



REDEVELOPMENT VS NEW CONSTRUCTION FOR THE EXPANSION OF CITY SERVICES

CAPSTONE PROJECT

Tennessee Certified Economic Developer Certification

 **Center for Industrial Services**
INSTITUTE FOR PUBLIC SERVICE

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INTRODUCTION

The operation of any city is never easy, but it is incredibly challenging when one is growing at such a fast rate. The battle of City revenue - versus city expenses - versus city needs is constant. Especially with one of the lowest property tax rates in the Nashville region. When faced with deciding on how to tackle the much-needed expansion of City services, the City of Spring Hill had thought they only had two options...add on to existing space or acquire land to build new buildings. However, another option revealed itself. The City chose to purchase and redevelop a thirty-year-old building into a new Municipal Campus to not only meet the City's needs, but to also prevent the loss of their local workforce development center.

RAPID GROWTH

The City of Spring Hill has grown at a rapid pace. Currently it is the 17th fastest growing city in the State of Tennessee. Much of that growth is attributed to the opening of the Saturn Manufacturing Facility. From the time the plant produced its first vehicle in 1990 until the last one rolled off the line in 2007, the population of Spring Hill grew from 1,464 to 23,462. While many might have assumed that the average population growth of almost 1,300 people per year would have slowed drastically when the plant was idled after the economic downturn in 2009, the opposite is actually true. Spring Hill continued to grow. From 2007 to 2010 the population had jumped to over 29,000 and today is currently growing at a rate of over 2,000 people per year.

THE NEED

One of the largest needs Spring Hill has is facility related. First off, their Library is bursting at the seams. Their current Library is approximately 17,000 square feet which seems

like a fair amount of space, but when you factor in the almost 29,000 library card holders and maxed out programming space, it becomes easy to see why the citizens and library staff are frustrated. Secondly, they have outgrown City Hall. Due to the lack of space, the City has had to move departments out of City Hall and into six other buildings around town. The Board of Mayor and Aldermen approved and budgeted the hiring of much needed additional city staff but has not been able to follow through because they have no place to put them. The Police Department is currently divided into two different locations. Records, dispatch, and the detectives are in the basement at City Hall while the rest of the department is leasing 10,000 square feet of space in an office building across town. Neither location is appropriate for the size or needs of the police force and neither location has any room to expand. Soon the City's water distribution facility and wastewater plant will need to expand onto property currently occupied by Public Works and Parks & Recreation.

PRIORITIES

The Board of Mayor and Alderman began trying to address these issues in 2014 by hiring Kennon Calhoun WORKSHOP to do a space needs assessment for City Hall, the Police Department, and the Library. They, together with their consultants McClaren Wilson Lawrie and Providence Associates, began work on the assessment that spring. After much research, interviews, meetings, surveys, they produced a 92 page document outlining the projected needs for the three specified areas for the next twenty to twenty-five years. The needs assessment determined that City Hall's 14,294 square feet would need to be more than doubled to 32,393 square feet. The Police Department would need to almost triple in size from 13,000 square feet to 38,710 square feet with "appropriate safety features for the police staff and equipment" which

does not currently exist. The Spring Hill Public Library would need to expand from its current 17,380 square feet to 45,000.

PROPOSED			
City Hall	14,294 sq ft (existing) 32,400 (future)	32400	Scenario #1
	Add on to existing building	18100	14800
		\$3,620,000	\$1,430,000
		\$5,050,000	\$5,050,000
		32400	Scenario #2
		\$8,300,000	Build new elsewhere
Police Dept	13,000 sq ft (existing) 38,700 (future)	38700	Scenario #1
	Add on to existing building	25700	13000
		\$5,425,000	\$1,300,000
		\$7,725,000	\$7,725,000
		38700	Scenario #2
		\$9,675,000	Build new elsewhere
	Other neighboring departs constructed at \$80 - \$400/sq ft		
Library	17,400 sq ft (existing) 45,000 (future)	45000	Scenario #1
	Build new elsewhere	45000	New
		\$9,000,000	\$200/sq ft

There was room to add on to City Hall and the Library as well as 2 acres adjacent to City Hall where a new Police Headquarters could be built. Despite not having to purchase land, the City was still staring down a minimum \$22 million in capital expenditure to construct the 71,429 square feet needed. However, should they choose to acquire land and build somewhere else, that would add at least \$5 million to that starting estimate. Ultimately, the Board of Mayor and Aldermen prioritized the Library expansion and the new Police Headquarters in their Capital Improvement Plan for fiscal year '17/'18. City staff moved forward with interviewing architectural firms for both projects. The City Hall expansion was not prioritized so \$5 million could be deducted from the projected \$22 million minimum spend but, as they would later find out, the original estimate for new construction of the Police Headquarters of \$250 per square foot, was way off. The number would be closer to \$400 per square foot due to the added costs of a building hardened emergency facility. That brought the new estimate for the Library and Police Department to approximately \$23 million.

THE SATURN HEADQUARTERS BUILDING

On July 30, 1985, Tennessee Gov. Lamar Alexander made the announcement that General Motors would build its new Saturn plant on 1,000 acres of farm land in Spring Hill, Tennessee. The \$3.5 billion facility would bring 6,000 new jobs to Tennessee and begin a whole new story for the small farming town. The first Saturn rolled off the line in 1990. By 2006 the economy was beginning to change. Production of the Saturn brand at Spring Hill Manufacturing facility ended in 2007 and General Motors transitioned the plant into producing Chevrolet vehicles and parts. With the Saturn line gone and GM's top brass already located in Detroit, they had no need to occupy the original Saturn headquarters building. They simply locked the doors. But the 330,000 square foot dormant building still required 24 hour security. It's estimated that there was a \$1 million dollar expense still on GM's books every year related to the vacant building.

In June of 2009, General Motors filed for Chapter 11 bankruptcy. Many GM plants had closed already but thankfully the Spring Hill plant had been only been idled down. They were still manufacturing one engine, but GM was hemorrhaging money and looking for options to stop the bleeding. They had do something with the building now. They could not sell it because all of the infrastructure to the plant ran through the building. The cost to separate all of the services was not feasible either. Eventually they arrived at the decision to demolish the building. This would allow them to keep the infrastructure in tact but alleviate the expense line item associated with keeping the building up and they could recover some of the demolition cost by selling off the scrap steel.

EXPANDING WORKFORCE DEVELOPMENT

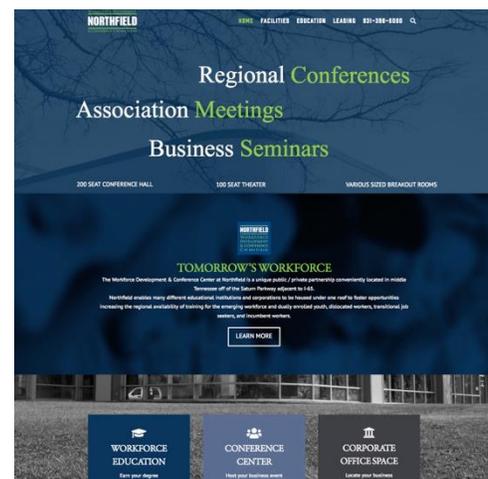
The South Central Tennessee Workforce Alliance “serves the people of Giles, Hickman, Lawrence, Lewis, Marshall, Maury, Perry and Wayne Counties by acting as a catalyst for collaboration among job seekers, employers and workforce development partners. By developing a system through education, training and access to resources that improves opportunities for the successful linking of job seekers and employers, the Board will help to create economic opportunity for the region and the state.” Fully committed to that vision, SCTWA is always working to find new ways to improve the quality and quantity of technical training in our area.

In the early 2000’s, SCTWA knew their eight county region had a skills gap issue. The jobs were available but the labor pool was vastly unqualified for the needs of the companies. Maury County only had one available option for skills training at the time, Columbia State Community College, but even their limited amount of programs were not what they needed to be. SCTWA partnered with Maury Alliance to strategize on a solution. Their collaboration produced a plan to form a new technical training facility where SCTWA could house a multitude of training courses adaptable to the demand of the employers. General Motors and the UAW were so supportive of the plan that they agreed to release the manager of their apprenticeship training program, Rick Sikes, to run the training facility fulltime for one year and still pay him his regular salary. They had a plan and someone to run it, now all they needed was money and a building. They started looking for a spec building but there was nothing available. They pressed on seeking avenues for acquiring funds to build, but that wasn’t working out either. Every way they turned they hit another wall. Even the state run technical schools in neighboring counties

started fighting them out of fear that this new facility might cannibalize their small enrollment. The team just wasn't able to get anything off the ground...literally.

Meanwhile newly elected State Representative Ty Cobb, a Maury County resident, had started working with the SCTWA team on the training facility idea. He had heard about the intent to demolish the old headquarters building, also known as "Northfield." Representative Cobb immediately suggested they try to convince GM to abort tearing down the building and let them obtain it for the new training facility. Everyone was immediately on board and began discussions with head of GM real estate, Holly Malewski. Representative Cobb went to straight to Governor Phil Bredesen and pitched the idea in hopes of gaining his help with the financial side. Governor Bredesen liked the plan and committed a \$5 million grant through the State ECD to establish a workforce development center at Northfield. While this was a huge success, \$5 million would really only be enough to get them started. They would be able to separate the building from GM, purchase it, build a new road to access it, and get instructors in the building. The financial plan would be incredibly difficult but everyone, especially Mrs. Malewski, worked tirelessly to successfully draft and execute a very technical lease purchase agreement that had really never been done before. GM also decided to include an adjacent 3 acre piece of property with a building on it that had been a Bank of America branch for the plant, but was also unoccupied.

The Workforce Alliance moved into the building in 2009 and by the time they purchased the building in 2014,



they had the functioning workforce development training center they had been striving for. They sold off the bank building which allowed them to create leasable conference center spaces and office spaces. The revenue generated by those spaces allowed the schools to have their space in Northfield rent free. That particular piece was very important to SCTWA. They wanted those providing the education to use their budgets to develop programs the workers needed, not pay for overhead.

Shortly after SCTWA's purchase of the building, the money from the state grant ran out. SCTWA would have to start charging rent to the schools but only charged them enough to cover the cost of utilities and common area maintenance. Most of them were able to pay since it was such a small amount but there were some who could not, or would not. For a time SCTWA was able to keep it all going but the writing was on the wall. If they did not find more tenants soon, they were headed for dire straits.

OPPORTUNITY FOR REDEVELOPMENT

In October of 2017, South Central Tennessee Workforce Development decided it was time to sell Northfield. Their efforts to increase tenancy had been unsuccessful and the executive director had announced her intent to semi-retire. They notified the local economic developers of their intent to list the 330,000 square foot building and the 32 acres it sits on for \$12 million. The property needed a lot of work but it would be an amazing redevelopment project. It would also be a good opportunity for a TIF program as it is located adjacent to a major interstate and surrounded by growing developments.

The City of Spring Hill's Economic Development Office realized that while this could become an active project for a few different prospects looking in the area, it also meant the City would be losing their workforce development center. A buyer/redeveloper would never be able to allow the education providers to stay there for the almost non-existent rent they were paying at the time and none of them would be able to afford a price increase of any kind. They would have to shut down their satellite programs. Having a local workforce development facility is a valuable asset to any community who is actively recruiting business. It is also incredibly beneficial to the existing industries. SCTWA had customized the education around the regional employers' needs right in their own back yard. Those businesses would lose a huge asset to their model and the region could wind up losing them if they are not able to find qualified candidates.

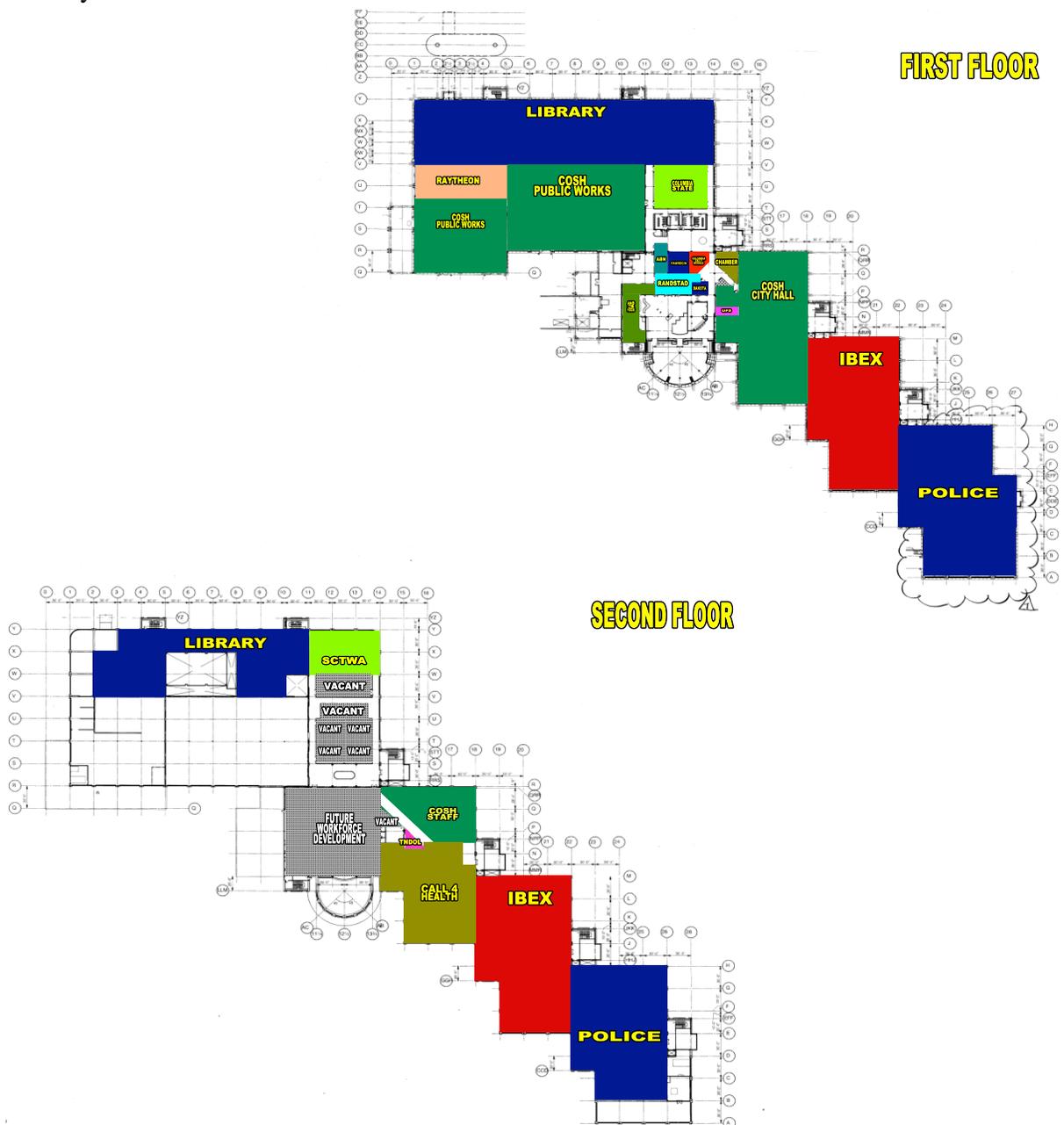
The EDO came up with a plan to accomplish both. Instead of spending twenty three million dollars on 53,000 square feet of space for the City's new library and police department, the recommendation was made to purchase the 330,000 square foot building for twelve million as a redevelopment project for a new municipal campus encompassing all of the City's existing and future services. The following justifications and phases were presented:

1. More space, less cost - Needs Assessment could be fulfilled
2. Future municipal campus - convenience for citizens
3. Existing tenants - offsets a portion of the debt service on the purchase loan.
4. Available leasable space - offsets more of the debt service on the purchase loan.
5. Workforce development - valuable asset stays.
6. Redevelopment - economic development and tourism.

Phase one would be the library and police department. Northfield is a fairly linear building running north/south along Highway 31, the main thoroughfare through the center of the City. Each section of the building is identified by their door numbers. The bookends of the building are vacant and each one is more than enough space to accommodate the library and police headquarters. Police HQ would locate in the 42,000 square feet at door 700 on the north end. That entire section had actually already been walled off from the rest of the building when IBEX Global leased out all of the area at door 600. That separation would have been needed for the Police Headquarters anyway and it is already done. The Library would locate in 51,000 square feet at door 100 on the south end. This space was already well suited for a library use. The entrance is a massive two story glass atrium that was once the showroom for Saturn. At the back of the atrium sits a 100 seat theater that could be used for presentations or lectures. There is also a dividable grand ballroom that would become much needed multi-purpose room space for the community.

Phase two would be moving City Hall and the IT department. Door 400 and 500 have 31,800 square feet of vacant space that would become the new city hall. The IT Department would be back on-site with the three departments they service the most (Library, PD, and City Hall) instead of a mile away as it is now. The building IT is currently housed in could be restored back to its original state as the City's first fire station and turned into a museum that would also house our original restored fire truck.

Phase three would be relocating Public Works and Parks & Recreation into the large 40,000 square foot training and service area. Completion of this phase would free up the land these two departments are currently on for the future expansions of the water treatment plant and the wastewater treatment plant. All of the equipment these departments use would be able to be housed indoors reducing deterioration. The crew members would be able to service the equipment in a real shop with lifts, air-conditioning, and plenty of room, which is the opposite of what they have now.



FINANCIAL VIABILITY AND ADDED VALUES

At the time of purchase, the tenants in Northfield generate enough revenue to cover the operating expenses with roughly \$10,000 additional profit per month that can be used toward debt service on the loan. Excluding the areas designated for the library and police department, there is over 42,000 square feet of vacant space that could be leased out to generate even more revenue. Upon the completion of phases one and two, the former City Hall building and Library building, which are paid off, could be leased out to generate long term revenue to pay the debt service on the Northfield purchase and renovation loans. Or, they could be sold and the equity revenue put toward the loan principals.

The workforce development training facility would be able to stay in the building. Keeping that valuable resource in Spring Hill gives them an edge. A statement made by the Executive Director of SCTWA sums up the value of local workforce development perfectly. “Job creation and job training. The communities that get that the fastest are the communities that win in economic development.” Additionally, owning the facility would allow the City to craft a unique incentive package. The State already gives incentive dollars for training to those who qualify, but often times it is not spent for that purpose because most businesses need specialized training that is not commonly found. The City could partner with the educators to provide customized training at a discounted rate with the agreement that the company hires everyone who successfully completes the program. Those state incentive dollars would be spent locally, most likely on training their own citizens for the new jobs.

It is important to note that the City had already hired architects for both the Library and the Police Department Headquarters under the original intent to build new buildings. While the projects were publicly advertised, there were not any submissions from local firms. Since Spring Hill is in such close proximity to Nashville, the firms that are qualified for these types of projects are mostly located there as well as other major cities across the United States. The Police Department design was awarded to a firm from Winter Park, Florida who specializes in emergency facilities all over the country. The library architects are based in Columbus, Ohio who have several library projects in their portfolio including the Nashville Public Library. But once the Northfield building became the new path, both architectural firms were re-evaluated. Both firms had experience with redevelopment projects of this nature so both awards remained intact.

Currently there are no plans to develop any of the acreage surrounding the building for other uses. A large section of the property is consumed by the parking lot but there is a significant green space in the back of the building used by the tenants regularly. The City's Parks and Recreation Department plans to make improvements to the green space in the upcoming years. They would like to add more picnic tables, a walking trail, improve the ponds, and overall aesthetics. The library also plans to pitch in on those improvements as the library patrons will use the space for outdoor reading and programs as well. No formal drawings or plans have been generated at this time.

The Northfield Building and all of the Saturn/GM Manufacturing Facility were adjacent to, but not inside the city limits. Therefore, any property taxes associated with the facility went to

the County, not the City. Since those funds were never on the City's tax rolls to begin with, Spring Hill will not suffer a loss of property tax revenue upon redeveloping the building into a municipal facility. Should the building have been purchased by a private entity, there would still be no guarantee that the new owner would annex the property into the City. Normally annexation is requested because of a need for utility services but in this case was not necessary as it is an existing facility.

Shortly after the closing, the property was annexed into the city expanding the southern city limits. Redevelopment projects infuse life into otherwise dormant areas. This redevelopment project would create a new vibrant hub, igniting more growth and development in the southernmost part of Spring Hill. This infusion draws economic development throughout the entirety of the City to balance the rapid development that has been occurring in the north end for many years. Another tertiary benefit from the annexation and redevelopment of this property is tourism. The entrance to Northfield is directly across from historic Rippavilla Plantation. The additional traffic would bring much needed exposure to this historic gem. This could be the catalyst for the tourism initiative, generating substantial revenue for the City.

Years ago the original Williamson County Hospital in Franklin was repurposed into a municipal facility housing several different entities such as the county clerk's office, the council chambers, and the building & codes department. The City of Spring Hill's long-time desire to streamline services could finally be achieved by turning the Northfield Building into a full municipal campus for all city services. When the offices that the public need to access are all located in the same building, it is more convenient and less confusing. Even if someone happens

to wind up in the wrong office, they can be easily redirected down a different hallway instead of having to get back in their car and travel across town. There is a general assumption by citizens that “everything is at City Hall.” Many are frustrated when they arrive to find that is not the case. Relocating all of our city services to one building eliminates the confusion of where to go when they need something from their government.

Williamson County Hospital 1958



Williamson County Administrative Complex today



RESULTS AND CONCLUSION

The Board of Mayor and Aldermen gave permission to begin negotiations and make an offer. During that time the leaseholders were contacted to make them aware of the City’s intent and express desire for them to remain tenants of Northfield. All of the tenants responded positively about the transition and looked forward to being located within the City’s future municipal campus. SCTWA was thrilled that the City wanted the building. Knowing the City’s commitment to preserving the workforce development facility, they lowered the price of the building. The City of Spring Hill closed at \$8.1 million, saving the taxpayers almost five million dollars.

The City is now eight months into phase one. The Library design should be completed by Christmas followed by the PD design shortly after the first of the year. Then the City will move forward with construction drawings and put the projects out for bid. The preliminary cost estimates have been a bit of a surprise. It was anticipated that renovation costs would be lower than new construction costs but currently the estimates are showing the cost will be the same. Of course this cannot be verified until actual bids are received and the City remains hopeful that the numbers will come in under budget .

Regardless, the City of Spring Hill feels the redevelopment of Northfield for the expansion of our City Services is still the right choice. They will get more for their money and accomplish so many important goals with this project. In fact, things have already started to ramp up. Since the press release went out about the purchase, they have seen a significant increase in calls about leasing space and now have two new tenants. The EDO has landed a new corporate relocation in the old bank building which will be opening in November. A domino effect of benefits has begun and the excitement is growing. The City is proud to be the new caretakers of this building that had such a significant role in its history. Everything has come full circle. Saturn came to Spring Hill in 1990 and started a new life for the then small town. Now, almost 30 years later, that same site will become the actual heart of this up and coming city.