

ECONOMIC BENEFITS OF INDUSTRIAL REDEVELOPMENT PROJECTS IN THE AIRWAYS/LAMAR CORRIDOR

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Introduction

This study estimates the overall economic impact of industrial redevelopment projects in the Airways/Lamar corridor of Memphis. This corridor of neighborhoods, industry and retail centers essentially extends along Airways Blvd. from Southern Avenue to Shelby Drive, including areas East and West of Airways Blvd. Some of Memphis' largest employers are located either in or near the corridor, including Kellogg's, Memphis International Airport, Smith & Nephew and FedEx.

The study was undertaken at the request of the Airways Lamar Business Association (ALBA) to show the impact that redevelopment efforts can have on the local economy. ALBA is an alliance of area businesses and community leaders committed to fostering a business atmosphere that will promote consistent long term economic growth and community enhancement in the Airways/Lamar corridor.

The largest redevelopment component is the former Memphis Defense Distribution Depot. This 5.5 million square foot facility was decommissioned by the Defense Department in September 1997 and has been turned over to local government for redevelopment. In addition to the existing buildings, there are approximately 200 acres of undeveloped land at the site that is suitable for commercial development.

Also, the Memphis and Shelby County Airport Authority has acquired several residential areas near the airport under its noise compatibility program. Two of these areas are within ALBA boundaries and are likewise suitable for industrial development.

The study was prepared by the Regional Economic Development Center at The University of Memphis and calculates the potential impact that industrial redevelopment in the Airways/Lamar can have on the Memphis area in terms of jobs and increased economic activity.

Appreciation is extended to the following ALBA members for providing information necessary to conduct this analysis: Albert Crawford, President; John Lewis, Jim Covington and Gene Burr of the Memphis Depot Redevelopment Agency; Gwen Prichard of the Memphis & Shelby County Airport Authority and Tom Chamberlain of Memphis Light, Gas & Water.

Description of Redevelopment Areas

Existing Depot Facilities

The Defense Depot is currently being managed by the Depot Redevelopment Agency of Memphis and Shelby County Government. Their plan is to redevelop the Depot into a mix of light manufacturing (40%) and distribution (60%) uses over a 15 year period, with an average annual absorption of 226,000 feet based on local market demand. In addition to commercial interests, State Technical Institute at Memphis will establish a satellite campus and other agencies, including the Memphis Police Department, will occupy office space at the Depot.

The 5.5 million square foot facility will be reduced to 3.6 million square feet to remove obsolete buildings and to accommodate traffic flow requirements of the new mix of tenants. The Depot Redevelopment Agency will spend \$53 million for infrastructure improvements, building upgrades and demolition. Tenants are anticipated to spend \$100 million in additional funds on building improvements and equipment.

Depot Vacant Land

The Defense Depot property has approximately 200 undeveloped acres. The Depot Redevelopment Plan includes future development of this acreage into parcels of from five to ten acres for manufacturing and distribution use. Development of these parcels may take longer than the leasing of existing buildings, however, the long range economic potential is likely as strong as the existing facilities.

Airport Buyout Areas

The Airport Authority has purchased several residential areas near the airport that were subject to high levels of aircraft noise. These areas are suitable for commercial development and it is expected that zoning will be changed to accommodate light industry. Three of these areas are within the ALBA boundary, Charjean Park on Ketchum near I-240, and an area along Airways Blvd. between Winchester Road and Shelby Drive. Charjean Park totals 63 acres and the Airways Blvd. property is in two tracts of 47 and 5 acres. The third tract, Canada Gardens located at Airways and Winchester, will be used for utility purposes by MLGW.

Economic Impact of Redevelopment

Economic impacts associated with construction spending and the annual operation of industries located in the ALBA redevelopment areas have been estimated. Construction spending is a short term impact lasting only for the duration of the construction project, whereas economic impacts associated with operations last as long as the enterprise exists. Operating impacts are shown on an annual basis and all impacts are expressed in 1998 dollars.

Specifics as to type of businesses that will locate in the redevelopment areas are not known as these areas are essentially raw land or unoccupied buildings. Therefore, economic impacts are based on estimates as to construction costs, employment, payroll and local spending for goods and services. These estimates are based on industry wide economic data with local data used where available.¹

Economic impacts are shown for the initial round of spending (direct impacts), successive rounds (induced impacts) and total impacts. Initial rounds represent expenditures for construction, wages and supplies by firms locating in redevelopment areas. Successive rounds represent the circulation of direct impact spending in the local economy and are based on the U.S. Department of Commerce's regional multipliers (RIMS II). Employment is shown in full time equivalent (FTE) jobs.

Construction Impact

Redevelopment of the above properties into industrial use will result in total construction spending of \$269 million and the creation of over 3,000 construction jobs. The impact of construction spending is short term and will be spread over the 15 year redevelopment period. However, as this construction spending circulates throughout the local economy in successive rounds of spending the impact will nearly

¹ Sources for key variables in our economic impact analysis include the following:

- a) Facility square footage for vacant land is based on facility size relative to land area with data from various published sources and a local real estate developer.
- b) Construction cost estimates for vacant land are from R. S. Means Company and are adjusted for Memphis area costs. A 40/60 split between labor and materials is assumed.
- c) Employment projections are based on recent data on manufacturing and distribution expansions and relocations from the Memphis Area Chamber of Commerce and from *Memphis Business Journal* data on local manufacturing companies. Employment estimates are based on employees per square foot ratios calculated by REDC from the above sources.
- d) Wages are from the Tennessee Department of Employment Security's 1995 industry survey for Shelby County and were increased to 1998 estimates based on the Consumer Price Index.
- e) Local expenditures for goods and services are estimated by REDC based on extrapolations of total value added output for Memphis area manufacturing facilities.

double. Table 1 below summarizes the estimated construction impacts. The total impact approaches one half billion dollars and includes \$145 million in wages and over 7,000 jobs over the 15 year period.

Table 1
Total Construction Impact
(\$1998)

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Labor Expenditures	107,697,869	37,403,470	145,101,339
Material Purchases	154,202,645	167,109,406	321,312,052
Sales Taxes	7,344,159	6,089,284	13,433,443
Total Construction Impacts	269,244,673	210,602,161	479,846,834
Employment (FTE jobs)	3,370	3,921	7,291

Individual construction impacts for the existing Depot facilities, Depot vacant land and the airport buyout areas are shown in Appendix A. Potential impacts associated with development of vacant land at the Depot are slightly greater than those attributed to the existing Depot facilities, yet they may not occur until the existing facilities are substantially occupied. The airport buyout areas involve smaller acreage and thus their impact is about one half that of the Depot's existing facilities.

Annual Operating Impacts

Full occupation of the above developments will result in long term economic benefits to the local economy due to jobs and expenditures for goods and services by businesses. Annual benefits include expenditures of over \$235 million for payroll and other local expenditures by establishments in the redevelopment areas (Table 2). Almost 6,500 jobs will be created by these businesses.

Table 2
Annual Long Term Impact
(\$1998)

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Wages & Salaries	192,333,977	66,797,590	259,131,567
Expenditures for Goods & Svcs.	43,486,939	47,126,796	90,613,735
Sales Taxes in Successive Rounds		2,638,933	2,638,933
Total Annual Long Term Impacts	235,820,916	116,563,319	352,384,235
Employment (FTE jobs)	6,496	4,367	10,863

Successive rounds of spending by these employees and businesses will generate another \$114 million and 4,246 jobs in the local economy. Total annual economic benefits may reach over \$350 million and close to 11,000 jobs as illustrated in Table 2. Annual benefits by redevelopment area are shown in Appendix B.

Five Year Cumulative Economic Benefits

The above economic benefits depict the potential after all three areas are fully developed, which is expected to take a minimum of 15 years. Below is a scenario showing results after five years (1998 to 2002). It is based on the 15 year Depot Redevelopment Plan and our assumption of development of airport buyout tracts over a 10 year period beginning in 2001. This scenario also assumes that vacant land at the Depot will not be developed during the first five years. Table 3 summarizes the \$254 million in economic benefits attributed to construction and annual operations over the next five years.

Table 3
Five Year Cumulative Economic Benefits
(\$ 1998)

	Initial Round	Successive Rounds	Total Impact
Existing Depot Facilities:			
Total Construction Impacts	42,680,000	33,899,568	76,579,568
Total Operations Impact	93,166,452	44,621,570	137,788,022
Sub-Total	<u>135,846,452</u>	<u>78,521,138</u>	<u>214,367,590</u>
Airport Buyout Areas:			
Total Construction Impacts	10,677,872	8,272,295	18,950,167
Total Operations Impact	13,799,447	6,750,159	20,549,606
Sub-Total	<u>24,477,318</u>	<u>15,022,454</u>	<u>39,499,773</u>
Total Annual Economic Benefits	<u>160,323,770</u>	<u>93,543,593</u>	<u>253,867,363</u>

By 2002 companies and agencies located at the Depot and in the redeveloped airport buyout areas are expected to employ 1,136 persons while creating an additional 724 workers elsewhere in the local economy according to the above assumptions (Table 4). Construction and remodeling of facilities will have generated 668 temporary construction jobs (full time equivalents) and 777 in other industries.

Table 4
Five Year Cumulative Employment

	Initial Round	Successive Rounds	Total Impact
Construction:			
Existing Depot Facilities	534	622	1,156
Airport Buyout Areas	<u>134</u>	<u>156</u>	<u>289</u>
Total Temporary Jobs	668	777	1,445
Annual Operations:			
Existing Depot Facilities	889	558	1,447
Airport Buyout Areas	<u>247</u>	<u>167</u>	<u>414</u>
Total Permanent Jobs	1,136	724	1,861

The Airways/Lamar corridor has substantial additional potential to offer the Memphis and Shelby County economy. When the industrial areas in this study are fully developed an annual impact of \$350 million and close to 11,000 jobs will accrue to the local economy. Furthermore, construction impacts over a 15 year period will add \$480 million and over 7,000 jobs.

Businesses and other organizations relocating to the corridor will employ approximately 6,500 and will account for \$235 million (67%) of the \$350 million in annual economic impetus. The Defense Depot's closure was a significant loss to our local job market; however, the 6,500 jobs provided by industrial redevelopment in the corridor is higher than the depot's 1988 employment of 3,000 and even above its peak employment of 5,000.

Taxable sales generated by employees and businesses in the three redevelopment areas will generate \$9.5 million (total impact) in annual state and local sales taxes. In addition, real and personal property taxes will be generated by redevelopment and occupation of facilities.

In addition to the creation of high quality and well paying jobs, corridor residents and businesses will benefit from the advantage of having a satellite campus of a nationally recognized technical community college (State Tech) and a variety of government and social service agencies. While the Depot Redevelopment Plan will take 15 years to be fully implemented, the plan will allow for sustained growth and continued attention over a long period as new businesses relocate to the Airways/Lamar corridor each year.

Perhaps no other single area in Memphis and Shelby County has the potential to make as large a contribution to the *Memphis 2005 Economic Development Strategy* as does the Airways/Lamar corridor. Redevelopment of the properties focused on in this study will contribute to most, and likely to all, of the nine strategic goals of the Memphis 2005 Plan.

Specifically, the Depot Redevelopment Plan's annual absorption of 226,000 square feet of industrial space accounts for 75% of the annual increase in utilization of vacant buildings specified in the Memphis 2005 Plan's urban revitalization goal. The Airways/Lamar corridor's 11,000 potential jobs can have a significant impact on the Memphis 2005 goals of adding 10,000 new jobs to our economy annually and increasing personal per capita income. Goals for capital investment and a balanced industry mix will be fostered by redevelopment in the area. Public sector facilities at the Depot will help us achieve the Memphis 2005 goals of providing industry with a highly skilled workforce and increasing public safety.

Industrial development has been sustained and strong in Shelby County over the past several years due to efforts of local government and the business community. Land suitable for industrial development, especially in the southern part of the County, is beginning to fill up. The Memphis Area Chamber of Commerce estimates that in the immediate future only 400 to 600 acres of industrial land (parcels of 50 or more acres with utility infrastructure) will remain in southeast Shelby County. This area of the County has been in strong demand due to its proximity to Memphis International Airport. The Airways/Lamar corridor is strategically positioned with large industrial parcels and excellent proximity to our distribution infrastructure, including Memphis International Airport and FedEx, the interstate highway system, rail yards and the Port of Memphis.

Similarly, the area has a substantial residential population capable of providing a high quality workforce for new industry. A proven commitment to business development and community enhancement is afforded through organizations such as the Airways/Lamar Business Association. The Airways/Lamar area is poised to have a vital role in helping keep and attract businesses to Memphis and Shelby County.

**Appendix A
Construction Impacts
(\$1998)**

Table A-1
Existing Depot Facilities

	Initial Round (Direct) ²	Successive Rounds (Induced)	Total Impact
Labor Expenditures	41,200,000	14,308,760	55,508,760
Material Purchases	60,101,887	65,132,415	125,234,302
Sales Taxes	<u>1,698,113</u>	<u>2,368,937</u>	<u>4,067,050</u>
Total Construction Impacts	103,000,000	81,810,111	184,810,111
Employment (FTE jobs)	1,289	1,500	2,789

Table A-2
Depot Vacant Land

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Labor Expenditures	45,142,126	15,677,860	60,819,986
Material Purchases	63,880,366	69,227,153	133,107,519
Sales Taxes	<u>3,832,822</u>	<u>2,525,561</u>	<u>6,358,383</u>
Total Construction Impacts	112,855,314	87,430,574	200,285,888
Employment (FTE jobs)	1,413	1,644	3,056

Table A-3
Airport Buyout Areas

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Labor Expenditures	21,355,744	7,416,850	28,772,593
Material Purchases	30,220,392	32,749,839	62,970,231
Sales Taxes	<u>1,813,224</u>	<u>1,194,787</u>	<u>3,008,010</u>
Total Construction Impacts	53,389,359	41,361,475	94,750,834
Employment (FTE jobs)	668	778	1,446

² We have assumed that \$50 million of tenants' estimated \$100 million in spending for building improvements and equipment is for construction. The balance is machinery and equipment purchases which most likely would not have a major impact on the local economy

**Appendix B
Annual Long Term Economic Impacts
(\$1998)**

Table B-1
Existing Depot Facilities

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Wages & Salaries	73,844,134	25,646,068	99,490,201
Expenditures for Goods & Serv	16,578,839	17,966,488	34,545,327
Sales Taxes	<u>2,743,479</u>	<u>1,009,015</u>	<u>3,752,494</u>
Total Annual Long Term Impacts	93,166,452	44,621,570	137,788,023
Employment (FTE jobs)	2,668	1,673	4,341

Table B-2
Depot Vacant Land

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Wages & Salaries	75,347,885	26,168,321	101,516,206
Expenditures for Goods & Serv	18,119,402	19,635,996	37,755,398
Sales Taxes	<u>2,799,347</u>	<u>1,072,284</u>	<u>3,871,631</u>
Total Annual Long Term Impacts	96,266,634	46,876,601	143,143,235
Employment (FTE jobs)	2,593	1,740	4,333

Table B-3
Airport Buyout Areas

	Initial Round (Direct)	Successive Rounds (Induced)	Total Impact
Wages & Salaries	35,876,561	12,459,930	48,336,491
Expenditures for Goods & Serv	8,788,698	9,524,312	18,313,009
Sales Taxes	<u>1,332,897</u>	<u>516,289</u>	<u>1,849,186</u>
Total Annual Long Term Impacts	45,998,155	22,500,531	68,498,686
Employment (FTE jobs)	1,235	833	2,068

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