

THE WALL STREET JOURNAL

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U.S. NEWS

Wabash 2.0: Indiana City Reinvents Itself

Racked by the recession and slow recovery, Rust Belt town adapts to a changed economy



GDx Automotive was one of the biggest employers in Wabash, Ind., before its 2007 closure put about 800 people out of work. Rising from the rubble of its industrial heyday, the city is trying to pivot to a knowledge-based service economy. *PHOTO: ALYSSA SCHUKAR FOR THE WALL STREET JOURNAL*

By JOSH ZUMBRUN

March 25, 2015 11:14 a.m. ET

WABASH, Ind.—The nation's economic recovery hasn't been kind to small cities like this onetime industrial hub along the old Wabash and Erie Canal.

Nationwide, metropolitan areas—including nearby Indianapolis—have regained all their lost jobs, but rural areas still have about 3% fewer jobs than before the recession, according to the Labor Department.

In Wabash, employment fell by nearly 15% during the recession, mostly in manufacturing. The workforce in the city and surrounding county of 30,000 remains down by 1,000, or about 10%, from the level in 2007 as workers retired, moved away or left the labor force.

WABASH IN PHOTOS

- See a slideshow of a day in Wabash, Ind. (http://www.wsj.com/articles/wabash-indiana-a-day-in-the-life-1427295862?mod=WSJ_US_LatestHeadlines)

The situation could be worse for Wabash were it not for local leaders who saw that the city's survival in the postrecession world would depend on it being more like the cities that are drawing residents away.

“We don't want to shrivel up and die,” said Mayor Robert Vanlandingham. “For us to be successful, we have to have a vibrant downtown.”

Small towns wanting to revitalize their main street are nothing new, and the decline in manufacturing has been going on for decades.

Since the recession, however, the stakes have become existential for Wabash and towns like it. Overall, the U.S. has two million less manufacturing jobs than a decade ago, so prosperity in the Rust Belt depends on finding a way to generate middle-class jobs in new industries.

In what could be a road map for other ailing towns, Wabash emerged from the recession in 2009 with a strategy that focused on transforming the historic downtown into a place that would attract educated workers, firms that employ high-skilled individuals and even tourists.

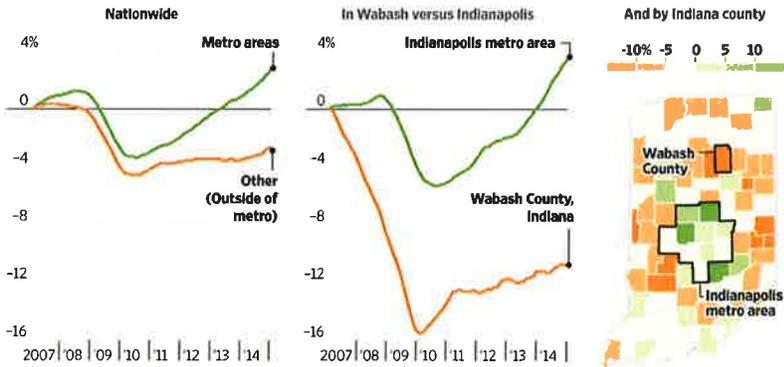
The idea was to bring a small-scale version of the urban amenities—a walkable arts and entertainment district, boutique shopping and restaurants—to a downtown that is listed on the National Register of Historic Places but that was largely abandoned just a decade ago.

Before the recession, the 1920s-era Hotel Indiana had devolved into a low-end apartment building, with 80 rooms renting for about \$200 a month.

Rural Job Blues

Cities have completely recovered the jobs they lost during the recession, but rural areas have been slower to add jobs, a trend that's particularly pronounced in manufacturing towns such as Wabash, Indiana.

Change in employment since 2007 began, 12-month moving average



Source: Labor Department (Local Area Unemployment Statistics)

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After a renovation, it reopened in early 2010 as the Charley Creek Inn, with 30 suites renting for up to \$335 a night. The ground floor features a gourmet ice cream and candy store, a wine and cheese shop, and an upscale restaurant.

Across the street sits the Eagles Theatre, an 108-

year-old venue that underwent a complete face-lift at about the same time, with an additional \$5 million coming soon to turn its upper floors into an event and meeting space. The 1,500-seat Honeywell Center, another concert venue, is down the street.

In turn, a number of retailers have moved into once-empty storefronts, from Marelli's, a clothing store and florist, to Bash Boutique, an attire and jewelry store.

Last summer, the revitalization plan won a competitive grant from the state that would help fund an additional \$29 million of improvements, mostly to the downtown.

So far, these efforts are building a broader tax-paying base and generating jobs that are substantial for a community the size of Wabash, suggesting that even a small town can successfully pivot to a more service-oriented economy.

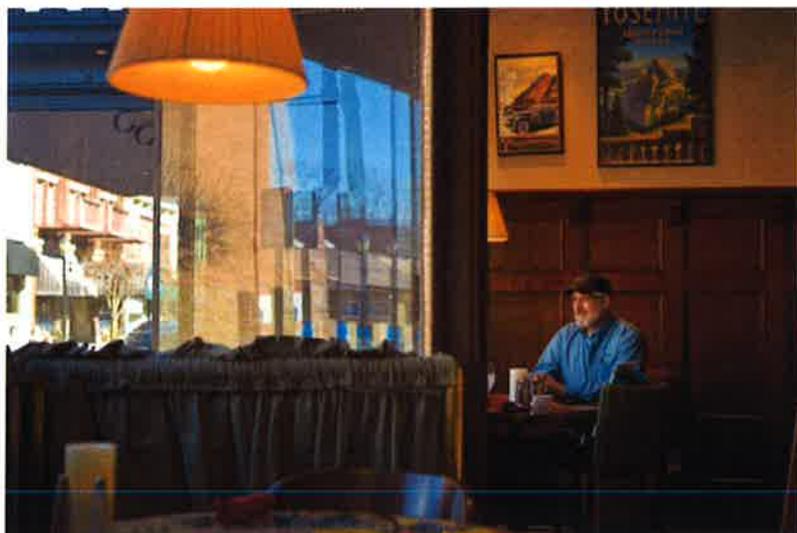
Rockport Analytics, a West Chester, Pa.-based economics researcher, estimates that tourists to Wabash—essentially nonexistent before the recession—spent \$42 million in the county in 2013, supporting 960 jobs.

As of June, Wabash employed 400 more people in leisure and hospitality than before the recession, according to Labor Department data.

While figures for tourism spending aren't available yet for all 2014, the number of visitors to Wabash rose 13% last year, according to the tally of Christine Flohr, the county's director of tourism.

The revitalization is attracting new residents to downtown for the first time in years. Among the newcomers: Jim Reynolds, the president of J.M. Reynolds Oil Co., a fuel, oil and lubricant distributor.

Mr. Reynolds sold a 3,000-foot home on an acre outside Wabash and moved into a building downtown, converting the space above the ground-floor retail into a 1,500 square-foot loft-style duplex, complete with granite countertops, stainless-steel appliances, and a 750-square-foot rooftop deck with a personal outdoor movie theater.



Since reopening in 2010, the Charley Creek Inn has drawn customers, like Robert Hettmansperger, to its upscale restaurant and gourmet offerings. Before the recession and makeover, the former Hotel Indiana had fallen on tough times. *PHOTO: ALYSSA SCHUKAR FOR THE WALL STREET JOURNAL*

Comparable apartments may rent for more than \$2,000 in Indianapolis or upward of \$4,000 in Washington, D.C. Mr. Reynolds purchased the entire building for \$28,000.

“I don’t miss having the full acre with a lot of yard work,” Mr. Reynolds said. In downtown “almost everything is close by,” he said, listing nearby restaurants, bars and a farmer’s market in the warmer months—“we’re missing a pharmacy though.”

State officials point to Wabash as a model for other struggling locales.

“We’re trying to get all these rural communities to do the same thing that Wabash is doing,” said Bill Konyha, executive director of Indiana’s Office of Community and Rural Affairs, who was recruited for the position last year, in part, due to his success as the head of Wabash’s economic development group.

“Those that want to stay in the 1970s are going to find their population will continue to decline,” Mr. Konyha said, referring to the heyday of the manufacturing belt. Towns need to identify a source of growth beyond low-skilled manufacturing, he said, though it can’t always be tourism. “I see lots of communities who want to focus on tourism but they don’t have a hook to bring anyone in.”

Yet for all its successes, Wabash has yet to heal fully from the downturn.

About half of the 2,000 manufacturing jobs lost during the recession have come back, including 300 in a new production facility for the caffeinated energy shot 5-Hour Energy.

At the same time, the labor force continues to shrink, and it is unclear whether Wabash will be able to attract—or keep—younger residents.

As in many rural towns, Wabash’s population skews older, with a median age of 42, compared with Indiana’s overall median age of 37. Between 2000 and 2013, the population over age 60 increased by more than 1,000 people, according to the Census Bureau.

Wabash economic development director Keith Gillenwater remains realistic—and optimistic.

“Are there as many jobs with people earning as much wage-wise as they may have been in an automotive parts factory?” he asked. “It’s not quite there. It’s close, I think.”

Then he added: “Is there the potential for everyone to have higher quality of life? There’s something to be said for that too.”

Write to Josh Zumbrun at Josh.Zumbrun@wsj.com

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