METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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Mayor

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FOR IMMEDIATE RELEASE
March 27, 2015

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Fact Sheet

Nashville Convention Center Redevelopment

NASHVILLE, Tenn. – Mayor Karl Dean and developers Spectrum | Emery and OliverMcMillan announced today a plan to redevelop the Nashville Convention Center. The 6.2-acre project is at the corner of Fifth Avenue and Broadway.

- The approximately $400 million project includes:
  - 205,000 square feet of retail, restaurant and entertainment space
  - A 50,000-square-foot home for the National Museum of African American Music
  - A 27-story residential tower with approximately 350 apartment units
  - A 24-story office tower with at least 300,000 square feet of office space
  - Separate office space catering to Nashville's creative class
  - Parking
  - Renaissance Nashville Hotel meeting space

- The developers, Spectrum | Emery and OliverMcMillan, will pay Metro $5 million cash for the property at closing once they have secured full financing for their project. Metro will put the $5 million into the Barnes Fund for Affordable Housing.

- Beginning in Year 6 of the deal, the developers will pay the city $250,000 each year for the next 25 years, resulting in a total payment to Metro of $11.25 million ($5 million up front plus $6.25 million over 25 years).

- The developers will build space for the National Museum for African American Music at Broadway and Fifth Avenue into their development. The value of that space will be at least $11 million. The museum will be responsible for furnishing the space and covering the costs of its exhibits.

- The developers also will take the existing Nashville Convention Center structure as is and spend an estimated $7 million to demolish it.

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- Spectrum | Emery and OliverMcMillan will help build new meeting space for the Renaissance Nashville Hotel, which has a previously existing agreement with Metro as the headquarters hotel for the Nashville Convention Center. The developers are expected to spend a minimum of $7 million on that work, which the hotel's owner and the Metro Convention Center Authority also will help pay for.

- The Metro Development and Housing Agency, pending its board's approval, plans to make available $25 million in tax-increment financing, a type of loan that's repaid with part or all of the incremental increase in property tax revenue created by a project. The developers plan to use that financing to pay for eligible expenses, which could include relocation of utilities, construction of streets and construction of utility infrastructure, among other things.
  - The developers will be able to apply 75 percent of the new property tax revenue toward paying off the loan. The other 25 percent, which is expected to be about $1.76 million per year, will go into Metro's general fund. Once the loan is repaid, which should happen within 12-15 years, Metro's general fund will get all of the property tax revenue.

- The Convention Center Authority, pending its members' approval, will own and operate the parking garage that will serve the retail component of the development with at least 781 parking spaces. The authority will pay $32 million to the developers, who will build the garage. The authority will receive all revenue, which is expected to cover debt service.

- The developers have estimated the following timeline for the project:
  - April-May, 2015: Government approvals, including Metro Council, MDHA, Convention Center Authority
  - May-October, 2015:
    - Develop next phases of design for project
    - Retail and office pre-leasing
    - Milestone contractor pricing
    - Financing structure finalized
  - November-December, 2015:
    - Finalize construction documents
    - Finalize construction pricing
    - Continued retail leasing
    - Finalize equity and debt documentation
    - Close financing and property acquisition
  - First quarter, 2016: Demolition/excavation is planned
  - 2016: Start parking construction

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- Later 2016: Start construction of museum, retail, residential and office components concurrently

- Mid to Late 2017: Completion of parking and retail building shell; tenant space improvements to start in a staggered sequence as spaces are being delivered

- Late 2017: Marketing of residential units

- Mid-2018: Anticipated substantial leasing for office and retail

- The developers will have until the end of 2015 to put together their financing. After that, they can extend the deadline for three months at a time through the end of 2016 but will be required to pay Metro $250,000 each time they do so. If they can't make their financing work by the end of 2016, the deal will be off and Metro will retain ownership of the convention center property.

- The deal is subject to Metro Council approval, with first reading scheduled for April 7.

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Nashville Convention Center Facility Redevelopment

SUMMARY OF LOCAL ECONOMIC AND FISCAL EFFECTS

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Repurposing and redeveloping existing facilities so that they are suited to forward-looking uses is an important element in responsible metropolitan land use planning. Within this context the current proposal is to redevelop the existing Nashville convention center, converting it to a multiuse complex that will feature exclusive retail and dining alternatives, office and residential spaces, and a home for the National Museum of African American Music. Both the necessary redevelopment construction activity and the subsequent facility's operation will have measurable impacts on the metro Nashville economy.

While transitory, the \$390 million in construction expenditures is expected to contribute a total of 4,660 job-years of additional regional employment and result in a one-time addition of more than \$306,000,000 in personal incomes. Still, from a local economic standpoint, the lasting impacts of the potential redevelopment are more significant than the transient construction effects. To capture the ongoing economic impacts of the planned redevelopment, we used client-provided employment and compensation data as the seeds within economic simulations that also capture the broader indirect and induced effects. Next, these impacts were extended to predict associated local fiscal changes. The fiscal analysis considered four elements. These include (1) the property-based Central Business Improvement District (CBID) payment associated with the redeveloped facility, (2) a proposed 25 percent share of total real property taxes attributable to the redeveloped facility, (3) personal property tax revenues accruing as a result of furniture, fixture, and equipment purchases, as well as other tenant improvements, and (4) local sales tax revenues attributable to the both the redeveloped facility's operation and from increased resident earnings.[1] Economic simulation results and related fiscal projections are summarized in Table 1.

Table 1 – Summary of Estimated Ongoing Economic and Fiscal Effects[2]

Impact Area	Annual Impact	20-Year Total
Change in Total Regional Employment	2,753	2,753
Change in Total Regional Incomes	\$82,555,894	\$1,651,117,880
Change in Local Revenues	\$7,943,403	\$158,867,521

[1] The 25 percent share reflects a proposed program of tax increment financing (TIF) that includes a 75 percent abatement of real property taxes on the subject property, assuming the duration will be 20 years, even though in all actuality it will likely be paid off in 10-12 years.

[2] Totals do not discount future incomes or revenues. Using a real discount rate of 5%, the corresponding present value of changes to regional income is \$1,028,828,920, while the present value of additional local revenues is \$77,043,416.