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## TVA Site Evaluation – Muscle Shoals, AL

Presented to:



Presented by:

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## INTRODUCTION

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### MCCALLUM SWEENEY CONSULTING

McCallum Sweeney Consulting (MSC) is pleased to present the Tennessee Valley Authority (TVA) with a site analysis report for the TVA Reservation in Muscle Shoals, Alabama.

MSC specializes in site selection and incentive negotiation services. Established in July 2000 by Ed McCallum and Mark Sweeney, MSC brings more than 70 years of senior staff investment location consulting experience to our clients worldwide.

MSC has performed location consulting services for many of the world's largest and best-known companies including: Boeing, Michelin, Nissan, Alstom, Dollar General, Mitsubishi, Oreck, and PACCAR. For each of these clients, MSC provided comprehensive location consulting and incentive negotiation services, including in-depth research on search regions and candidate communities, detailed site and community evaluations, extensive labor market evaluations, site-specific financial analyses, and custom incentive negotiations.

### THE OPPORTUNITY

TVA has engaged MSC to seek clarification on the preparedness of the TVA Reservation property in Muscle Shoals, Alabama, to recommend methods for improving the marketability of the property, and to suggest potential target markets for the property.

### SITE HISTORY

The TVA Reservation is comprised of approximately 3,000 acres that were acquired from the War Department in 1933. Prior and current uses of this property include chemical production for explosives, fertilizer research and development, and TVA operations.

Since the early 1990s, TVA operations on the Reservation have declined significantly and approximately 600 to 700 employees currently work at this location. As a result, the land and buildings on the Reservation are underutilized.

Over the years, TVA has been approached by local officials and developers to sell portions of the Reservation property for redevelopment. In 2007, TVA officials met with federal and local officials to discuss possible redevelopment to support economic development in this area.

As a result of that discussion, TVA identified approximately 1,400 acres of the Reservation that could be made available for redevelopment following appropriate review and approval. This property is primarily located south of Reservation Road and does not include the public use spaces or walking trails on the north side of the road.

TVA also identified the need for a single entity to represent the Shoals community in this effort, and the local officials formed the Northwest Alabama Cooperative District (NACD) for that purpose. This group is comprised of representatives from the cities of Florence, Muscle Shoals, Sheffield, and Tusculumbia and from Colbert and Lauderdale counties. TVA has committed to work with and through the NACD on the possible redevelopment.

As a part of this project, a comprehensive redevelopment plan will be produced. This plan will include input from interested stakeholders as well as the general public and serve as the roadmap for any potential redevelopment consistent with the environmental review. Proposals for uses on the property will be identified and vetted during this planning process.

As required by the National Environmental Policy Act, TVA has completed a draft Environmental Impact Statement (EIS) to address potential environmental impacts from the proposed redevelopment and is preparing the Final EIS. TVA has also completed consultations with the Alabama Historical Commission (AHC) regarding archaeological sites and buildings and other structures eligible for listing in the National Register of Historic Places. A Memorandum of Agreement with the AHC has been prepared with the SHPO.

TVA will complete additional building assessments to determine the long-term disposition of buildings as required, and as funding becomes available, and will continue to pursue consolidation opportunities in coordination with TVA organizations on the site. NACD and TVA will work closely to develop and implement a marketing strategy for the Reservation in early 2012 and intend to seek Board approval and declaration of surplus by mid-2012.

## SITE ANALYSIS AND RECOMMENDATIONS

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In an effort to conduct a thorough analysis of the TVA Reservation property that is being considered for disposal, MSC has conducted a windshield tour of property, reviewed detailed information provided on the property by both TVA and Lord, Aeck & Sargent (LAS), and examined public comments made during the survey process.

The three possible development scenarios presented by LAS are identified below and are followed by MSC recommendations.

### LAS DEVELOPMENT OPTIONS

#### Single User:

- All (or almost all) of site developed by one large-scale user
- No increase (and potentially some decrease) in accessibility to the site, depending on the specific tenant
- Could be some smaller out-parcel development around the perimeter
- Use of historic area also depends on viability of tenant

#### Internal Development:

- Development occurs only “inside the fence”; that is, internal to the site
- Surrounding land is preserved as natural features
- May require more density within the core
- Historic area may affect what sort of tenant is willing to take control of the site

#### Multi-Use Development:

- Site is segmented into discrete development pads and growth occurs more gradually
- Much more integrated into the surrounding fabric of the community
- Easier to vary land uses
- Less pressure on historic area to serve a specific client

### MSC DEVELOPMENT RECOMMENDATION

MSC has reviewed each of the development scenarios presented by LAS and recommends that TVA pursues the multi-use development option. It is unlikely that a single user will pursue the property at fair market value due to the many environmental uncertainties and the various other impediments to development. Though developers that specialize in brownfield redevelopment exist, it may be challenging to entice one that will purchase the entire property without an extremely favorable purchase price and securing full indemnification from TVA for any future liabilities tied to the previous use of the property.



As previously mentioned, development flexibility is severely limited by numerous on-site impediments that include: monitoring wells, wetlands/floodplain, permanent easements (including TVA transmission lines), solid waste management units, cemeteries, a chestnut grove, etc. Once each of the impediments has been taken into consideration, the remaining usable property is randomly spread throughout the disposable property. Therefore, the size, configuration, and location of the developable property lend itself to a variety of uses.

Based on information provided by TVA, there appears to be four areas with limited impediments to development. MSC recommends that these areas should be included in Phase I of the development plans. The four areas have been identified by MSC on the image on the following page, but they include:

- Southwest corner (Area 1)
- Southeast corner (Area 2)
- Northeast corner (Area 3)
- Northwest corner (Area 4)

MSC recommends that Phase II development plans may include the existing chestnut grove property and the property immediately adjacent to the north if the results of TVA's wetland and flood zone analysis indicate that adequate acreage exists for development. If the property is found to be severely limited by wetlands and/or flood zone, then it may be more feasible to allow the chestnut farmers to expand their grove to the north, with the understanding and agreement that heavy industrial development is planned for the property immediately to the north.)

### **Southwest corner (Area 1)**

From a use perspective, MSC recommends that the property immediately located along Woodward Avenue and 2<sup>nd</sup> Street is utilized for commercial (retail and office) or small light industrial projects (warehousing/distribution or assembly). MSC suggests that interior property within Area 1 be used for light industrial, but on larger lots.

### **Southeast corner (Area 2)**

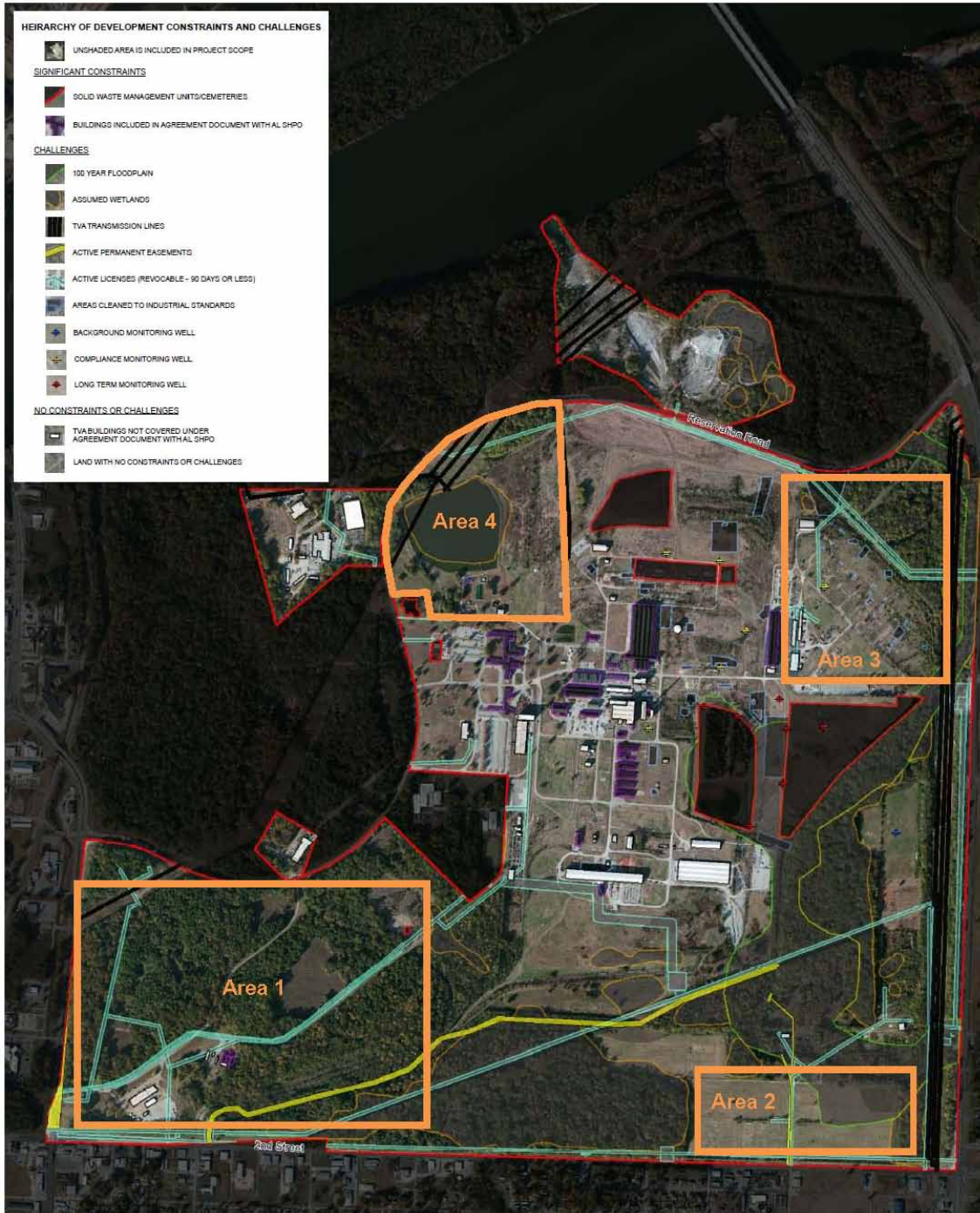
The portion of the Reservation property located along 2<sup>nd</sup> Street, east of the wetland area, and west of Highway 133 and the TVA transmission lines should be used in a similar fashion as Area 1, but with much smaller lots. Those uses may include commercial (retail and office) and light industrial along 2<sup>nd</sup> Street, with the size of the lots increasing as the distance from 2<sup>nd</sup> Street increases.

### **Northeast corner (Area 3)**

The northeast corner of the Reservation should be considered for heavy industrial uses. TVA studies have indicated that a few environmental concerns exist within the site area, but MSC understands that the area has been deemed suitable for industrial uses. This area can be subdivided for multiple heavy industrial users or combined for a single entity.

### **Northwest corner (Area 4)**

MSC recommends that the property located in the northwest corner of the Reservation (opposite side of Reservation Road from the TVA Reservation office) should be considered for commercial (office) or light industrial uses if the pond is breached and filled with dirt, and if the supporting infrastructure is removed.



MSC has made these recommendations under the assumption that a single buyer for the disposable Reservation property will be extremely challenging to secure at favorable terms, and TVA is prepared to subdivide the Reservation property and sell or lease lots for future development. MSC has also reviewed information on available utilities provided by TVA, and it appears that available infrastructure (including additional capacity that can be provided by the City of Sheffield) should be adequate for build-out of the suggested areas, though improvements may be required for very large or unique project needs.

MSC also reviewed public comments made during the strategic workshops regarding the property. The survey results revealed numerous random ideas related to the future use of the property, but a few common themes did emerge and they should be able to be incorporated into the property plan. Several comments were made regarding the need to retain pedestrian green space, wetlands, and historic sites, while others mentioned using a portion of the property for workforce training and education. Though MSC has recommended four areas to be developed for benefit of the public and TVA, many of the natural features of the property should remain undisturbed and pedestrian friendly trails can even be incorporated into the recommended areas of development.

TVA buildings that have been identified to have historic value and can safely be used should be considered for technical training facilities. Educational and training facilities are being incorporated into industrial parks on a more frequent basis. Companies see tremendous value in having immediate access to facilities for technical training.

In an effort to improve the marketability of the property, MSC recommends that TVA develops a master plan for the Reservation property. The plan should identify those areas that are immediately ready for development, and those that with modifications can be ready for development during future phases. Once the properties are identified, a layout should be developed that illustrates the following:

- Potential for subdivision into smaller parcels/lots
- Utility service plan for each development area
- Transportation access plan for each development area (including rail if possible)
- Sales price or lease rate per acre for all development areas
- Proper zoning for each development area
- Plan for the removal or relocation of impediments to development to maximize site size and improve configuration
- Documentation that clearly indicates that the development areas are free of contamination

### Comments re: Waterfront

MSC understands that the property area adjacent to the river is constrained by environmental concerns (contaminated area as well as preservation areas). It should be noted, however, that if some level of waterfront access can be established, it will create an additional advantage to the property. Ideally the access would be such that a facility could be built to the waterfront. Short of that, reasonable clear access to the water from a site in Area 3 would enhance the value of the site.

Waterfront sites are in short supply in the U.S., and large and heavy equipment manufacturers seek such sites out. These projects tend to be heavy infrastructure users as well, so they would be good targets for future development at the Reservation.

## TARGET MARKETS

### POTENTIAL TARGET MARKETS

	Development Plan	Target Markets
Area 1	Road frontage – commercial (retail or office)  Interior - light industrial (size of lots increase with additional site depth)	<ul style="list-style-type: none"> <li>• Retail trade (NAICS 44-45)</li> <li>• Transportation equipment manufacturing (NAICS 336)</li> <li>• Fabricated metal product manufacturing (NAICS 332)</li> <li>• Plastics and rubber product manufacturing (NAICS 326)</li> <li>• Machinery manufacturing (NAICS 333)</li> </ul>
Area 2	Road frontage – commercial (retail or office)  Light industrial to the north (small lots)	<ul style="list-style-type: none"> <li>• Retail trade (NAICS 44-45)</li> <li>• Transportation equipment manufacturing (NAICS 336)</li> <li>• Fabricated metal product manufacturing (NAICS 332)</li> <li>• Plastics and rubber product manufacturing (NAICS 326)</li> <li>• Machinery manufacturing (NAICS 333)</li> </ul>
Area 3	Heavy industrial (one large lot or multiple small lots)	<ul style="list-style-type: none"> <li>• Transportation equipment manufacturing (NAICS 336)</li> <li>• Fabricated metal product manufacturing (NAICS 332)</li> <li>• Wood product manufacturing (NAICS 321)</li> <li>• Primary metal manufacturing (NAICS 331)</li> <li>• Paper manufacturing (NAICS 322)</li> <li>• Chemical manufacturing (NAICS 325)</li> </ul>
Area 4	Office or light industrial	<ul style="list-style-type: none"> <li>• Transportation equipment manufacturing (NAICS 336)</li> <li>• Fabricated metal product manufacturing (NAICS 332)</li> <li>• Plastics and rubber product manufacturing (NAICS 326)</li> <li>• Machinery manufacturing (NAICS 333)</li> </ul>