

Summary

The May Town Center Economic Impact Analysis (May Town Center Analysis) prepared for Bells Landing Partners appears to rely on speculation and assumptions that run contrary to the Nashville areas recent demographic and economic history. In order for the projected benefits and tax revenues in the May Town Center Analysis to be realized:

- The Nashville area would have to have 15 years of sustained, constant growth in the local economy and real estate market
- Development phases at May Town Center would have to be inconsistent with the Planning Departments recommendations for what would trigger the Alternate Development Area zoning
- None of the direct new jobs in the office and commercial sectors created at May Town Center would displace jobs already in the Nashville Area
- Trends in employment in the Finance and Insurance, Real Estate and Administrative Support sectors in Davidson County would reverse
- Davidson County would have to double its capture rate of new population in the Nashville Area
- May Town Centers developers would have to pay for all infrastructure costs and all maintenance and operations costs related to new infrastructure
- May Town Center would be able to attract new employers to the region without any tax incentives

Overall, the May Town Center Analysis appears premised on a field of dreams approach if we build it, they will come. In other words, it will succeed because it will be unique in that it offers the advantages of building a completely new community from the ground up while also benefiting from the surrounding city: of course, these words were actually used to describe the unfulfilled vision of Metro Center nearly forty years ago when it was first proposed.

Specific flaws with the May Town Center Analysis include:

Project Phasing Assumptions are Contrary to Project Intent and the Real Estate Cycle

The assumption that all development will occur in equal phases appears contrary to both the intent of the project and the way that real estate cycles work, not just in the Nashville Metropolitan area but also in virtually every large city. The author of the May Town Center Analysis concedes that predicting the real estate cycle accurately is impossible. The market will dictate the build out and phasing of the various components. Commercial retail and restaurant space will follow build-out of office and residential development.

Historic Office Space Absorption Rates are Ignored

While it is difficult to predict vacancy rates in 2011, we know that there exists a fair amount of vacant office space in Nashville and that the absorption rate of office space projected for May Town Center would be unprecedented. Despite the authors assertion that Finding tenants to take the office space will not be a problem, it appears that the analysis relies on the

erc & community research council assumption that office space absorption in May Town Center will sustain at a rate equal to 82% of the MSA rate of absorption for the last eight years.

Projections of Residential Growth are Inconsistent with a Recent Decline in Internal Migration and Historic Capture Rate for Davidson County

The May Town Center Analysis projects that Davidson County would capture 47% of newcomers to the region as a result of the project. In each year since 2000, Davidson County actually experienced negative net domestic migration. Moreover, since 2000, Davidson County has captured just 24% of the overall increase in population in the Nashville MSA.

Projections of Growth in Employment Certain Sectors are Inconsistent with Recent History

In five out of the seven industries where the May Town Center Analysis projects growth, it would represent a reversal of recent employment patterns in Davidson County. The May Town Center Analysis projects growth in Administrative, Fire and Insurance, Real Estate, Restaurants and Retail sectors despite declines in employment in each of these industries since 2001.

Infrastructure, Operations and Maintenance Costs are Not Considered in Projecting Tax Revenue

The May Town Center Analysis does not consider any offset to projected tax revenue benefits. While the author of the Analysis suggests that the developer would be responsible for the cost of a new bridge, the May Town Center Analysis is silent on other infrastructure costs and operations and maintenance costs. For example, the potential cost of operating two new schools would equal 10% of projected tax benefits for the project in the year 2024.

Projected Tax Revenue Fails to Account for Offsets Due to Tax Abatements

The May Town Center Analysis also fails to address potential offsets in tax revenue that would result from tax abatements or other incentives. While the site developer might not seek these benefits, it is likely - given recent history - that abatements would be offered to any major employer being sought for the office and commercial uses of May Town Center. According to the author of the analysis, incentives are an irrelevant cost in evaluating May Town Center.

The speculation and assumptions underlying the May Town Center Analysis should be familiar to Nashville. Much of the same rhetoric was used to support another project Metro Center when it was first conceived almost forty years ago. The parallels between Metro Center and May Town Center are striking. Both developments were planned and touted as a unique, mixed-use complex that would provide job opportunities, housing, recreational activities, and retail/restaurant options to visitors and people that would live and work in a city within a city.

Clearly, Metro Center did not meet this aspiration. The example of Metro Center neither confirms nor denies the potential for May Town Center, but serves as a cautionary tale that signifies the inherent risks involved in real estate speculation, retail/restaurant ventures, business attraction and residential preference.

About the Community Research Council and the Authors

The Community Research Council (CRC) is a not for profit corporation based in Chattanooga, Tennessee that conducts data analysis and policy research. In addition to its work in the Chattanooga area, CRC also works on select projects at the regional and national level.

Dr. William Tharp is a Senior Policy Analyst at CRC. His recent work includes a year long study of the economic impact of the Chattanooga Metropolitan Airport, a detailed analysis of workforce trends and needs for the Chattanooga Area Chamber of Commerce and a soon to be published study of the use of broadband access as an economic development tool by the IBM Center for the Business of Government. Prior to joining CRC, Dr. Tharp was a Finance Officer with the Metro Nashville Office of Management and Budget. He holds his Ph. D. in Urban Affairs from the University of Louisville, has taught as an adjunct at Vanderbilt and currently holds the rank of Associate Professor of Public Administration at the University of Tennessee at Chattanooga.

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