying Blue Advantage coverage from Blue Cross Blue Shield.

It should be fairly obvious that both of these laws – the WIA and the TAA – place heavy emphasis on training in exchange for benefits, and of course that training must be conducted by *someone*. Therefore one of the members of the RRT is the representative of Isothermal Community College, who describes the programs available at the college, discusses the kinds of jobs that are in demand, and outlines how students may enroll for various programs.

According to the Stonecutter Human Resources director, at the time of the closing the RRT was responsive to the needs of their workers. Stonecutter made time and space for mandatory worker meetings with RRT representatives, and also made space and time available for job fairs which were sponsored by the local ESC office. Additionally, the company held its own private, individual meetings with workers to discuss their company benefits, especially the profit-sharing plan. During the Stonecutter meetings, according to the HR director, the most common request for information was about educational options, and education was also the most common source of anxiety. “There were people who wanted all the information they could get, and a lot of others who would say to me, *I’m afraid of going to school.*”<sup>11</sup> .

Typically, the younger workers – those in their 20s and 30s – are more open to the idea of retraining, which often means moving out of the county, because they’ve had less time to become dependent on the “old ways.”<sup>12</sup> As one economic development official put it, the attitude that “what was good for granddaddy and what was good for daddy is good for me,” is easier to overcome in the young than it is in those who have already put 20 years

---

<sup>11</sup> This dynamic has repeated itself, according to those who have run subsequent RRT meetings at other factory closings in Rutherford County.

<sup>12</sup> The “old ways” were described to us numerous times by various people in Rutherford County. They are an attitude toward education and work that had not changed much in eighty years, while the mills were still providing the kinds of jobs that paid enough to live and support a family in relative comfort until retirement, with a minimum of education and training. Even to the present day, the dropout rate is high in Rutherford County, and currently 30% of adults over the age of 18 do not have high school diplomas.

in at the factory. This is a particularly tough situation for workers in their 40s – old enough to be firmly planted and scared of the prospect of trying something new, but too young to avoid training and still receive TAA benefits.

How successful were these initial RRT activities? In Stonecutter’s case, this is hard to quantify. There is an RRT report that’s written after each RRT activity, but the report for Stonecutter has been either lost or misplaced at the state level, and we were unable to find another copy at the local level.<sup>13</sup> Furthermore, when Stonecutter closed the state had not yet established its JobLink program<sup>14</sup>, which creates “one-stop” service centers where workers can sign up for all the benefits, programs, and educational programs – even enroll at Isothermal Community College – that were discussed in the RRT meetings. Thus, when Stonecutter closed, there wasn’t *one* office collecting data on individual workers and their participation in programs and enrollment for benefits, and some offices did not keep track of who had worked at which factory. But, some general conclusions about the utility of the RRT program can be drawn from certain statistics provided by the Isothermal Planning Commission:

\* Before 2000, roughly 10% of newly eligible displaced workers in the four county region enrolled in some sort of TAA-approved or WIA-funded training program. In 2003, that percentage had grown to 30%. Part of this can be explained by the cumulative effect of plant closings, and some of it by the general downturn in the economy.

\* In the first year after the Stonecutter closings, new JTPA/WIA enrollments in the county increased from 59 the previous year to 101. Since July 1, 2003 – less than a year – the number of new WIA enrollments stands at 229 and counting.

\* In the 1999-2000 fiscal year, the region received \$529,634 in JTPA/WIA funds. By 2002-2003, that number had jumped to \$970,055. Since July of last year, the region has received \$829,099, with three more months left in the year.

\* Typically, Rutherford County accounts for 50% of the region’s participation in the WIA program.

It’s fairly clear that, despite the best efforts of the RRTs, the Isothermal Planning Commission, and the Economic Security Commission, these programs didn’t reach nearly as many workers as they could. In Rutherford County, 677 people have enrolled in WIA programs since 1998 – out of almost 5,500 workers laid off in that same time. It’s entirely possible that many of those workers went on to find other jobs, but with 4,841 Rutherford County residents registered for work with the local ESC office in December 2003, and 3,610 listed by the ESC as unemployed, it’s hard to credit. If it’s true that 30% of newly eligible workers – that is, the recently laid off – now enroll in programs paid for

---

<sup>13</sup> This is probably due to the transfer of RRT responsibility between the ESC and the Division of Employment and Training in 1999, not long after the Stonecutter closing.

<sup>14</sup> <http://www.joblink.state.nc.us>. In Rutherford County, the JobLink office is located next to the Economic Security Commission Office.

by the WIA (according to the Isothermal Planning Commission), that could only be a recent development. Most other workers who have been laid off in Rutherford County have either made the decision not to pursue WIA-funded training, or they've let that decision be made for them by allowing their benefits to expire.<sup>15</sup>

Short of going into people's homes and hauling them off to the JobLink office, it's hard to say what the state and county are supposed to do about low enrollments in the federal job training programs. But it's very clear that if these programs are intended to be the basic set of workforce retraining programs for areas experiencing mass layoffs due to international trade, they aren't doing the job in Rutherford County despite the best efforts of those who administer them.

**Isothermal Community College.** The anemic enrollment in federal worker retraining programs is not for want of training opportunities in Rutherford County. Isothermal Community College is a well-known and well-respected institution, both within the community and more generally among people familiar with the state's community college system. It offers a wide range of typical liberal arts and science degree programs, along with applied science degree and certificate programs.<sup>16</sup> Additionally, the college offers a full menu of occupational extension programs (building contractors, EMS, fire fighting, geriatric care, nursing assistant, teacher renewal training, truck driver training), adult basic education (to gain or improve literacy and mathematics skills), and adult high school.

We have listed these programs at length to give an idea of how much the school offers, and the wide variety of educational backgrounds the school can handle. The offerings at the college have grown and expanded in recent years. This is both a testament to the college's desire to respond to the needs of a region that is experiencing an extraordinary change in its economy and communities, and a reflection of something that is troubling to quite a few leaders we talked to in Rutherford County. As one leader put it:

*We're trying to train people in so many areas and disciplines because we don't have any idea what kind of jobs are going to be available in the area in the future. We've had to operate under the assumption that, since we're going to be training folks to leave the area anyway, we might as well open up the training options to be as broad as possible. The likely migration of people out of the area is a real concern from an economic development standpoint, because you don't want to train people to leave your community; you want to train them, and then show potential employers and companies*

---

<sup>15</sup> Migration of laid-off workers out of Rutherford County and the Isothermal Planning Area could partially explain the low enrollment, but that doesn't appear to have happened. In July 1999, when Stonecutter closed, the ESC calculated that there were 29, 570 people in the county's work force. In January 2004, that figure was 29,559.

<sup>16</sup> To name just a very few of these applied science disciplines: advertising and graphic design, nursing, autobody repair, law enforcement, business administration with various concentrations, computer engineering, computer programming, cosmetology, early childhood education, industrial systems technology, information systems, mechanical drafting, paralegal training, real estate, and many more.

*that you have a vibrant, skilled work force. But then, we can't say that we won't train you, either, just because we think you're going to leave. That's not fair. There's an ethical, moral aspect you have to consider.*

Isothermal Community College's various allied health degree and certificate programs – everything from registered nurses to radiology techs – annually receive far more applications than the school can handle. Health workers are in great demand everywhere, and those are jobs that pay well, often better than what the mills were paying. But even if nurses are in demand, for instance, there are only so many jobs available for nurses in Rutherford County. In fact, the number of students the college can train in the allied health fields has been to some extent restricted by the availability of hospitals and doctor's clinics at which students can receive required practical training. The college can train nurses, but many if not most of the nurses will need to go elsewhere – to the metro areas of Asheville, Charlotte, the Triad, the Triangle -- to find work in their new field.<sup>17</sup>

The college reportedly has plans to add biotechnology training to its roster of professional training programs, in anticipation of “the great wave of biotechnology jobs that people have been talking about for years in North Carolina, and which seems to be a train with square wheels coming on very slow,” said one economic development official. If those jobs do come, that same official conceded, it's likely they'll be located in the Triad, the Triangle, or in the I-85 corridor somewhere – miles and miles away from Rutherford County.

**County, Towns, Communities, Companies.** In Spindale, the most obvious local response to the closing of Stonecutter and the other two mills has been the town's efforts to stem the flow of income from town coffers and to try to maintain its level of service to residents – both of which have been hard-fought but mostly losing battles. Since 1999, the town has laid off 10 of the 37 town workers employed at the time that Stonecutter closed. A quick summary of the layoffs:

- \* 2 police officers (from 14 to 12)
- \* 1 fire chief / fire dept. position ( from 4 to 3)
- \* 3 sanitation workers (from 11 to 8)
- \* 3 parks and recreation workers (from 5 to 2)
- \* 1 librarian ( from 2 to 1)

In addition, the town eliminated the job of code enforcement officer after a resignation; those duties have been added to the duties of the town manager. For all employees, the town has had to drop some health coverage, raise deductibles, and still premiums have increased by as much as 24% in a single year.

---

<sup>17</sup> It should be noted that the college has recently received a \$210,000 grant from the Kate B. Reynolds Charitable Trust to expand the associate degree nursing program, which could mean adding night classes and night clinics.

Since Stonecutter closed, the town has raised its property tax rate by \$.02 per \$100 valuation, doubled the residential sewer rates, and substantially increased the commercial and industrial sewer rates.<sup>18</sup>

Without those changes, the situation would likely be much worse, but Spindale's revenue is still in a downward spiral. Since 1999, its general fund revenues have decreased by 17.4%, or a decrease of approximately \$457, 449 in annual revenues. Its sewer fund revenues have grown, as one would expect from a sharp increase in rates, but not enough to offset the loss in the general fund. Sewer revenues from residential customers have grown by 107%, adding approximately \$96,000 to the sewer fund; commercial/industrial sewer revenues have also grown by approximate \$150,000.

During two of these years of shortfalls, the town also experienced an unexpected drain on revenue: Governor Easley held back certain collected taxes from counties and municipalities, particularly the utilities franchise tax. The Spindale town manager wrote to the town board of Easley's decision: "In the face of the tremendous loss of industrial tax base, Spindale cannot afford to have any other revenue stream cut off."

To make up the various shortfalls, the town has been dipping into its fund balance. Since 1999, the town has balanced its budget by borrowing from the fund balance four times, taking a total of \$1.03 million between the 99-00 budget year and the 02-03 budget year. Needless to say, draining the fund balance significantly handicaps the town's ability to respond to any sort of unexpected expense or emergency; it makes the town's financial situation considerably more precarious. In his last budget message to the town board, the town manager wrote:

*The Town can use a little from its Fund Balance for a few more years, but eventually the dependence on the Fund Balance will have to end...the Town needs to begin to identify some revenue sources to replace some of the tax base that has been lost....The Town cannot cut much more and continue to be able to provide all of the services that it currently provides.*

The town of Spindale has cut to the bone, and will probably still see its various revenue streams diminish in the coming years. As has been noted, Spindale has neither the wherewithal nor the authority to make the kinds of deals that would attract more large-scale industrial work to the town, and it has had little success attracting new commercial and retail ventures; it's been losing those kinds of businesses, too.<sup>19</sup> For these reasons, a number of county and regional officials and observers, *other* than those in Spindale, have privately raised the question of whether the town can remain a separate entity much longer, and whether it wouldn't be in the best interest of the entire three-town region –

---

<sup>18</sup> Sewer rates, 1999: \$5/month in-town residential, \$10/month out-of-town residential, \$1.10/1000 gallons in-town commercial/industrial, \$2.20/1000 gallons out-of-town commercial/industrial. 2004: \$10/month in-town residential, \$20/month out-of-town residential, \$1.73/1,000 gallons in-town commercial/industrial, \$3.26/1,000 gallons out-of-town commercial industrial.

<sup>19</sup> To be discussed in the next section.



with their contiguous boundaries – if Spindale didn't just consolidate itself into one or the other of the remaining towns.<sup>20</sup> One economic development official put it this way:

*“Their entire tax base was built around manufacturing, and now it's gone forever. What are they supposed to do? They're struggling, and they're also resistant to consolidating with another community. They've been able to work better with the other communities<sup>21</sup> but suggest they consolidate? Forget it. They aren't considering it.”*

But if Spindale the *town* has done almost all it can to raise money and maintain services since the closing of Stonecutter, with diminishing returns on those efforts, Spindale the *community* has, in one key instance, shown that it still has some capacity to unite and raise money for the good of the town.

Because of the town's budget problems in 2002, exacerbated by the governor's withholding of the franchise tax revenues, town officials considered closing or severely restricting the hours of operation of three key community assets: the Spindale Library, the Spindale Swimming Pool, and Spindale House (a recreational facility). All three are unique for the area and for towns the size of Spindale. The library is well-stocked and well-used by Spindale residents and people from surrounding communities, the pool is one of two public pools in the county, and Spindale House has been a local gathering place for generations of children and adults. Spindale may have owed its existence to the textile industry, but these three institutions helped create and maintain the town's sense of identity and community in ways that the factories couldn't. A group of local pastors, who felt that it was important to keep the three facilities open, approached a local businessman about holding a town-wide barbecue sale to raise the \$27,000 it would take to keep the three institutions running for another year. That businessman, who was later elected to the town board, put together a committee called SPLASH (Spindale Pool, Library and Spindale House.) They received broad support from throughout the county: volunteers from local churches, Scout groups, lifeguards, and high school students cooked and served all day on May 11, 2002, and a number of local businesses made contributions ranging from \$250 to \$7,000. All told, the effort raised \$75,000, well in excess of the goal.

There are many possible explanations for the outpouring of support enjoyed by SPLASH, and the following is only speculation. One explanation might be the one the United Way director used to explain why the organization's recent campaigns hadn't suffered as much as might have been expected: the community standard in Spindale and Rutherford County is to pitch in and dig deep when someone asks for help. Another explanation may be that Spindale had rarely hosted such a community gathering, and that people in town were glad to have the chance to come together for the fun of it; gatherings in Spindale and Rutherford County have more often been gatherings for the announcement of layoffs,

---

<sup>20</sup> **Note: This is NOT the position of Town Manager and co-author Tim Barth, nor was he privy to these conversations.**

<sup>21</sup> Currently, the towns of Spindale and Rutherfordton are considering merging their water-sewer operations, which would be run by Spindale under the proposal.

not for something good, like barbecue. But the most obvious explanation is that the loss of those three institutions would have, like the plant closings, dealt another blow to the town's sense of community and well-being. In this case, though, these were institutions that could be helped with a barbecue sale – that is, the residents of Spindale had the power to save them. No amount of barbecue would have saved Stonecutter Mills. Nevertheless, the success of SPLASH leaves some room for optimism in Spindale, and points to something that might aid the town of Spindale as it limps along, trying to keep its operation together. Revenue streams, fund balances, property tax levies, sewer tax revenue – to most people these are abstractions. The library, Spindale House, and the pool are not abstractions. It's much easier to get excited about helping to save something that can be seen, something with a value that is easily recognizable. It may be true that a little more revenue in the general fund would allow the town to buy new fire vehicles and gas-sensing equipment, but it's unlikely that a barbecue “to augment the general fund by a few percentage points” would draw the kind of enthusiastic response that SPLASH inspired. But if the cause is the purchase of a new fire truck, something that's obviously needed, then it seems more likely that people could be inspired to come together again for the good of the community. It worked for SPLASH, at least.

In all this, the activities of the Stonecutter Mills Corporation should not be forgotten. Throughout the community, Stonecutter is generally considered to have treated its workers very well up to and through the end, and there is considerable good will for the company because of that and because of the charitable activities of the Stonecutter Foundation, which has been involved in everything from helping to develop an arts center at Isothermal Community College, to funding the purchase of more audio books at the Spindale Library.

For a time, the company kept some of its ancillary operations running – a trucking company, a mulching company, a number of retail stores, a construction engineering company, and a building materials company, all employing 174 people. Since then, all but the building materials company has been closed down, and Stonecutter has slowly transformed itself from a manufacturing company into a real estate development company.

Among its first real estate deals after the closing was the renting of manufacturing space to two companies with spinning operations, both of which have since shut down or moved to Mexico. Today, the Stonecutter facilities in Spindale are empty, and still on the market to lease for between \$2.50 and \$2.95 a square foot. Local leaders are not optimistic about finding another manufacturing operation to take over the facility because the hulking brick structures are not as flexible as modern manufacturers demand; they are really appropriate for a very limited range of operations in textiles, and those kinds of operations are moving *out* of Rutherford County, not *in*.<sup>22</sup> For the time being, the mill

---

<sup>22</sup>In fairness, it should be noted that the Dan River/Spindale Mills facility has been partially taken over by a company called Manual Woodworkers and Weavers, which produces home decor products, afghans, wall hangings, area rugs, some furniture. The operation does not use heavy and expensive machinery, or much sewer service, and so although the company has created several hundred jobs in Spindale, it hasn't done much directly for the town's bottom line.

remains empty, with only a handful of employees – including the CEO – still working there.<sup>23</sup>

For the most part, the company has focused its attention on developing RiverStone, an 1150 acre business park located on the Broad River where U.S. 221 crosses over from South Carolina. This land was originally intended for a “supermill” that Stonecutter would have moved into had its manufacturing operation survived. Instead, the company has subdivided the land into many different parcels suitable for uses ranging from commercial to heavy industrial, on parcels from 10 to 150 acres. A CSX rail line runs through the property, Duke Power has build a substation on the property, and Forest City has been contracted to run water and sewer service to the park. The first and only tenant at RiverStone so far is the ArvinMeritor company, an international automotive parts supplier.<sup>24</sup> The park was a finalist for a regional Dollar General distribution facility, which would have meant a \$70 million investment in the facility and 850 jobs, but eventually lost out to a site in South Carolina.

Nevertheless, it’s very clear that the future of Stonecutter is in real estate. It’s unclear how the old plant in Spindale figures in those plans, nor how it’s likely to be used in the future. In the course of research, we heard many suggestions: a surplus outlet, mixed-use office and retail, a craft outlet and education center, condominiums and retail. None of these ideas are anywhere close to being brought to fruition; indeed, they’re not in development at all, as far as could be told. In most cases these ideas were vague combinations of a desire to use the Stonecutter space and a recognition that the space is not obviously suitable for anything *but* what it was being used for when Stonecutter closed.

There has been no shortage of efforts to generate ideas about how to fix the economy of Rutherford County, and the region generally. There are economic development committees in the towns, an economic development commission (with full-time director) for Rutherford County, a task force and “visioning” process called “Realize Rutherford,” the regional economic development commission (AdvantageWest<sup>25</sup>), and most recently a \$400,000 effort, spearheaded by U.S. Rep. Cass Ballenger, R-Hickory, to develop a comprehensive economic development strategy for 12 counties in Western North Carolina, including Rutherford County. Each of these entities has held meetings and generated reports on the state of the economy and community in the town/county/region, and possible ideas on what to do about it.

---

<sup>23</sup> The staff intends to move out of the factory and into more appropriate space very soon, according to the company.

<sup>24</sup> The ArvinMeritor operation at RiverStone has a hiring policy that favors workers who possess a N.C. Manufacturing Certificate or its equivalent. The certificate is offered at Isothermal Community College, and certifies that the holder has undergone training to upgrade their skills to the standards of modern industrial processes.

<sup>25</sup> <http://www.awnc.org/>

The two entities of most interest in this discussion are “Realize Rutherford” and the county’s economic development commission.

- Realize Rutherford is an ongoing process that has made use of local focus groups and a larger, county-wide task force to enable the community to make some decisions about what it wants to be, and what it will take to realize those goals.

The first report of Realize Rutherford documented the results of this process, which involved hundreds of county residents. (The report was printed and distributed to 16,000 residents.) The county’s core values, according to Realize Rutherford, are “integrity, faith in God, responsibility, excellence, diversity, family values, innovation, and sustainability,” and these core values are to be maintained while achieving improvements in three critical benchmarks:

\* *Improving education*: each year an increasing percentage of children will enter kindergarten ready to learn, and the 9-12 retention rate will be increased each year and reach 75% before 2012.

\* *Create new jobs*: create new jobs at an average net rate of 3.8% per year for the first ten years, and reduce the unemployment rate to below the state rate. This should be done while also providing jobs for young people who want to stay in Rutherford County.

\* *Increase earnings per job*: Increase the percentage change in average earnings per job in Rutherford County, until each year it is above the U.S. rate.

These benchmarks and core values were to be met (or upheld and strengthened) by focusing on six areas: economic development, education, quality of life, infrastructure, government, and private sector leadership. The sub-categories and the goals within them are too numerous to mention here. But each year Realize Rutherford is issuing an annual report to describe the progress that has been made toward realizing the three benchmarks, and the other goals and sub-goals contained within the Realize Rutherford document. Given the ongoing devastation to the manufacturing sector in Rutherford County, the first annual report, for 2003, didn’t have much good to say regarding the last two benchmarks, creating new jobs and increasing earnings per job. But the county schools have begun or implemented a number of new programs to encourage greater achievement and to prepare kids for school. Rutherford County’s early Head Start program received the highest rating in the state in 2002, and a number of scholarship programs have been established to encourage students to graduate and go on to college.

What Rutherford County has set out to do with "Realize Rutherford" is not to find quick solutions, and therefore it is impossible to measure the success of the project in the near term. As one person involved in the effort said: “The people who will be working in the better, more skilled, new economy jobs in Rutherford County are in first grade.”

- Meanwhile, while the first graders study, the county's economic development commission has the task of closing the deals to bring new jobs to the county

Although there has been some progress, it's been of the one-step-forward-two-steps-back variety. Since 2000, for every new job that has been created in Rutherford County, the county has lost four. The number of unemployed in the county, which is the ill that economic development is supposed to cure, is paradoxically one of its selling points to potential employers: there is a large and willing work force from which to draw labor. But that workforce is also mostly low-skilled, and 30% of adults have not earned their high school diplomas; this is not the kind of workforce that attracts high-tech manufacturers.

And so the county has turned to incentive programs. The biggest source of incentives made available by the state are those authorized by the William Lee Act of 1996 (the Bill Lee Act, as it's known.) Much has been written about this program and its failures,<sup>26</sup> and we heard more complaints about it in Rutherford County. One economic development official described a conversation with a site selection consultant working for an automobile manufacturer, who said that the Bill Lee Act incentives were no incentive at all "if you have a good accountant," by which he meant that most factories can show no income for at least the first ten years, if not more. Suffice to say, local economic development leaders in Rutherford County have depended very little on Bill Lee Act incentives as they make their plans for attracting businesses.

As a result, they have relied on the county and towns to generate incentives, even as they watch their own finances deteriorate. In the case of the Dollar General distribution center, the county offered the company ten years of industrial development grants matching 100% of what the company would owe in property tax (essentially a tax rebate), and seven more years of IDG's at 75%. Still, they lost the deal. According to economic development officials, the deal hinged on the fact that they needed a site immediately, and the site at RiverStone still needed to be graded.

In another incentive deal, the county successfully landed Tracker Marine, a top manufacturer of fiberglass fishing boats. The company created 300 jobs and took over the empty J.C. Cowan plant in Forest City. The incentives package the county offered was generous: the county purchased the 338,000 square-foot facility and about 170 acres of prime industrial property for about \$2 million from Burlington Industries (the owner of the Cowan plant), which was in bankruptcy.<sup>27</sup> The company is leasing 50 to 80 acres of the property and the building, for \$1 a year for the next 20 years, and the county has also agreed to spend up to \$1.05 million to retrofit the building to accommodate its new tenant. All told, the package is worth at least \$3 million.<sup>28</sup>

---

<sup>26</sup> See the 2001 and 2003 Bill Lee Act reports, as well as Schweke and Woo, "Is the Lee Act Working for North Carolina?" (The Corporation for Enterprise Development, Durham, NC.) The 2003 Bill Lee Act report found that only 4 % of the jobs claimed under the Bill Lee Act had actually been created as a result of the act's incentives, and that most incentives and private investment had gone to the least distressed areas of the state.

<sup>27</sup> See The Daily Courier (Rutherford County), Dec. 10, 2002.

<sup>28</sup> To illustrate the uphill slog the economic development commission is on, in the first three weeks of January 2003 – just a couple weeks after the Tracker announcement – Mastercraft in Spindale laid off 265 people, the K-Mart in Spindale closed and took 100 jobs with it, and 65 jobs were lost when Stonecutter ended its trucking, mulching, and engineering operations.

Economic development officials in the county believe that they need to start providing even more incentives, of a different kind. "Shovel-ready" building sites – sites which not only have water, sewer and power service, but also have been graded and have sediment and erosion controls permits already issued – are the newest requirement of manufacturers looking to locate, economic development officials said. "New Jersey, New York, South Carolina, are all doing it, and we need to compete," said one official.

But some other economic development professionals in the region believe that chasing after manufacturing is not the key to providing for Rutherford County's future, since it was a dependence on manufacturing that landed the county in its predicament. Tourism, these people said, or something that drew on the innate advantages of the county and region, ought to be given a serious look by economic development officials. If the growth of Lake Lure, a luxury vacation home community is any indication, tourism may already be a growth industry. When the county conducted its revaluation in 2002 and Spindale's property tax levy had only grown by 3.19%, Lake Lure's property tax levy was assessed to have grown by 46%. In any case, there is a decided difference of opinion in Rutherford County, and in the larger region, about where the county's next jobs are going to come from.

At the local level, the struggle to attract jobs has sometimes, for reasons very particular to the three-town area, pitted town against town. An example of this is the saga of the Spindale Wal-Mart. In 2002 Wal-Mart decided to move from its location in Spindale's White Oaks Plaza, a strip mall on U.S. 74-A (the road that runs right through all three towns). The corporation wanted to build a Super Wal-Mart, and there was no room at the site in Spindale. So they picked up and moved a little less than a mile down the road into Forest City, taking half a dozen of the White Oaks Plaza tenants with them. Around the new Super Wal-Mart and the tenants of the new shopping mall, which you can almost see from the old Wal-Mart location, a few chain family restaurants have also been built, a gas station or two, and just this month, a new Lowe's Supercenter opened across the street. On that side of the Forest City line, a small retail boom has emerged, and although the jobs don't pay nearly what the manufacturing jobs paid, they're *something*, and the stores also represent new property tax, sales tax, and water/sewer revenue for Forest City. On the Spindale side, they've got two nearly empty strip malls.

The mayor of Spindale has appointed an economic development committee to look into these issues, and they spent the better part of a year trying to get a connector road built between the two almost vacant strip malls. The theory is that the retail boom on the Forest City side, spurred by the migration of businesses *from* Spindale, will eventually "overflow" and bring new stores *to* Spindale, and when that happens, the shopping centers will be ready. The town would also like to apply for a state Main Street grant, which would provide money for beautification and infrastructure in the downtown retail sector – just like the towns of Forest City and Rutherfordton have already done. Spindale is a dry town, and some local leaders believe this fact is holding the town's retail sector back. They have quietly begun floating the idea of passing a liquor-by-the-drink ordinance, which much of Spindale's political and church leadership has resisted. Forest City and Rutherfordton have already passed liquor-by-the-drink laws, which explains

why the chain restaurants that serve alcohol have suddenly appeared along 74-A everywhere but in Spindale. In fact, it's hard to escape the conclusion that, in the retail development arena, Spindale – admittedly the smallest of the three towns, and sandwiched between the other two – has been playing catch up with its neighbors.

There is one more point of comparison between the towns that bears mentioning. Forest City has moved aggressively to redevelop the looming and empty Florence Mill (which was owned by Cone Mills, which declared bankruptcy), which is a block off the town's main street. The mill is about twenty years older than the Stonecutter Mill in Spindale, about a third the size, and two-stories tall. The town has applied and received a \$1 million grant from the state to purchase the property, and it has received bids on redevelopment plans and selected one which leverages the public money with \$20 million of private investment to redevelop the building and create space for performances and festivals, restaurants, apartments and condominiums. It even has a name – Burnt Chimney Square. This project is moving forward now that an investor has bought Cone Mills out of bankruptcy, and is likely eager to unload an almost 100-year-old building now standing empty.

In Spindale, the Stonecutter Mill still stands empty, a gigantic collection of brick buildings with no obvious use other than textile manufacturing, and very few windows. Stonecutter is not bankrupt, and therefore has no pressing need to divest itself of one of its more significant assets (especially as the property taxes due on the building have decreased significantly in the last few years due to scheduled depreciation), and certainly not at a fire-sale price. There is no proposal for the town (or anyone else) to purchase the property, and only vague ideas about what *might* be done *if* the property were ever sold to a developer. This is not the fault of Spindale so much as it is the result of a set of difficult circumstances. Spindale is in no position to think about buying that property, even if Stonecutter were willing to part with it for pennies on the dollar. Stonecutter's interest as a developer is in its RiverStone industrial development; that's where its future lies. As far as we could tell, the company had no plans at the moment to take over the redevelopment of its old mill, and has simply listed it as a space for rent.

This state of affairs is likely to persist in the foreseeable future, which brings us full circle in this case study: we are again met with the fact of the Stonecutter Mill, empty of everything useful. What happens to the mill building, and the obstacles that will have to be overcome to do *anything* with it, will highlight everything standing in the way of Spindale and the regional generally, and what will have to be done for the town and the county to overcome their difficulties.

### **Lessons Learned**

The lessons learned from examining the various forces at work in Spindale and Rutherford County – the closings, the effects, the responses – are too many to name. Too many people who live in Spindale and Rutherford County have come up with too many varying ideas to think that there's only one way, or one good way, to size up the situation and point to its most relevant, most important aspects. But we believe it *is* possible to

describe a few things that will and won't happen when a North Carolina community begins to lose major manufacturing operations at the rate of almost four a year:

- new industries won't flock to old manufacturing space;
- people who have lost their jobs won't automatically begin the process of retraining themselves for the new economy;
- the state's assistance, although extended in sincerity, won't achieve anything near what it's intended to achieve;
- small towns that depended on the large, now-departed industrial operations will not bounce back easily, if ever;
- the committees and commissions and task forces that form will do good work -- but at the risk of redundancy;
- and although the community can often be called upon to sacrifice for others in a pinch, this sacrifice cannot extend indefinitely without accepting that people, especially young people who are as close to being untethered and free in a small, close-knit community, may leave once they *do* train themselves for new work.

It's something that must be accepted until tomorrow's workers – still in first grade, as one local man put it – are well into their working years.

### **The Authors**

***Tim Barth*** is the town manager of Spindale, North Carolina.

***Duncan Murrell*** is a writer and journalist.