

Downtown Parking Authority Board Meeting

To: Downtown Parking Authority (DPA) Board of Directors
From: DMC Staff
Date: December 19, 2018
RE: Parking Garage Development Request: Union Row

The enclosed parking garage development request has been submitted for consideration at the December 19 2018, DPA Board Meeting.

Project: Parking Garage Development Request: Union Row

Applicants:

J. Kevin Adams, Managing Partner
Big River Partners, LLC
2724 Central Avenue
Memphis, TN 38111

Sage Stone Partners
David Dlugolenski
260 Peachtree Street, Suite 2700
Atlanta, GA

Third Lake Capital
1600 E. 8th Avenue, Suite A-208
Tampa, FL 33605

Project Site:

Phase I is a mixed-use development comprised of 10.765 acres located generally on Union Avenue, Danny Thomas Boulevard, and Beale Street. See detailed map in the TIF Application for the exact boundaries of the site.

Project Overview:

Phase I of Union Row envisions a mixed-use campus of apartments, retail, commercial, offices, hotel, grocer, park space, and new structured parking. A new central boulevard will also be added to improve connectivity within and through the site.

It is anticipated that public infrastructure improvements are necessary for Union Avenue, Danny Thomas Blvd., Beale St, Gayoso Ave., as well as the proposed new north-south boulevard within the development.

In addition, a landscaped "lid" is proposed over Danny Thomas Blvd from south of Union Avenue to Monroe Avenue on the north to provide a landscaped park setting and a pedestrian connection to the Edge neighborhood.

Phase I Building Program:

Market/Grocer	30,000 sq. ft.
Retail	80,000 sq. ft.
Multifamily Apartments	793 units
Class A Office Space	350,000 sq. ft.
Hotel	200 keys
Structured Parking	2,050 spaces
Total Development Cost	\$511,894,155

Project Timing:

Contingent upon TIF and other required approvals, the development team plans to close on financing and Phase I property acquisition in February, 2019. Construction for Phase I is planned to begin in June, 2019 and will take approximately 20-24 months to complete.

Economic Impact:

The applicant commissioned an economic impact study to quantify the direct positive impact of the Union Row project. According to the economic projections, the one-time impact of construction will produce over 4,731 construction jobs and produce in excess of \$8.5 million in sales taxes. This is in addition to the impact of the construction wages that will exceed \$259 million.

Once construction is complete and the project is stabilized, Phase I is expected to create an annual positive economic impact of \$165,586,693 while creating approximately 4,317 jobs.

Additionally, property taxes generated on the subject property will increase substantially as a result of receiving a TIF. The current annual city and county taxes on the Phase I property is approximately **\$188,839**. During a 30-year TIF term, the annual taxes paid will increase to approximately **\$2,056,095**. This represents a **1089%** increase from the amount of taxes currently generated by the property. After expiration of the TIF, it is estimated that annual taxes on the Phase I property will total approximately **\$10,789,886**. Further, annual taxes paid will significantly exceed this once the public garages are owned by a private entity.

Applicant's Request:

In addition to a TIF, this public-private partnership is proposed to include support from the CCRFC and DPA for a two new public parking garages with approximately 2,050 spaces. The parking garage construction would be financed using up to \$50,000,000 from the PILOT Extension Fund, contingent upon approval from the City of Memphis Mayor, Shelby County Mayor, Memphis City Council, Shelby

County Commission, and Downtown Parking Authority. The applicant is funding the remaining cost to construct the garage (\$14,153,500 or more).

The developers and CCRFC/DPA are still determining whether CCRFC/DPA will enter into a capital lease with the applicant or if DPA will operate the garage. Alternatively, the CCRFC could own the garage and lease the garage to DPA; then DPA (as lessor) would enter into a capital lease with the project developer (Big River Partners, LLC) which would outline the manner in which the garage would be constructed and operated as a public parking facility, as well as other terms and conditions. The capital lease would provide the applicant the option of eventually purchasing the garage from the CCRFC. Public parking requirements are included in the capital lease.

Expert Analysis:

In conjunction with the ongoing Parking Study being performed by Nelson Nygaard, DMC staff asked for an evaluation of the Union Row parking request. Nelson Nygaard's Shared Parking Model seeks to provide a more accurate parking projection for new developments than traditional methods. By calculating parking needs based on developments nearby in conjunction with Transportation Demand Management measures that may be available, the Model can reduce the amount of parking necessary to support a development without inconveniencing residents and visitors.

Original structured parking request	2,487 spaces
Estimated demand using standards	2,350 spaces
Estimated demand using ideal sharing	1,500 spaces
Recommendation	2,050 spaces

Development Agreement:

A Development Agreement will be executed between CCRFC and the developer and such Agreement will ensure that the components of the project are completed in order to receive the CCRFC/DPA garage funding.

Design Review Board:

The applicant will submit design plans to the DRB in the coming months.

EBO Program:

Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC), or any of its affiliate boards, shall include a best faith effort to attain no less than 25% participation by women and/or minority-

owned businesses (W/MBEs) in the project's development costs (design soft costs and construction hard costs). Compliance with this Equal Business Opportunity (EBO) Program is a closing requirement. Big River Partners, LLC has agreed to a minimum goal of 28% minority participation for the entire project.

For the proposed garages, a 28% level of W/MBE inclusion for the combined hard and soft costs would be approximately **\$16,038,375.**

Staff Evaluation:

The DMC's Strategic Plan encourages the following: facilitating and accelerating real estate development, incentivizing development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment.

Staff is highly supportive of the proposed TIF application and its related parking request. As one of the largest private developments in the history of Memphis, Union Row will be transformative and catalytic. Over \$500MM in mixed-use development will anchor the eastern end of the Downtown Core and provide critical infill to better connect recent investment around ServiceMaster and Main Street with ongoing investment in the emergent Edge neighborhood.

Union Row will also be instrumental in transforming Union Avenue into a welcoming and vibrant gateway into Downtown Memphis from the east. This sizable investment will effectively create a new sub-neighborhood and special place out of an area currently defined as consisting mostly of vacant property and underutilized structures.

Recommendation:

Staff recommends approval of building two new public parking garages with approximately 2,050 spaces, as proposed, with financing from the CCRFC (subject to approval of the mayors of both the City of Memphis and Shelby County, respectively, and approval from the Memphis City Council and the Shelby County Commission) of an amount up to \$50,000,000.

The applicant will return to the DPA board for approval as to whether the garages will be owned and operated by DPA or leased to the Developer to operate as a public parking facility, as well as other terms and conditions.

Further, staff will return to the DPA board with specific space count, location and cost prior to execution of construction documents and if applicable, lease documents.