



ALSAC/ST.JUDE

PINCH DISTRICT MIX-USE RESIDENTIAL DEVELOPMENT

Request for Proposals

American Lebanese Syrian Associated Charities (ALSAC)
501 St Jude Place
Memphis, TN 38105



february 2019

TIMELINE

Issue Date:	2.21.2019
Q&A Period	2.21.2019 - 3.8.2019
Pre-Bid Conference:	3.4.2019 2:00 – 4:00 PM <i>Community Foundation of Greater Memphis 1900 Union Avenue, Memphis, TN 38104</i>
Scheduled visit:	3.5.2019
Deadline:	4.8.2019

For all questions, please contact:

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ALSAC/ST.JUDE PINCH DISTRICT MIX-USE RESIDENTIAL DEVELOPMENT *Request for Proposals*

I. INTRODUCTION

ALSAC, the fundraising and awareness organization for St. Jude Children's Research Hospital, seeks proposals from qualified developers interested in collaborating with ALSAC to create a mixed-use development on a 2-acre site ('the Site') in downtown Memphis, located in the Pinch District, adjacent to St. Jude Children's Research Hospital.

St. Jude, opened in 1962 by entertainer Danny Thomas, pioneered the bench-to-bedside model in advancing the care and treatment of catastrophically ill children and developed groundbreaking treatments for providing outpatient pediatric cancer care. Treatments invented at St. Jude have helped push overall survival rates for childhood cancers from less than 20 percent when the hospital opened to more than 80 percent today. St. Jude is the first and only pediatric cancer center to be designated as a Comprehensive Cancer Center by the National Cancer Institute. It recently announced a partnership with the United Nations and World Health Organization to combat the six deadliest forms of childhood cancer at a global level.

ALSAC owns several properties in the Pinch District, and is interested in advancing the development and revitalization of the area, creating opportunities for the growing number of employees, patients and families, and visitors to live, work and play in and around the campus.

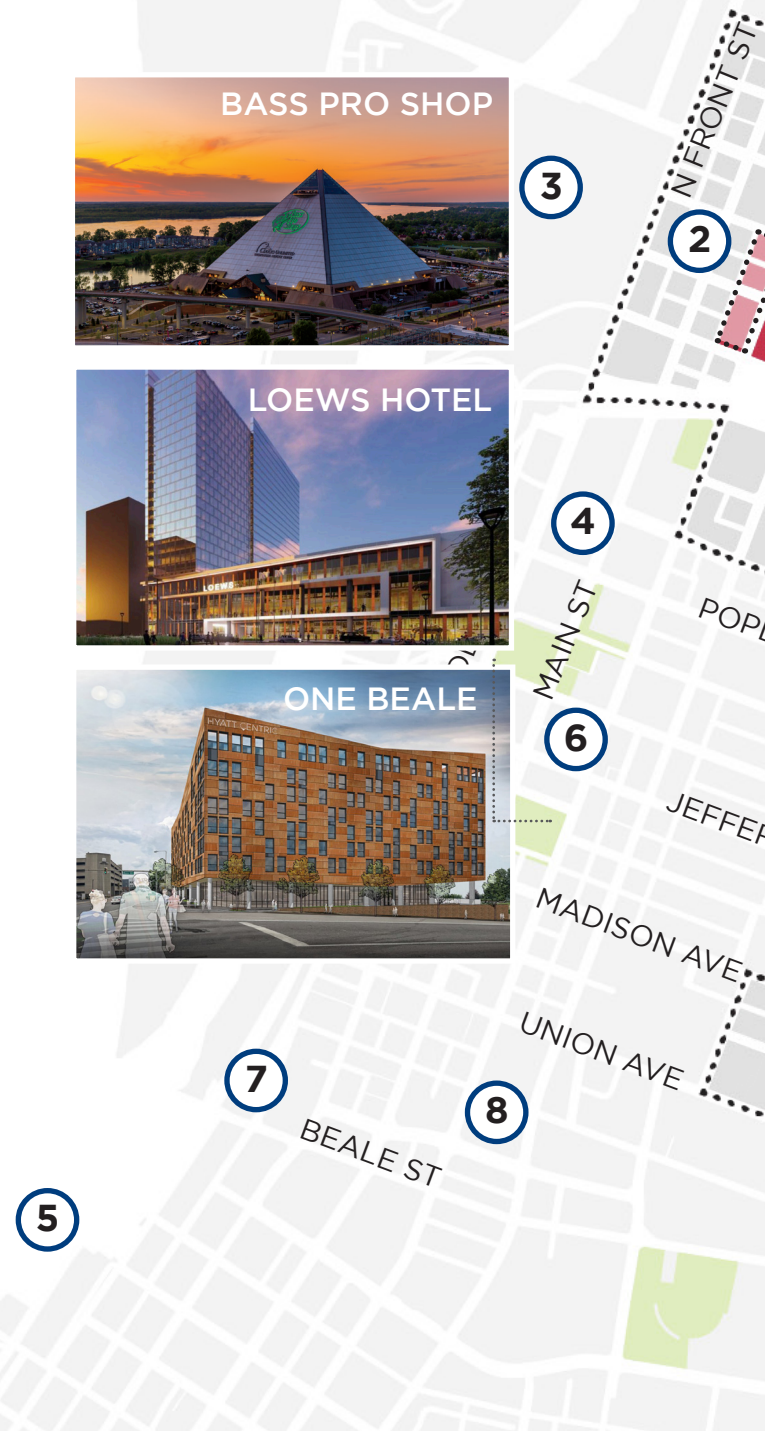
PROJECT & DISTRICT VISION

The Pinch District and surrounding areas are seeing multiple efforts focused on bringing vibrancy to the area and further developing its many strengths. These efforts, some of which are part of the Memphis Bicentennial Gateway project, are drawing a great deal of local and regional investment and attention, include:

- 1 St. Jude Children's Research Hospital campus:** the hospital is currently undergoing a more than \$3 billion six-year (2016-2021) campus/mission expansion. This effort is supported by ALSAC, and has brought over 800 new jobs to campus already, with around 1,000 more expected to be added in the coming years, and 2,500 new jobs from increased business activity.
- 2 Infrastructure improvements:** an initiative was launched in 2015 by ALSAC, St. Jude, the Greater Memphis Chamber, the City of Memphis and Shelby County, to explore potential ways to attract development in the Pinch District. This has led to a commitment of more than \$60 million in infrastructure improvements and blight remediation, including new sewer lines, underground utilities, and streetscaping.
- 3 Bass Pro Pyramid:** adaptive reuse of a former sports arena resulted in the 2015 opening of a national destination for families, tourists and outdoor

enthusiasts. The 32-story Pyramid is home to a Bass Pro shop, the Big Cypress Lodge hotel and restaurant, and the Ducks Unlimited Waterfowling Heritage Center.

- 4** **Memphis Cook Convention Center:** undergoing a \$175 million renovation to be complete Fall 2020.
- 5** **Tom Lee Park:** the riverfront park is undergoing a \$55 million improvement project designed by Studio Gang and SCAPE, overseen by the Memphis River Parks Partnership.
- 6** **Loews Hotel:** a new 550-room hotel to service the convention center, located at 80 North Main Street.
- 7** **One Beale Street:** a new \$225 million 5.5 acre development on historic Beale Street, bringing major retail, apartments, and a hotel.
- 8** **FedEx Logistics:** the headquarters will be relocating to the Gibson Guitar Building, bringing 680 jobs (of which 350 will be new positions). Lease of the building is set to begin April 2020, with an estimated \$47.3 million project cost. Also part of this project is a development that will see a 250-room hotel with conference space, a parking garage and about 50,000 square feet of retail/restaurant space.



KEY DEVELOPMENT & OPERATIONS GOALS

► ENGAGING MIX OF USES

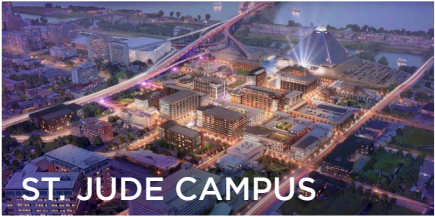
Provide a high-quality, mixed-use development for the benefit of St. Jude/ALSAC patients, families, staff, residents, and visitors commensurate with residential and retail options now offered in top urban cores nationwide.

► CONNECTED

Create development momentum that will further activate the Pinch District and continue to draw visitors, employees, and residents to the District.

► ATTRACTIVE

Create an architecturally and aesthetically attractive project that fulfills market demand while elevating the quality of the built environment.



MEMPHIS MEDICAL DISTRICT

ST. JUDE/ ALSAC OVERVIEW & CAMPUS EXPANSION

Located on a 66-acre campus in the Pinch District, St. Jude Children's Research Hospital is leading the way the world understands, treats and cures pediatric cancer and other life threatening diseases. In partnership with ALSAC, the organizations are an anchor of Memphis' economic resurgence with a more than \$3 billion expansion underway as part of a six year (2016-2021) strategic plan.

The campus expansion includes all of the following existing and potential projects (*the potential projects must be approved on an individual basis*):

- ▶ Patient Family Housing Facility
- ▶ Visitor Center
- ▶ Event Center
- ▶ Parking garage(s)
- ▶ Research Center (*now being constructed*)
- ▶ Outpatient Clinic
- ▶ Multiple administrative offices (*one completed*)
- ▶ Data Center (*completed*)

Its rapid growth in employment and facilities has made St. Jude an economic engine for Memphis. Roughly 5,500 employees are based on its Memphis campus, and close to 1,000 more employees will be added in the coming years. In addition to these jobs, approximately 2,500 indirect jobs are projected to be created.

Approximately \$200 million in state and local economic development funds have been committed to the area, including: \$36 million in State Economic Development grants, \$12 million in City match, and over \$150 million in TIF funds for blight elimination and infrastructure improvements and TDZ funds for economic



ST. JUDE CAMPUS

development in the area surrounding campus in the Pinch and Uptown. This investment will support major growth and development in the area, and help alleviate blight. A major sewer relocation, placing the utilities underground and streetscaping are among the projects that will occur.

The adjoining tables on pages 10-11 summarize the projected growing demand in the District for high-quality housing and amenities. Beyond the St. Jude campus expansion, new developments (summarized on page 6-7), and unmet demand from surrounding anchors in the Medical District make the Site prime for redevelopment.



Young, Growing Workforce

Since the ALSAC/St. Jude expansion began, **over 800 jobs have been created, with another 1,000 jobs to be added** in the coming years. The current salary for ALSAC/St. Jude Hospital employees averages \$75,912 annually; the salary average will increase to \$80,535 by FY21.

ALSAC and St. Jude Children's Research Hospital employees have a strong connection to the mission of the organization, helping it recruit a talented and diverse workforce. Currently, ALSAC's workforce is comprised of

45% Millennials. The hospital has also recently received a number of accolades, including:

Best Workplaces for Millennials

Fortune 100, 2018

#1 Dream Employer by Gen-Z

National Society of High School Scholars/Hanover Research, 2018

#13 Best Places to Work

Glassdoor, 2019

MEMPHIS MEDICAL DISTRICT

8 INSTITUTIONS

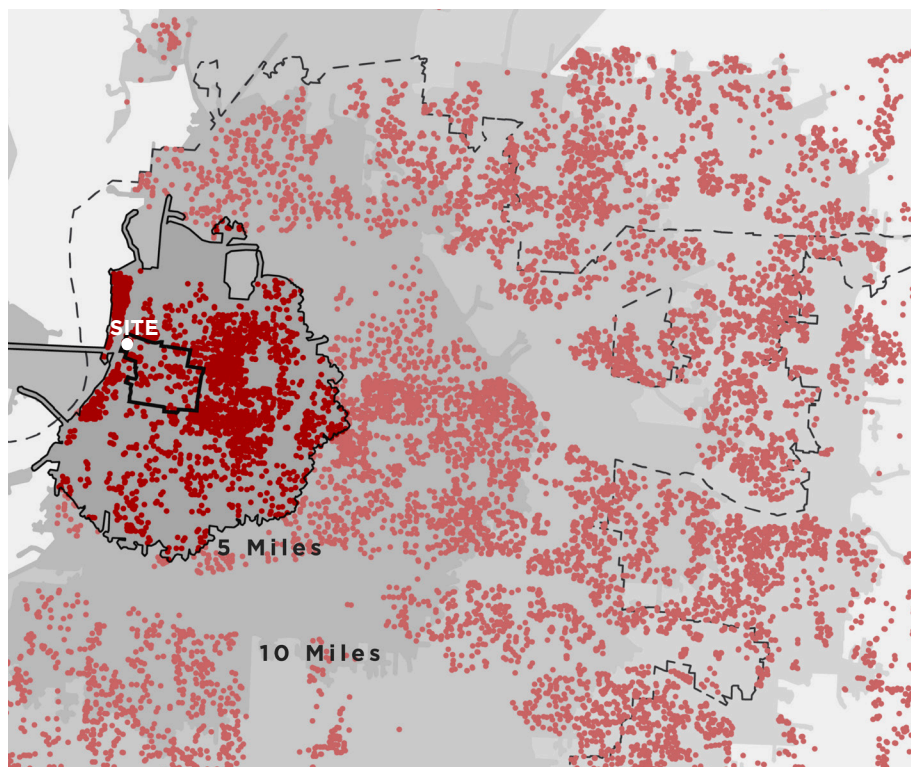
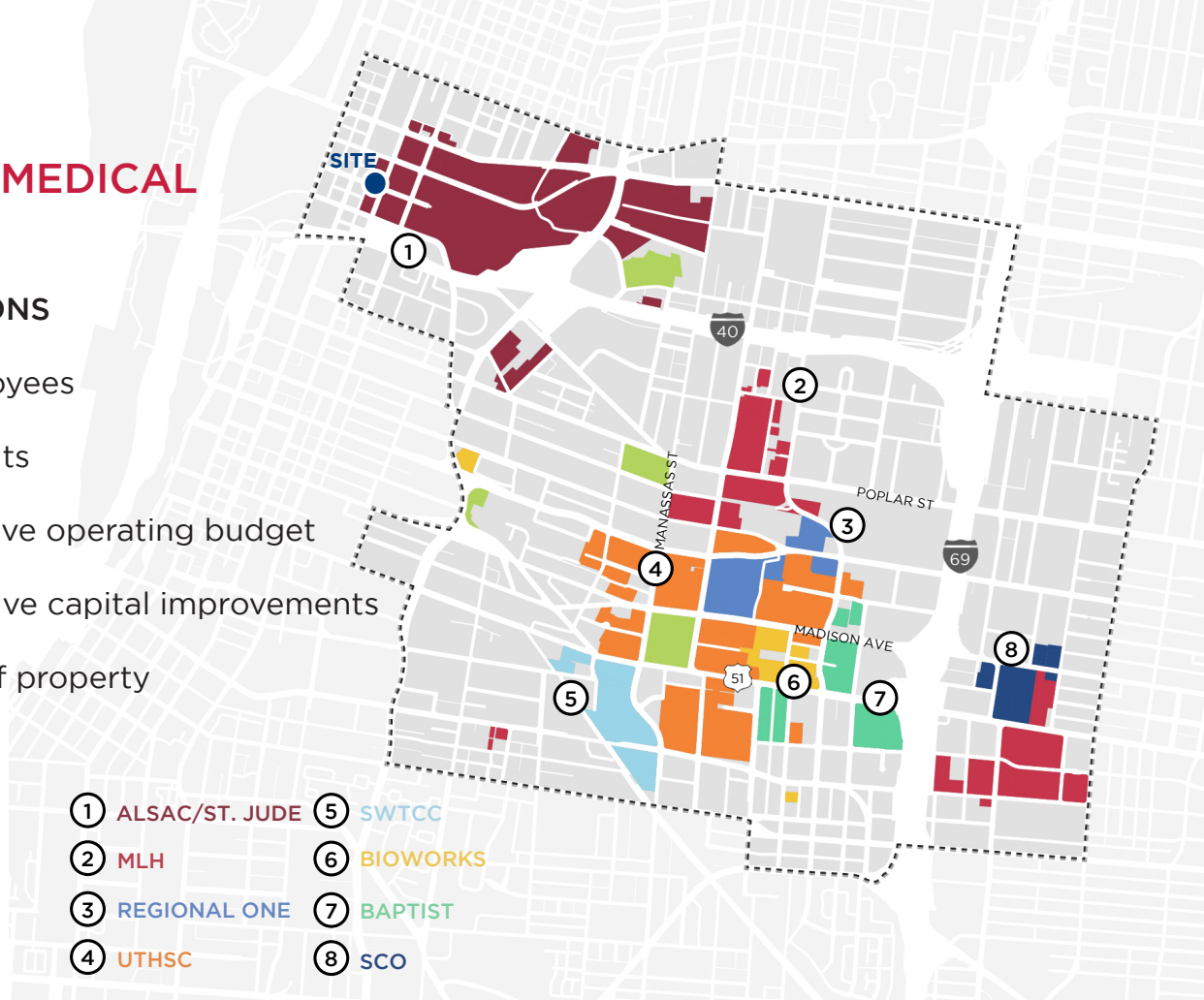
18,000 employees

8,000 students

\$2.7B collective operating budget

\$3.5B collective capital improvements

250+ acres of property



MEDICAL DISTRICT EMPLOYEE RESIDENTIAL LOCATION

Employee residential data highlights the untapped demand to live in the Medical District from all anchors. Of the over 20,100 employees for the 8 anchors, **3,331 employees (16.6%) live within 5 miles** of the district, but **only 335 (2%) in the District**. Similarly, of the over 13,000 students, only 329 students (2.5%) live in the district, with 1,092 students (18.2%) living within 5 miles of the district.

Source: MMDC, Institutional data, 2018

HOUSING & RETAIL DEVELOPMENT DEMAND

MMDC conducted housing and retail studies in 2017 to determine demand within the District:

AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

- ▶ **2,050 - 2,635** (410-527 annually) new rental/for-sale units could be developed and absorbed within the District over 5 years (2017-2022)

MEMPHIS MEDICAL DISTRICT RETAIL MARKET ANALYSIS

- ▶ Potential for up to **197,300 SF** of new retail, with rates ranging up to \$21/SF

Sources: Zimmerman/Volk Associates, Gibbs Planning Group

See additional resources for complete reports.

TABLE 2: POTENTIAL RENTERS & OWNERS FOR NEW HOUSING UNITS IN DISTRICT
Incomes at or above 80% AMI

HOUSING TYPE	NUMBER	RENT/PRICE RANGE	PRICE PSF	ANNUAL EST NEW UNITS
Multi-fam (rent)	3,240	\$650-2,250	\$1.48-1.87	324 - 389
Multi-fam (sale)	565	\$225-295,000	\$164-\$170	28-45
SF attached (sale)	660	\$175-315,000	\$170-175	33 - 53
SF detached (sale)	500	\$195-350,000	\$165-171	25 - 40
TOTAL ANNUAL POTENTIAL				410 - 527
TOTAL 5-YEAR POTENTIAL				2,050 - 2,635

Source: Zimmerman/Volk Associates

PINCH DISTRICT CONCEPT STUDY (2017)

24.5 acres (70 lots) in Pinch District

11 acres (17 lots) owned by ALSAC (40%)

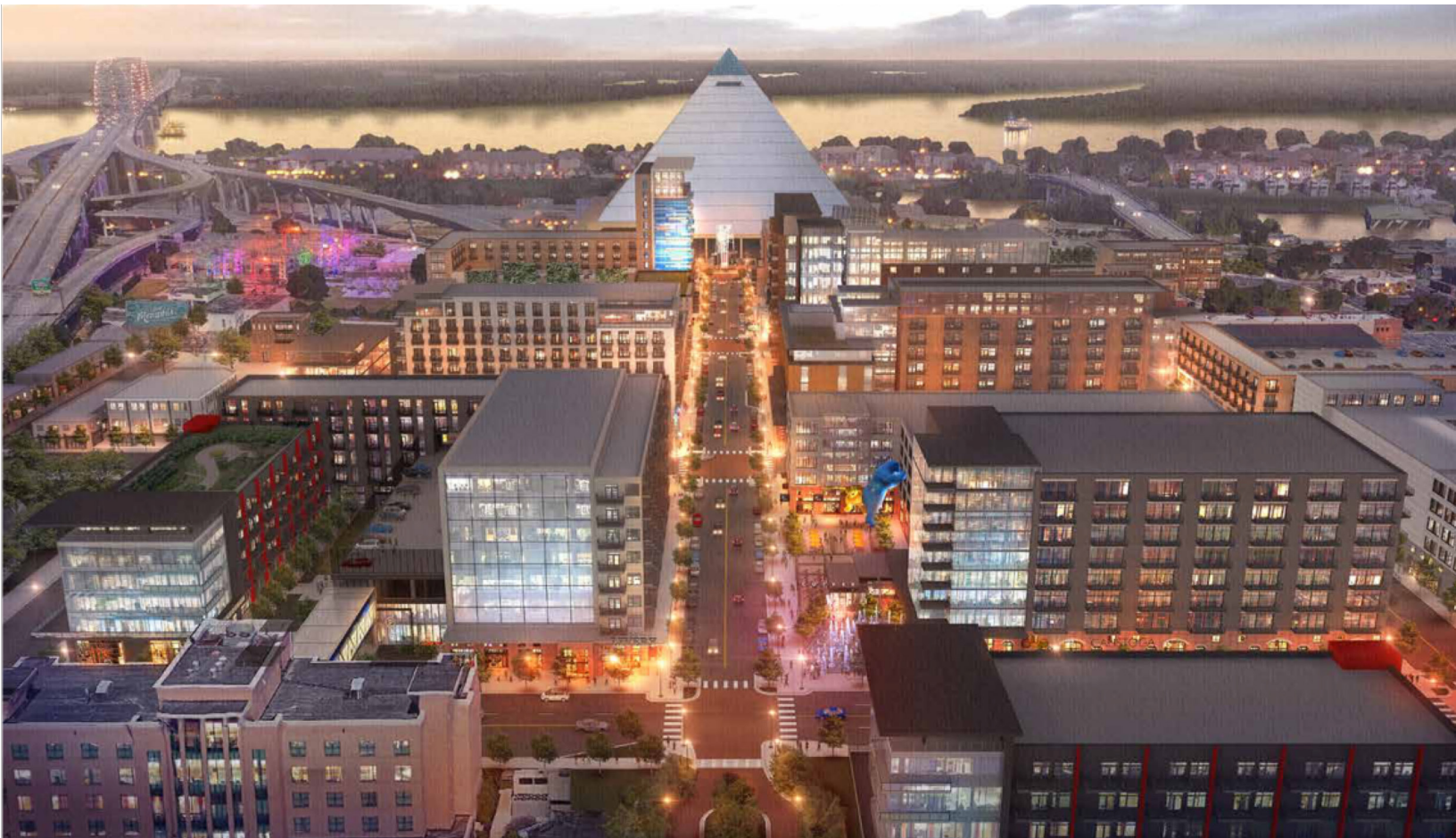
In 2017, the City of Memphis and LRK created the Pinch District Concept Study to further define the District's future and the City's goals for the area. The result was a plan to create a walkable mixed-use urban district, building upon the unique history and character of the area. Key to the plan was reinforcing connections to many of Memphis's assets including: St. Jude Children's Research Hospital, the Memphis Cook Convention Center, BassPro at The Pyramid, and the Uptown District neighborhood. As the images highlight, the future of the District is envisioned to include multi-story mixed use buildings, housing, office, retail, and

residential uses, a hotel, parking, a pedestrian bridge, artistic lighting features, and underpass lighting improvements, among others.

These renderings, although not prescriptive, should act as guides to the type of dense, vibrant, walkable development that ALSAC seeks to support in developing the Site.

Note that the Pinch District Plan closely follows key goals set out by Memphis 3.0, the City's 20-year comprehensive plan, which can be found in Additional Resources (p. 18)

LRK PINCH DISTRICT CONCEPT





THE SITE, EXISTING CONDITIONS

The Site sits in an underutilized area of the Pinch District. Parcel A is 0.97 acres (42,200 SF); Parcel B is 1.06 acres (46,000 SF). ALSAC has purchased the current City Fire Station parcel (“Parcel C”) and will use this for its campus expansion. A new, full-service Fire Station with improved operations and services is planned for a location several blocks away in Uptown, and will be operational by 2021.

II. SITE DETAILS

The Site (identified above) is comprised of two parcels, A and B. Parcel A is 0.97 acres, or 42,200 SF, and Parcel B is 1.06 acres, or 46,000 SF. The two parcels are bordered by Shadyac Avenue on the North, Jackson Avenue on the South, N. 2nd Street on the East and N. November 6th Street on the West. Surrounding the Site is St. Jude’s new Patient Family Housing Facility and St. Jude Garden. The two parcels are currently owned by St. Jude, and currently serve as surface parking.

PROGRAM

The Site is envisioned as a dense, high-quality, mixed-use development with commercial uses on the ground floor and residential on the upper floors. The Pinch District Concept Study provides guidance on potential density and aesthetics, as illustrated in the accompanying renderings. The program below and images are meant to provide guidance and background only and should not be considered as a binding concept for this project. These renderings capture the desired look and feel for this site, clearly defining the framework and requirements within which the developers and designers can have creative freedom. Respondents should propose a development program that they believe is feasible and can be absorbed into the market.

TRANSACTION STRUCTURE

A transaction with a developer can be structured in a myriad of ways. The most common structure is a long-term ground lease, with ground rent paid to ALSAC either in an upfront, one-time payment or annually over the length of the lease term. ALSAC will also consider other structures. It is anticipated that ALSAC and any potential developer, which ALSAC might later select, will explore development approaches that respect ALSAC's ownership of the land, site limits and value. The selected developer will be responsible for designing, financing, entitling, constructing, leasing, and maintaining the mixed-use project.

APPROVALS

ALSAC anticipates the project will be required to obtain standard City, County, and State approvals. ALSAC will have certain approvals over use, design, and quality that are consistent with the goals set forth in this RFP.

III. RFP PROCESS

ALSAC is interested in proposals from well-capitalized developers who have the vision to transform the Pinch District into a vibrant, walkable district and support St. Jude's mission.

ALSAC seeks a concept for the project, a proposed financial structure, and guidelines for implementation resulting in project opening by Q3 2021. While it is understood that significant additional due diligence in terms of infrastructure requirements, environmental review, and market demand analysis will be necessary before a final development plan can be produced, the below materials are requested as an illustrative first step. Please note that ALSAC will support the developer through the entitlement process, to the extent possible.

Prospective developers interested in this opportunity should provide evidence of qualifications, a description of your proposed team, and preliminary conceptual plans, design, and financials. Please clearly mark each section of your proposal to align with the numbers below.

A. FIRM QUALIFICATIONS

- ▶ Provide an overview of your firm's expertise and services provided, total staff, and an overall description of your portfolio.
- ▶ Provide evidence that your firm is capable of providing all services necessary to plan, develop, design, construct, finance, lease and operate a high-quality mixed-use development.
- ▶ Provide up to 5 examples of your experience developing projects of similar size, scope and character, with emphasis on any projects built in a similar setting.
- ▶ Demonstrate evidence of your firm's financial capacity to take on this project.
- ▶ The most recent ALSAC campus expansion project is achieving over 30% minority-owned business participation. ALSAC/St. Jude are seeking a developer who is committed to a goal and good faith efforts toward a goal of 25-30% minority

and women owned business entities, recognizing that ALSAC's most recent office building project is nearly complete with participation at over 35% for minority and women-owned businesses. Development proposals are encouraged to share information about minority participation on prior projects in which the developer has been involved.

B. DEVELOPMENT TEAM

- ▶ Identify the development team, including partner firms, architect, engineer, construction manager, residential manager, retail broker, and other consultants as applicable.
- ▶ Provide the names and resumes of the members of your team, including design partners and project managers, who will play key roles in this project.
- ▶ Identify the single point of contact (preferably executive level) for your organization with whom to communicate during the selection process, along with his or her contact information.

C. CONCEPTUAL PLAN

- ▶ Provide a narrative addressing your overall proposed approach to the development opportunity offered in this RFP, including:
 - A high-level market assessment or description of the markets you believe would be attracted to the proposed project.
 - The size, type, and quality of mixed-use development that you believe will be economically viable and meet the goals of ALSAC.
 - An explanation of how your development concept aligns with the design guidelines described in this RFP.

- ▶ Provide a program summary with uses and square footage allocations, including recommendations for unit mix, types of retail/commercial uses, and parking strategy.
- ▶ Provide a project timeline, highlighting major milestones and activities required to achieve opening by Q3 2021.
- ▶ Provide preliminary site plans, massing, conceptual design, diagrams, or other means of communicating the proposed project.

D. FINANCIALS

- ▶ Describe the proposed financing structure, including potential sources for equity and debt.
- ▶ Discuss the proposed business terms for the project, including ground lease term and payment to ALSAC (upfront, annual, or other), participation rent, and developer fee and returns.
- ▶ Provide an itemized cost estimate and budget tied to the concept plan.
- ▶ Provide a project pro forma projecting annual cash flows for the life of the project, identifying the following:
 - Projected rents, operating expenses, real estate taxes, and capital reserves
 - Annual escalation of rent and expenses
 - Annual debt service, if applicable
 - Developer rate of return or other return metric for which the respondent is controlling
 - Return to ALSAC (ground rent, participation rent, other)
 - Detailed summary of key assumptions

- ▶ If your team believes a subsidy is required to make the project financially feasible, identify the amount of the subsidy and potential sources for closing the gap

SELECTION PROCESS

ALSAC will review the proposals, considering each element of the response. The selection criteria will include the development team experience and expertise, program rationale, preliminary design, development approach, financial package, and proposed business terms. The Selection Committee may choose to shortlist and interview multiple prospects. ALSAC intends to enter into negotiations towards a non-binding term sheet with the finalists, establishing major terms and conditions for the proposed transaction. ALSAC in its sole discretion may proceed with the project described in this document, do nothing, or pursue an alternate plan(s).

SUBMISSION INSTRUCTIONS

ALSAC is intentionally soliciting proposals from firms that directly received this RFP from ALSAC or U3 Advisors, operating on behalf of ALSAC. If you have not received this RFP from either of these entities, please contact Nicole Buchholz (U3A) to notify of your intent to participate in the process. This RFP and the information included within it should be treated with confidentiality. **Interested parties must submit a fully executed Non-Disclosure Agreement (included in Additional Information and Resources) on or before March 4, 2019.**

RFP submissions are due by 5:00 p.m. EST on Monday, April 8, 2019. Please send a PDF of your submission to Nicole Buchholz (nbuchholz@u3advisors.com).

SITE VISIT

ALSAC will offer an opportunity for interested parties to tour the site and meet with staff regarding the project at 9m to 10:30am on March 5th, 2019. Attendance is optional. Please email Nicole Buchholz (nbuchholz@u3advisors.com) by February 27th to RSVP.

QUESTIONS

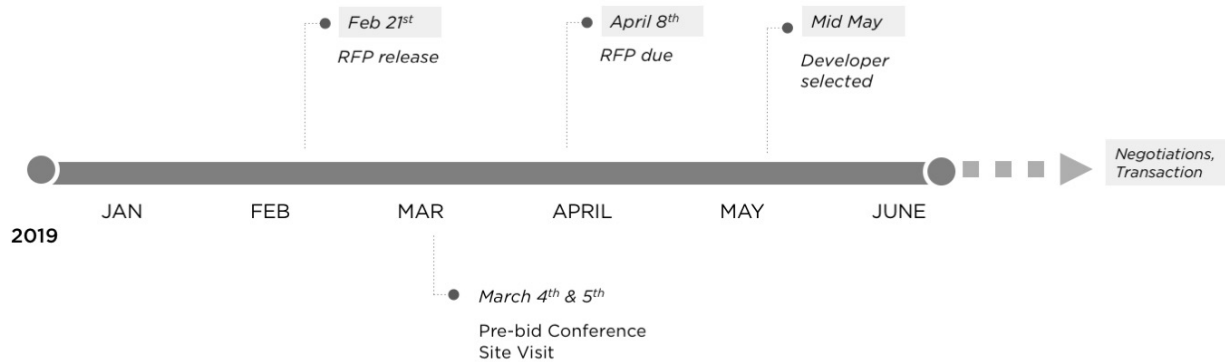
Questions regarding this RFP may be sent via email to Nicole Buchholz (nbuchholz@u3advisors.com). All questions must be received by March 8, 2019, along with a fully executed NDA which is necessary to proceed with this process. U3A will respond individually to each question but will make all submitted questions and answers available to all participating parties no later than one week prior to the RFP submission deadline.

DISCLAIMERS

Nothing in this RFP shall be construed as creating or offering the creation of a joint venture, partnership or other legal arrangement between ALSAC and any respondent to this RFP.

ALSAC shall be the sole judge of the conformance of each respondent's submission to the requirements of this RFP and of the merits of each submission. ALSAC reserves the right to waive any conditions or modify any provision of this RFP with respect to one or more respondents, to negotiate with one or more of the respondents with respect to all or any portion of this RFP, to require supplemental statements and information from any respondents, to establish additional terms and conditions, to encourage respondents to work together, to negotiate with entities that do not respond to this RFP, to conduct interviews with respondents, and to reject any or all responses in its judgment it is in the best interest of ALSAC to do so. ALSAC will enforce the submission deadline stated in the RFP at its discretion.

RFP TIMELINE



ADDITIONAL INFORMATION & RESOURCES

Below is a list and descriptions of available incentives and development tools available for the Site.

PILOT Program (Payment-in-lieu-of-taxes)

- ▶ Program available to developers and property owners to secure adequate financing for project; projects must pass a “but for” test (i.e. without PILOT, development would not be financially viable).
- ▶ Property taxes held at the predevelopment level for maximum of 15 years, as determined by a grading system.

<https://www.downtownmemphiscommission.com/financial-incentives/downtown-pilot-program/>

Opportunity Zones

- ▶ The program is designed to drive long-term capital to low-to-moderate income urban communities, and uses tax incentives to encourage private investment in impact funds.
- ▶ Designation allows investors to shield capital gains for up to seven years, and potentially avoid taxes on any gain on their capital gains if investment held for 10 years.

<https://launchtn.org/opportunityzones/>

Tax Increment Financing (TIF)

- ▶ Financial incentive designed to encourage commercial real estate development in and around the Downtown Memphis area by “reinvesting site-specific property taxes above the predevelopment level for a predetermined period of time” into the project infrastructure. The eligible amount of time for a TIF to be in place is determined by use, cost, as well as other criteria.
- ▶ \$96M Phase 2 TIF approved for area surrounding campus in 2018, with projects planned and underway.

https://www.downtownmemphiscommission.com/sites/526/uploaded/files/TIF_Application_2018.pdf

Downtown Tourism Development Zone (TDZ)

- ▶ Downtown TDZ includes the Pinch District, Bass Pro Shops and the Memphis Cook Convention Center. TDZ sets a baseline tax revenue; increases in tax revenue are taken to fund area improvements. The tax base adjusts by the growth in sales tax in the general market.

Memphis Medical District Collaborative

- ▶ The Memphis Medical District provides a range of support services and tools to interested developers. MMDC can provide some modest financial incentives, and guidance on financing and stacking incentives provided by partners, such as the Downtown Memphis Commission.
- ▶ MMDC oversees a Live Local program, which provides incentives to lease or own a home near the Medical District to employees participating institutions.

<https://www.mdcollaborative.org/real-estate>

Downtown Memphis Commission (DMC)

- ▶ DMC is currently finalizing the Downtown Memphis Parking Study (*available for download in Additional Resources*), in which parking incentive funds may be available for the area.

<https://www.downtownmemphiscommission.com/plans-resources/---/>

The following documents are available for download: <http://bit.ly/PinchRFP>

1. An Analysis of Residential Market Potential: The Memphis Medical District, Zimmerman/Volk Associates, Inc.
2. Memphis Medical District Retail Market Analysis, Gibbs Planning Group
3. Phase 1 ESA
4. Phase 2 ESA
5. Downtown Memphis Parking Study, DMC
6. Pinch District Concept Plan, LRK
7. Parcel maps
8. Memphis 3.0
9. NDA

