

**City of Shelbyville**  
**Mayor & City Council Session**

**Special Called Session: Thursday, December 16, 2021**

**Time:** 11:00 AM

**Place:** Shelbyville Recreation Center, 220 Tulip Tree Road

- I. Call to Order**
- II. Shelbyville Riverfront Market Report – Randall Gross**
- III. Announcements**
- IV. Adjourn**

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Wallace Cartwright, Mayor

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**RGDE**

RANDALL GROSS / DEVELOPMENT ECONOMICS

*Market Analysis & Strategy*

# **Duck River Landing**

Downtown Shelbyville



Prepared for the City of Shelbyville  
By Randall Gross / Development Economics  
September 28, 2021

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## **INTRODUCTION**

This draft report summarizes findings from a Market Analysis conducted for redevelopment along the Duck River waterfront in Downtown Shelbyville. The market analysis tested the potentials for retail and hotel development in the downtown area and specifically along the waterfront. A conceptual development program was identified based on the findings of the market analysis and presented along with market findings on June 3, 2021. This conceptual development program was then tested to determine its economic and fiscal benefits to the City of Shelbyville. Findings from the economic and fiscal impact analysis are contained in a separate report produced August 2, 2021. The development program and possible tenancing opportunities were also tested through outreach to potential investors.

Section 1 of this report provides an overview of existing conditions as well as a site analysis conducted for the downtown waterfront. The site analysis was conducted based on extensive field reconnaissance and background research, interviews with businesses and real estate professionals, and a building-by-building inventory. Section 2 provides findings from the Hotel Market Analysis while Section 3 summarizes findings from the Retail Market Analysis.

Section 4 of this report provides a summary of the recommended development concept, as well as input on marketing, management, phasing and tenancing. These recommendations are made in part based on input from potential tenants and investors.

## **Section 1. EXISTING CONDITIONS & SITE ANALYSIS**

This section summarizes information gathered on the existing economic context as well as a site analysis for redevelopment of the Duck River waterfront in downtown Shelbyville. Extensive field reconnaissance, coupled with background research, interviews with businesses and real estate professionals, and a building-by-building inventory provided input to this assessment.



### **Shelbyville Economic Base**

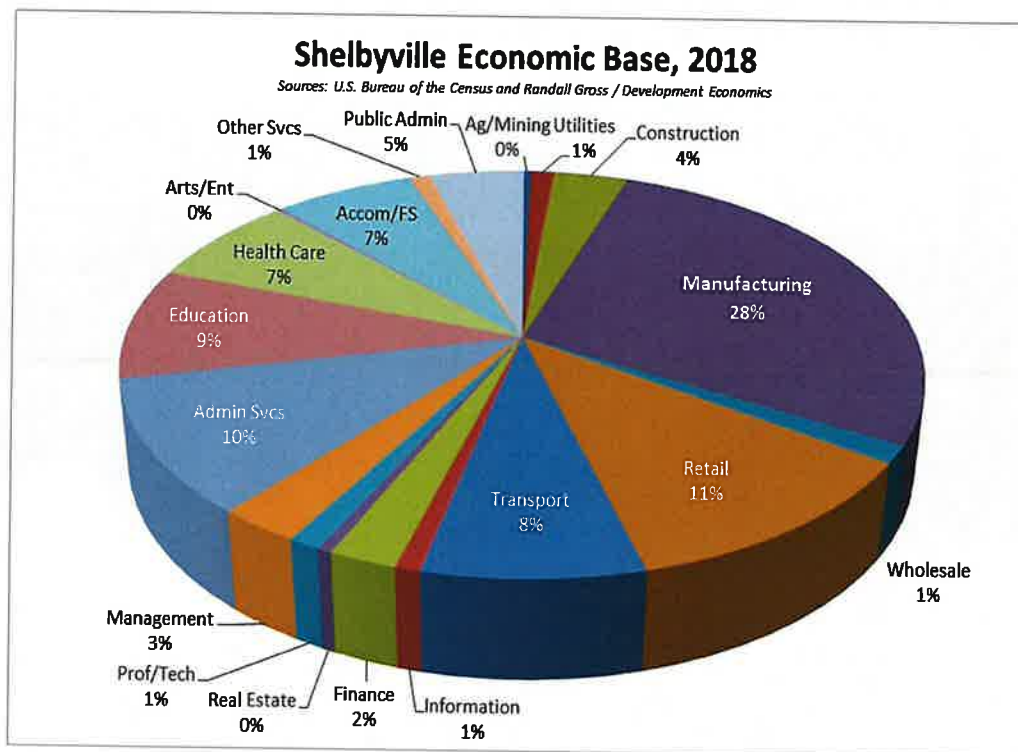
Shelbyville is the historic County Seat of Bedford County and as such, serves as a center for government and business activity in the region. Located in Middle Tennessee, Shelbyville is well-positioned to benefit from rapid growth in the Nashville Metropolitan Area yet just far enough away from the Music City to retain its quiet, small-town charm and subdued lifestyle.

Shelbyville lacks interstate highway access, so it has not yet become a major bedroom community for Nashville. However, Shelbyville does have good highway access to Murfreesboro via US Highway 231, and Murfreesboro's growth is drawing increasing commuter traffic. Shelbyville also has highway access to surrounding towns including Tullahoma (US41A), Fayetteville (US231), Lewisburg



(SR64/US31A), and Eagleville (US41A, which leads to Nolensville and the growing Nashville suburbs).

Shelbyville has a relatively diverse economy, led by manufacturing, with about 28% of the total job base. Other key sectors include retail (11%), administrative services (10%), education (9%), and transport (8%). Health care and accommodation services are also important industry sectors in Shelbyville.



By contrast, the city has only limited employment in professional & technical services, real estate, information services, arts & entertainment, and wholesale trade. The city does have some employment in finance and management services, but these sectors are still relatively limited in comparison to the dominance of manufacturing on the local economy.

Shelbyville was once famously known as “Pencil City” for its writing instrument manufacturing industry. That industry now has fewer players but is still represented by Newell Brands (©Sharpie) and National Pen Corporation, which together generate up to 1,300 jobs in the local economy. Tyson Foods (1,330), Calsonic/Kansei (1,300), Josten’s (375), and Albea Americas (300) are among the other large manufacturing companies in the area. The county has targeted the aerospace, automotive, biofuels, and chemicals & plastics industries for growth and development.

Shelbyville has also promoted itself for decades as the “Walking Horse Capital of the World.” But controversy in the walking horse industry has impacted

on attendance at the city's National Walking Horse Celebration and festival. Still, the city remains host to several other horse competitions and events that bring thousands of visitors each year.

### Employment Trends

Shelbyville had about 14,600 jobs in 2018, representing an increase of 1,200 or 9.3% since 2002. The local economy continued to grow even during the national recession ending in 2010, indicating underlying strengths that isolated or buffered Shelbyville from the real estate-led recession.

| Table 1. AT-PLACE EMPLOYMENT TRENDS BY INDUSTRY<br>SECTOR, SHELBYVILLE, TN 2002-2018 |   |               |               |                  |             |
|--|---|---------------|---------------|------------------|-------------|
| Sector   | 2002  | 2010          | 2018          | 2002-2018 Change |             |
|  |   |               |               | Number           | Percent     |
| Ag/Mining  | 43  | 4             | 45            | 2                | 4.7%        |
| Utilities  | 144   | 159           | 167           | 23               | 16.0%       |
| Construction   | 420   | 310           | 516           | 96               | 22.9%       |
| Manufacturing  | 5,493   | 4,666         | 4,086         | (1,407)          | -25.6%      |
| Wholesale  | 395   | 476           | 201           | (194)            | -49.1%      |
| Retail   | 1,199   | 1,286         | 1,672         | 473              | 39.4%       |
| Transport  | 481   | 1,038         | 1,103         | 622              | 129.3%      |
| Information  | 163   | 151           | 124           | (39)             | -23.9%      |
| Finance  | 260   | 368           | 340           | 80               | 30.8%       |
| Real Estate  | 58  | 55            | 73            | 15               | 25.9%       |
| Prof/Tech  | 144   | 184           | 159           | 15               | 10.4%       |
| Management   | 2   | 208           | 407           | 405              | 20250.0%    |
| Administrative   | 1,004   | 1,265         | 1,533         | 529              | 52.7%       |
| Education  | 1,167   | 1,538         | 1,296         | 129              | 11.1%       |
| Health Care  | 1,075   | 752           | 1,068         | (7)              | -0.7%       |
| Arts/Entertainment   | 83  | 56            | 40            | (43)             | -51.8%      |
| Accom/FS   | 634   | 724           | 970           | 336              | 53.0%       |
| Other Services   | 171   | 133           | 142           | (29)             | -17.0%      |
| Public Admin   | 435   | 529           | 668           | 233              | 53.6%       |
| <b>TOTAL</b>   | <b>13,371</b>   | <b>13,902</b> | <b>14,610</b> | <b>1,239</b>     | <b>9.3%</b> |
| Sources:   | U.S. Bureau of the Census and Randall Gross /<br>Development Economics. |               |               |                  |             |

The most significant growth has been in the transportation services sector, with Shelbyville adding more than 620 jobs or 129% since 2002. Most of those jobs were added prior to 2010. The city has also experienced significant growth in administrative services (530 jobs or 53%), retail trade (470 jobs or 39%), and accommodation & foodservice (340 jobs or 53%). The fastest growth was in management services, where the city added more than 400 jobs, about one-half of which were added since 2010. But growth has not extended to all local sectors.

For example, the health care sector lost about 250 jobs (likely due to closure of consolidation) between 2002 and 2010 but gained back most of those jobs since then. While there has been some recent growth, manufacturing lost more than 1,400 jobs since 2002 (26%), including about 600 jobs since 2010. The city has also lost jobs in wholesale trade information services, arts & entertainment, and other services. Overall, however, the city has regained its economic footing since the 2008-09 recession, with job growth averaging 0.6% per year since 2010. While Bedford County's (and Shelbyville's) unemployment rate spiked at the beginning of the COVID pandemic at 19.4%, it has subsequently fallen back to 4.8% as of July 2021.<sup>1</sup>

## **Demographics**

Shelbyville had a total population of 23,557 last year, according to the 2020 Census. That number represents an increase of more than 3,200 or 15.8% since 2010. Shelbyville forms a part of the Shelbyville Micropolitan Statistical Area, which includes all of Bedford County. The county now has a population that exceeds 50,000 for the first time, representing an 11.5% increase over the 2010 number. Shelbyville is the largest city in the county. Other incorporated places include Wartrace, Bell Buckle, and Normandy. The micro area is also now considered part of the larger Nashville-Davidson—Murfreesboro Consolidated Metropolitan Area (CSA), which also includes the Lawrenceburg and Lewisburg micro areas. This larger metropolitan commuter shed has a 2020 population of 2,118,233.

## **Site Assessment**

Extensive field reconnaissance, background research, detailed building-by-building inventories, and interviews with businesses and real estate professionals were conducted to inform an assessment of Downtown as a potential location for retail/commercial activity, hotels, and other uses especially along the Duck River waterfront.

## **Historical Context**

Downtown Shelbyville has a rich history that has touched on various phases of Middle Tennessee development. Shelbyville is unique in the region as one of a handful of planned cities, laid out in a square pattern around its courthouse. The "Shelbyville Plan" formed the basis for development of courthouse squares in various other cities across the South and Midwest. The current classical revival Bedford County Courthouse was built in 1935 and forms the center of the Shelbyville Courthouse Square Historic District, listed on the National Register of Historic Places. An earlier courthouse building was famously burned to the ground

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<sup>1</sup> St. Louis Federal Reserve Bank Economic Research (FRED).

by a lynch mob angered that a young black man that they wanted to hang had been transported out of the county for his protection.<sup>2</sup>

Many of the remaining commercial buildings on the square were designed in the Italianate and Romanesque styles, although there are also buildings like the Capri Theater designed in Art Deco and other styles representative of their specific era. The County Courthouse Annex building presents a fine example of the modernist International Style of architecture. An historic jail building is situated on North Spring Street. Taken together, the downtown area offers an unusually rich tapestry of architectural styles and local heritage.

### Building Inventory & Business Mix

The downtown area, for the purposes of this analysis, is defined as the Courthouse Square and areas from the Duck River east to North Jefferson Street, and from McGrew Street north to North Cannon Boulevard.

| Table 2. BUSINESS SPACE BY CATEGORY, DOWNTOWN SHELBYVILLE, 2020-21 |               |                  |                |                 |
|--|---------------|------------------|----------------|-----------------|
| Category   | Number        | Sq. Feet         | Percent        | of Total        |
| Convenience Goods  | 12            | 40,310           | 14%            | 4%              |
| Shoppers Goods   | 30            | 154,811          | 54%            | 14%             |
| Eating & Drinking  | 10            | 17,017           | 6%             | 2%              |
| Entertainment  | 1             | 9,800            | 3%             | 1%              |
| Personal Services  | 7             | 12,800           | 4%             | 1%              |
| Vacant   | 12            | 53,038           | 18%            | 5%              |
| <b>Sub-Total</b>   | <b>72</b>     | <b>287,775</b>   | <b>100%</b>    | <b>26%</b>      |
| <b>Non-Retail Use</b>  | <b>Number</b> | <b>Sq. Feet</b>  | <b>Percent</b> | <b>of Total</b> |
| Office   | 63            | 320,146          | 62%            | 29%             |
| Finance/Insurance/RE   | 21            | 73,099           | 14%            | 7%              |
| Legal & Professional   | 13            | 56,463           | 11%            | 5%              |
| Business/Info Svcs/Admin   | 2             | 9,567            | 2%             | 1%              |
| Non-Profit/Govt  | 10            | 114,245          | 22%            | 10%             |
| Medical/Health   | 6             | 11,536           | 2%             | 1%              |
| Contractors/Const  | 6             | 37,898           | 7%             | 3%              |
| Vacant   | 5             | 17,338           | 3%             | 2%              |
| Industrial/Service   | 8             | 49,526           | 10%            | 4%              |
| Religious (estimated)  | 1             | 38,000           | 7%             | 3%              |
| Event Space*   | 2             | 3,635            | 1%             | 0%              |
| Recreation   | 2             | 44,190           | 9%             | 4%              |
| Museum/Cultural Center   | 1             | 22,000           | 4%             | 2%              |
| Education  | 2             | 11,136           | 2%             | 1%              |
| Residential  | 3             | 24,831           | 5%             | 2%              |
| Accommodation  | -             | -                | 0%             | 0%              |
| <b>Sub-Total</b>   | <b>82</b>     | <b>513,464</b>   | <b>100%</b>    | <b>46%</b>      |
| *Fly under Museum/CC   |               |                  |                |                 |
| <b>TOTAL</b>   | <b>236</b>    | <b>1,121,385</b> | <b>100%</b>    |                 |
| Source: Randall Gross / Development Economics.                     |               |                  |                |                 |

<sup>2</sup> Wikipedia page on Shelbyville Courthouse Square Historic District.



This downtown area has a total of about 1,121,000 square feet of building space in 236 buildings. About 288,000 square feet (26%) is in retail/commercial use and another 320,000 square feet (29%) is in office use. Other uses include industrial service, recreation, religious, museum/cultural (including the Fly Arts Center), residential (e.g., The Gunter Building), education, and event space. There are no hotels or accommodation services in downtown Shelbyville. The City has invested in the purchase of several buildings, including the Riverview Building at 100 Spring Street, as part of an effort to leverage redevelopment along the waterfront.

**Office.** Aside from County and other government offices, which represent about 22% of downtown office occupancy, there is about 73,000 square feet in FIRE (finance, insurance, and real estate), 56,000 square feet in legal and professional services, and the rest in offices for contractors, business & administrative services, healthcare, and other businesses. About 17,300 square feet of office space is vacant, yielding a vacancy rate of just 3.0%. Several County courts have relocated out of downtown, but that gap seems to have had only a nominal impact so far on the downtown office market. The long-term effect is still to be seen, with respect to the relocation of lawyers and professional offices. While a low vacancy rate indicates a fairly healthy market for building owners and investors, it could also indicate a lack of available competitive supply to accommodate prospective businesses that may desire a downtown location.

**Retail.** Downtown Shelbyville has about 288,000 square feet of retail/commercial space, as indicated above. About 54% of this space is used for shopper's goods businesses (which offer merchandise for which consumers comparison shop). Another 14% is used for convenience goods stores, 6% for eating & drinking establishments, 4% for personal service businesses, and 2% for entertainment uses.

In general, downtown has a diverse mix of retail and commercial uses, although it does have a gap in the supply of full-service dining. There are smaller cafes and coffee shops, but few full-service restaurants other than Bocelli's Pizza and a handful of others within walking distance. Restaurants are a critical element for attracting destination markets to downtown, so the lack of downtown dining is a serious gap that can impact on the viability of other types of retail businesses in the area. Also, there are multiple highway corridors leading into Shelbyville, which all of which contain retail and commercial uses that compete with downtown for consumer spending.

Downtown benefits from having a strong collection of locally-owned and unique retailers, which helps to strengthen destination draw. Pope's Café is the place where folks like to hang out and chat about the weather and local politics. Leanne's Flowers serves a broad market base from its downtown Shelbyville location. Calvin Cannon Co. is a black-owned men's store and tuxedo rental

business that also serves a broad clientele. Coffee Break on the Square is another local hangout. Among the many boutiques, antique stores, and specialty shops are Autumn Grace Boutique, Marsha's on the Square, the Gingham Jelly Bean, Pomegranate Gift Shop, Angie's Art & Collectibles, Talk of the Town, J Jordan Boutique, Heritage Jeweler, Joli Cheval Boutique, Elegance Boutique, Yesterday's Treasures, and others.

The historic Capri Theater, offering first-run movies, serves as one of the few anchor uses in the downtown, which otherwise lacks large department stores or other large market drivers. The Fly Cultural Arts Center also helps generate activity downtown when it is in operation. Due to COVID, much of its audience activities have been scaled back or cancelled, but under normal circumstances, the facility offers potential as a major destination activity for downtown through its theater and visual arts programming.

### **Duck River Waterfront**

Cities large and small have increasingly recognized and celebrated the value of their waterfronts and have invested in opportunities to enhance access to rivers, lakes and seafront areas. Providence, Rhode Island famously removed streets and culverts to open up a long-covered system of downtown canals and waterways. Such efforts have paid off, with downtowns nationwide seeing increased activity and destination value that has revitalized entire cities.

Downtown Shelbyville offers adjacency to a stunning waterfront along the active **Duck River**, one of the nation's scenic rivers and what the Nature Conservancy calls "North America's Richest River," in terms of freshwater animals. According to the U.S. Geological Survey, the Duck River is one of three "hotspots" for fish and mussel diversity "in the entire world." It is considered the "richest river in variety of freshwater animals on the North American continent." Even without considering how the river is teeming with life under the surface, the Duck River is designated a State Scenic River and offers increasing opportunities for Blueway recreation along its 269-mile path downstream to its mouth at the Duck River National Wildlife Refuge along the Tennessee River. Communities along the Duck River watershed are taking increasing steps to protect the river and also to offer recreational opportunities that create economic value to them. For example, Maury County has created new parks and programs aimed at promoting Blueway recreation opportunities for kayakers and canoers.

While the river itself presents myriad opportunities, access to the water is physically disjointed. Downtown buildings seem to "turn their backs" onto the river, with no physical interaction between downtown and the water. There are also topographical and built environment features that provide both opportunities and constraints to access and development. Steep slopes separate downtown, located on a bluff, from the river. A small dam presents a physical barrier to recreational activity such as kayaking or canoeing in the water but also provides a source of

interest and excitement, generating waterfall movement and sound that creates interest to casual visitors and those who might be dining or celebrating on the banks of the river. A disused power or water flow station is located along the side of the dam and, while vacated, provides opportunities for activating the river through creative use of light and art. Flooding has proven to be a problem along this portion of the river, so any re-design of the waterfront would have to take account of the water table.

Fisherman's Park is located across the river from downtown. The park offers limited amenity value at present, other than a wonderful view of the river and downtown plus some water access. But as with the power station, there are opportunities for improving the park and making it a center for events, interpretation, and activity that helps to draw people to the downtown area. Unfortunately, there are few simple opportunities to link the park directly to downtown, but the South Cannon Boulevard Bridge does offer opportunities for activating the crossing and enhancing linkages between both sides of the river.

Public ownership along the riverfront, including Fisherman's Park, several downtown buildings, and recreation areas further to the south will help to enhance opportunities for leveraging reinvestment and redevelopment along the waterfront. The City has already made investments not only in downtown building stock but also in a public walkway along the rim of the bluff adjacent to downtown.

## **Section 2. HOTEL MARKET ANALYSIS**

A Hotel Market Analysis was conducted to forecast the potential for hotel development in downtown Shelbyville and specifically, along the Duck River waterfront. As noted earlier, Shelbyville lacks a downtown hotel, which stunts opportunities for creating more destination activity including business development in the downtown area. The hotel market analysis examined existing hotel market conditions in the Shelbyville area market. Potential downtown market drivers were identified and the market tested, focusing on distillery tourism, horse shows, Blueway & recreation tourism, weddings & events, corporate markets, and local family & friend visits. Based on the aggregation of these market segments, demand was forecasted and waterfront hotel potentials determined within the competitive market. Concepts for hotel development were then identified based on these initial market findings.

### **Existing Market Conditions**

The downtown waterfront is considered part of the Shelbyville-Tullahoma-Manchester Hotel Market. That market has 30 brand properties with 1,720 rooms. Of that room base, 16 are in Manchester, 7 in Shelbyville, 6 in Tullahoma, and 1 in Lynchburg.

Shelbyville-area lodging facilities included in this inventory are the Microtel Inn & Suites by Wyndom, Best Western Shelbyville Inn and Suites Celebration Inn, Blue Ribbon Inn, America's Best Value Inn, Budget Motel, EconoLodge Inn & Suites, and the Walking Horse Hotel (in Wartrace). These facilities have a total of 298 rooms or 17% of the total market inventory. These facilities are all relatively small, the largest of which is the American's Best Value Inn, with 76 rooms. Four of the seven properties have less than 50 rooms.

The Shelbyville facilities are also older than average, with the average age of Shelbyville's hotels at more than 50 years. The newest property, Microtel Inn, opened in 2012 and is now nearly ten years old. Despite a rush of hotel investment nationwide, thanks in part to an increase in available financing, the investment boom seems to have bypassed Shelbyville. Even Manchester, which has interstate access, has not seen new hotel construction since 2015.

The status of the hotel market may be explained in the performance data. According to data supplied by STR, this market is characterized by under-performance. Occupancy has averaged 46.5% over the 13-year period from 2008 to 2021. Occupancy hovered in the 51% range for 3 years prior to the outset of the COVID Pandemic, when it dropped to 36.7%. Occupancy since recovered modestly to 46.7%. Traditional development pro forma call for about 60 to 62%



occupancy as a threshold for basic market viability. So, occupancy in this market has fallen short of that threshold.

Further, the average daily rate (ADR) in this market has settled at \$83.29, about 8% lower than the national average of \$90.92. Overall, RevPar (the critical measure of revenue per room) has averaged \$38.89, or **68% lower** than the national average of \$65.34.

A measure of this under-performance certainly relates to the quality of the flags and positioning of hotels in the area. Shelbyville lacks interstate highway access, which is the #1 deficiency factor that would discourage hotel investment in a market of this size. Manchester does have interstate access but is somewhat dependent on major events like Bonnaroo and seasonal travel. From a pure performance perspective, smaller markets cannot be compared directly with national averages that are weighted more heavily to metropolitan areas. But where the cost of construction and risk of investment is nearly as high as in those areas, small markets do not fare well in comparison.

### **Hotel Demand Drivers**

As noted earlier, several key demand drivers were identified for downtown Shelbyville and specifically for the Duck River waterfront. These include distillery tourism, horse shows, Blueway & recreation tourism, weddings & events, corporate markets, and local family & friend visits. Demand within each of these sectors was forecasted based on several underlying assumptions, the most important of which was that investment would be made in waterfront infrastructure to enable the creation of an exciting Duck River waterfront destination. It is also assumed that the waterfront would be branded and promoted heavily through state tourism. Concepts for that development are explored later in this report.

### **Tennessee Whiskey Trail: Distillery Tourism**

Shelbyville is located at the very center of the Tennessee Whiskey Trail, which drives significant tourism to the area. Certainly, Jack Daniel Distillery anchors the trail, with 280,000 visitors annually, many of whom pass through or near Shelbyville to access Lynchburg. Shelbyville now also has its own home-grown distillery with Uncle Nearest Distillery having opened a new site not far from downtown.



Uncle Nearest also offers a unique story about African-Americans role in distillery development that enhances the drawing power of the local brand. Other distilleries within a short distance of Shelbyville include Southern Pride, George

Dickel, H Clark, Leiper's Fork, Short Mountain, Jug Creek, TennSouth, and those in Nashville & Chattanooga.

The market analysis determined that there is potential for capturing 160,000 distillery visitors per year in Shelbyville, based on visitor flow from source markets including Nashville tourists (18+ million), Chattanooga tourists (7.7 million), Huntsville, Atlanta, and travelers in the I-24 Corridor as well as Middle Tennessee resident "weekenders." Such weekend travelers may occasionally visit Shelbyville but, without a downtown destination hotel property, typically do not stay overnight in town.



### **Horse Shows & Calsonic Arena Events**

As noted previously, Shelbyville has a long history of promoting itself as "The Walking Horse Capital of the World." The city still hosts the Tennessee Walking Horse National Celebration, but attendance has lagged as controversy dogs the industry. Still, the city also continues to host the Spotted Saddle Horse Breeders & Exhibitors World Championship, the Great Celebration Mule & Donkey Show, Lone Star Championship Rodeo and other equine events.



*Image courtesy SSHBEA*

Calsonic Arena is the central location for many of these events. The outdoor arena has capacity for 30,000 while indoor facilities can accommodate another 4,500 people in attendance. The arena has gradually diversified its mix of events, to include the Tennessee Indoor Motorcross Championship, Australian Shepherd Club NA National Specialty Show, Garden Bros Circus, 4-H Club, and other events.

In addition to Calsonic events, Bedford County plays host to the Bedford County Fair (Fairgrounds), Strolling Jim Ultra Marathon (Wartrace), Butterfly Festival, R.C. Cola Moon Pie Festival (Bell Buckle), Webb School Arts & Crafts Festival (Bell Buckle), Wartrace Music Fest (Wartrace), and other events with total attendance estimated at 340,000 per year (when not impacted by the COVID Pandemic). The market analysis estimates that the Shelbyville area could capture up to 61,000 room nights for overnight visitors to annual equine and events if the right mix of programming, destination venues, and hotel accommodation were packaged and promoted.



## **Duck River Recreation Tourism**

As noted before, the Duck River is a scenic river of national and even international importance for its biological diversity. Every effort should be made to conserve and celebrate this unique Tennessee resource. One way to ensure that the river remains an asset for the future is to engage local communities by generating economic benefits from the river, including recreational tourism activity such as at the Shelbyville waterfront.



Recreation tourism is one of the fastest growing tourism niche markets worldwide. And Blueway recreation is an under-developed opportunity in Tennessee, including along the Duck River. Residential growth and major tourism activity in Nashville and Chattanooga provide source markets for Duck River recreation. Chattanooga is marketing and promoting itself as a hub for recreation tourism, so there are opportunities to build on this effort regionally.

Regional participation rates in outdoor recreation tourism are averaging 3.3%. This participation rate was applied to the target demographic base (within key age cohorts) in the Nashville, Chattanooga, and Huntsville markets. Duck River capture is estimated at 20% of all outdoor water recreation activity in this region, with hotel overnights estimated at 20% to 35% of recreation visitors. Based on these numbers, the market base would yield about 35,000 to 50,000 annual visitors at the Shelbyville Duck River waterfront, including 11,000 overnight hotel stays.

## **Other Event Markets**

The Shelbyville waterfront presents opportunities to host various events and to capture the hotel market in support of events held in the area. Among these events are weddings & social events, corporate functions, family reunions and other family & friend events, as well as concerts, theater or other events that might be held at an amphitheater if built at the waterfront.

**Weddings & Social Events.** The overnight hotel market for weddings and social events was determined based on an assessment of the regional wedding

market. There are 128 wedding planners in the regional market generating 14,700 planned events. Based on an assessment of the regional competitive framework,



it is estimated that the Shelbyville waterfront could conservatively capture 34 to 50 weddings and related social events per year. This capture is again based on the assumption that an environment is established at the waterfront that would create a pleasant experience, venues, and destination draw.

**Corporate Functions.** An analysis of regional business growth was conducted in terms of employment and average event-driven hotel demand. Based on this analysis, a target of up to 50 overnight non-profit, local or state government, and private company events could be accommodated each year if a waterfront hotel and environment were established.



**VFR.** The Visiting Friends & Relatives (VFR) market was also considered, based on growth in the local resident population and the share of Bedford County visits likely to be generated and captured at a downtown area hotel.

**Amphitheater Events.** The market for an amphitheater was not tested as part of this market analysis. But, if programmed as part of a broader riverfront redevelopment concept, events at an amphitheater could draw overnight guests to a downtown area hotel for concerts, theater, and events. A "target" of up to 25 events per year was assumed as a basis for assessing room night demand. It was also conservatively assumed that the out-of-town visitor base for amphitheater events would be nominal above and beyond those already in town for other events and activities.

## **Hotel Potentials**

Based on the aforementioned analyses of demand driven by niche markets, overall hotel potentials were determined and forecasted for the Shelbyville



riverfront within the context of the competitive market. These findings are presented below.

| Table 3. HOTEL POTENTIALS,<br>SHELBYVILLE DOWN-<br>TOWN RIVERFRONT |   |           |
|--|---|-----------|
| Source Markets   | Room Nights                               | Rooms     |
| Distillery Tourism   | 6,267                                     | 17        |
| Weddings/Events  | 1,540                                     | 4         |
| Horse/Stage Events   | 13,986                                    | 38        |
| Eco-Tourism  | 3,313                                     | 9         |
| FFV/Other  | 21,535                                    | 30        |
| <b>TOTAL</b>   | <b>46,641</b>                             | <b>98</b> |
| Source:  | Randall Gross /<br>Development Economics. |           |

The market analysis indicates potential for development of about 95 to 100 rooms at the Downtown Shelbyville Duck River Waterfront within the next five to seven years. As noted several times in this report, demand would be highly contingent on the development of quality infrastructure and creation of an environment to support destination activities including and targeted to those niche markets described herein. The market potentials are dependent on waterfront amenities and public infrastructure improvements, so the absence of a master-planned design effort will result in a lack of demand for the hotel and for concepts provided later in this report.

Key demand drivers include the horse and stage events, distillery tours, and family visits. Recreation tourism represents a growing and potentially large market in the longer term. Weddings and social events can also be an important market niche depending on the amenity base established at the waterfront. Overall, there are a number of variables relating to how and which amenities are developed, resulting in a different mix of target markets. However, the general finding is that the market is under-served for higher-end (3-4 star) destination resort-style lodging. Current performance does not represent potential demand, which is focused in these more affluent target niche markets. Nor does current performance reflect the opportunities that could be achieved through more aggressive and concentrated niche destination marketing and promotion.

### **Section 3. RETAIL MARKET ANALYSIS**

The Retail Market Analysis examined existing retail market conditions and forecasted potential for new retail business and real estate development in downtown Shelbyville, with a focus on potential for development in the Duck River waterfront area. An inventory of existing retail businesses was conducted along with interviews of local business operators and real estate professionals active in the Shelbyville market. Key factors impacting on the downtown retail and commercial markets were identified. Downtown retail trade areas were defined and household retail demand forecasted, with downtown and waterfront capture determined within the competitive market. Tourism potentials area also determined as a source of market support for downtown businesses. Finally, downtown employee-generated demand is also determined. A prospective business mix is recommended based on the household, employee, and tourism market potentials for each type of retail business establishment in the downtown area.



#### **Downtown Retail Business Inventory**

Field reconnaissance and a building-by-building inventory were conducted to determine the baseline inventory of retail business use in the downtown area as defined previously in this report. Based on this inventory, the downtown area has a total of about 288,000 square feet of retail/commercial building use, which is equivalent to the size of a large community shopping center. This space is spread out in 72 businesses, suggesting a relatively small average floor plate for downtown stores and few, if any, large anchor uses.

## Randall Gross / Development Economics

About 54% of the retail space is in shopper's goods stores (marketing goods for which consumers comparison shop), 14% in convenience goods, 6% in eating & drinking establishments, 4% in personal service establishments (e.g., hair salons), and 3% in entertainment venues (cinemas, etc.).

| Table 4. RETAIL BUSINESS SPACE BY CATEGORY, DOWNTOWN SHELBYVILLE, 2021 |  |                |               |
|--|--|----------------|---------------|
| Category   | Number   | Sq. Feet       | Percent       |
| Convenience  | 12   | 40,310         | 14.0%         |
| Shoppers Goods   | 30   | 154,811        | 53.8%         |
| Eating & Drinking  | 10   | 17,017         | 5.9%          |
| Entertainment  | 1  | 9,800          | 3.4%          |
| Personal Services  | 7  | 12,800         | 4.4%          |
| Vacant   | 12   | 53,038         | 18.4%         |
| <b>TOTAL</b>   | <b>72</b>  | <b>287,775</b> | <b>100.0%</b> |
| Sources:   | Bedford County Assessor, business, brokers, and Randall Gross / Development Economics. |                |               |

A more detailed inventory is provided in the Appendix by specific type of retail store category. This detailed inventory indicates that antiques and used merchandise constitute the largest single category of downtown retail, with 66,000 square feet in seven different business establishments, accounting for nearly one-quarter of all retail use in the downtown area. While Shelbyville's cluster of antique stores helps attract some destination visitors, the city must compete with a host of other towns in Middle Tennessee for antique shopping. In addition, in-store antique retail sales have plateaued overall due to competition from (or a shift to) online sales.

The downtown also has a 19,500 square foot grocery store, the Grocery Outlet located in Big Springs Shopping Center on Lane Parkway (SR82 Bypass). There is about 18,000 square feet in the downtown area's eight boutique apparel shops, creating another small cluster of activity and appealing to boutique shoppers. There is about 12,800 square feet in seven personal service establishments and 11,700 square feet in two relatively small furniture stores. The downtown area is also served by five operating gas stations with a total of 10,000 square feet.

The downtown area has about 53,000 square feet of vacant or otherwise non-occupied first floor commercial space. This number represents a commercial vacancy rate of 18%, which is relatively high when considering that shopping center managers target 5% vacancy for healthy operations that allow for some "churn" or changeover in tenants. Older business districts and downtowns with



independent stores typically have higher vacancy rates than centrally-managed shopping centers (although that dynamic is shifting due to the impact of online sales on shopping mall chains). Still, 18% is significantly higher than targeted vacancy even in an historic downtown dominated by independent retailers.

### **Trade Area Definition**

Retail demand in the downtown area will be generated in part by households located within the trade area. For the purposes of this analysis, the Downtown Shelbyville Trade Area includes four sub-markets. Convenience Trade Area A includes an area within walking distance or short, ten-minute drive of the Square within the city of Shelbyville. This area targets primarily the convenience needs of nearby households. The Primary Trade Area B includes a larger portion of the Shelbyville area (including Wartrace and Bell Buckle) and commuter areas to the south (US231 from Fayetteville), west (SR64/AltUS31 from Lewisburg), and southeast (US41A from Tullahoma) of the city. A Destination Trade Area C covers a broader region within a 60-minute drive (Murfreesboro and Nashville). The destination market base includes a large portion of the Nashville Metro Area.

### **Household Demographic Trends & Forecasts**

Trade area demographics were examined in terms of recent trends and forecasted growth in population, households, income, and other factors impacting on retail consumer demand.

#### **Demographic Trends**

The trade area has experienced significant growth since 2010, as shown below.

| <b>Table 5. DEMOGRAPHIC TRENDS, RETAIL TRADE AREA, SHELBYVILLE RIVERFRONT, 2010-2021</b> |             |             |                         |                |
|--|-------------|-------------|-------------------------|----------------|
| <b>Factor</b>  | <b>2010</b> | <b>2021</b> | <b>2010-2021 Change</b> |                |
|  |             |             | <b>Number</b>           | <b>Percent</b> |
| <b><u>Trade Area A-Convenience</u></b>   |             |             |                         |                |
| Population   | 22,450      | 25,561      | 3,111                   | 13.9%          |
| Households   | 8,093       | 9,164       | 1,071                   | 13.2%          |
| HH Income  | \$ 48,066   | \$ 64,981   | \$ 16,915               | 35.2%          |
| <b><u>Trade Area B-Primary</u></b>   |             |             |                         |                |
| Population   | 44,058      | 49,154      | 5,096                   | 11.6%          |
| Households   | 16,287      | 18,068      | 1,781                   | 10.9%          |
| HH Income  | \$ 71,585   | \$ 71,486   | (99)                    | -0.1%          |
| <b><u>Trade Area C-Destination 60</u></b>  |             |             |                         |                |
| Population   | 567,913     | 705,535     | 137,622                 | 24.2%          |
| Households   | 215,042     | 265,660     | 50,618                  | 23.5%          |
| HH Income  | N/A         | \$ 83,546   | N/A                     | N/A            |
| <b>Note:</b> Income expressed in constant 2020 dollars.                                  |             |             |                         |                |
| <b>Sources:</b> Claritas and Randall Gross / Development Economics.                      |             |             |                         |                |



Areas closest to downtown within Trade Area A saw a population increase of about 14% and similar household growth since 2010. Average household incomes increased significantly, by an estimated 35% over the 11-year period. The rapid increase in incomes suggests but a rebound from the national recession of 2008-09 as well as an influx of higher income households into the area. The broader Primary Trade Area B has also grown, but not as quickly as central Shelbyville. This area includes more suburban and rural areas around Shelbyville where population and household base have increase modestly by about 1.0% per year. However, income in those areas is still recovering from the impacts of the recession. These areas may have been more directly impacted by the loss of manufacturing and other blue-collar jobs during the recession.

Meanwhile, the destination Trade Area C includes a broad swath of the southern portions of the Nashville Metro Area, which has seen tremendous population and household growth (24%). The area added nearly 140,000 in population and 51,000 households, equivalent to adding three Bedford Counties over a ten-year period. Household incomes are also higher throughout this broad area, at nearly 30% higher than within Shelbyville alone. The combination of high incomes and rapid demographic growth in the broader regional market signal the opportunities associated with destination marketing for downtown Shelbyville.

### Demographic Forecasts

Continued growth is anticipated throughout the trade area, as shown below.

| Table 6. DEMOGRAPHIC FORECASTS, RETAIL TRADE AREA, SHELBYVILLE RIVERFRONT, 2021-2026 |   |           |                  |         |  |
|--|---|-----------|------------------|---------|--|
| Factor   | 2021  | 2026      | 2021-2026 Change |         |  |
|  |   |           | Number           | Percent |  |
| <b>Trade Area A-Convenience</b>  |   |           |                  |         |  |
| Population   | 25,561  | 26,989    | 1,428            | 5.6%    |  |
| Households   | 9,164   | 9,663     | 499              | 5.4%    |  |
| HH Income  | \$ 64,981   | \$ 75,375 | \$ 10,394        | 16.0%   |  |
| <b>Trade Area B-Primary</b>  |   |           |                  |         |  |
| Population   | 49,154  | 51,637    | 2,483            | 5.1%    |  |
| Households   | 18,068  | 18,954    | 886              | 4.9%    |  |
| HH Income  | \$ 71,486   | \$ 71,913 | \$ 427           | 0.6%    |  |
| <b>Trade Area C-Destination 60</b>   |   |           |                  |         |  |
| Population   | 705,535   | 751,288   | 45,753           | 6.5%    |  |
| Households   | 265,660   | 282,831   | 17,171           | 6.5%    |  |
| HH Income  | \$ 83,546   | \$ 98,246 | \$ 14,700        | 17.6%   |  |
| Note:  | Income expressed in constant 2020 dollars.        |           |                  |         |  |
| Sources:   | Claritas & Randall Gross / Development Economics. |           |                  |         |  |

The immediate Convenience Trade Area A will see a 5.4% increase in households over the next five years while household incomes are expected to increase by another 16.0% as households recover from the COVID pandemic-

induced recession. The broader Primary Trade Area B outside of Shelbyville will again see slower growth but the destination Trade Area C will continue to experience rapid growth, with 46,000 more residents, 17,200 more households, and 17.5% higher incomes by 2026. In other words, the region within a one hour's drive is likely to add almost the equivalent of another Bedford County in population within five years.

### **TPI and Household Retail Demand**

The trade area generates total personal income (TPI) of \$23.4 Billion, primarily in the larger Destination Trade Area C. The Primary Trade Area generates about \$637 million in TPI and is expected to gain about \$31.6 million (5%) in TPI by 2026. Meanwhile, the immediate Convenience Trade Area generates another \$596 million and is expected to add about \$133 million (22%) in TPI by 2026.

| Table 7. TPI FORECASTS, SHELBYVILLE RIVERFRONT<br>RETAIL TRADE AREA, 2021-2026 |  |               |                  |         |
|--|--|---------------|------------------|---------|
| Trade Area   | TPI (000)  |               | 2021-2026 Change |         |
|  | 2021   | 2026          | Amount           | Percent |
| Area A-Convenience   | \$ 595,486   | \$ 728,349    | \$ 132,863       | 22.3%   |
| Area B-PRIMARY   | \$ 636,511   | \$ 668,143    | \$ 31,631        | 5.0%    |
| Area C-Destination60   | \$ 22,194,830  | \$ 27,786,995 | \$ 5,592,165     | 25.2%   |
| Notes:   | Total personal income (TPI) expressed in thousands of constant 2020 dollars. |               |                  |         |
| Source:  | Randall Gross / Development Economics.                                       |               |                  |         |

Clearly, growth in personal income will support an expansion of retail market opportunities in the region. But the significant growth expected in Trade Area C TPI (\$5.6 Billion or 25.2% over 5 years) suggests exceptional opportunities for destination marketing to capture even a small share of this regional growth. This growth in total income translates into overall growth in the amount of income spent on retail expenditures (demand) of \$71 million (22%) by 2026.

### **Tourism-Generated Demand**

In addition to trade area households, demand was forecasted for retail expenditures generated by overnight tourists and other inflow from outside of the primary trade area. Based in part on the findings of the Hotel Market Analysis, with respect to the potential for tourism and other visitor flow to downtown Shelbyville, retail potentials were forecasted through 2026. This analysis determined that a total base of about 284,000 out-of-town visitors would spend a total of about \$52.4 million on their travels, which would include Shelbyville and

other places. Of this amount, about \$11.3 million would be spent on restaurants, \$8.8 million on retail purchases, and \$1.5 million on entertainment and related activities.

| Table 8. TOURISM-GENERATED RETAIL POTENTIAL, SHELBYVILLE |  |        |               |              |
|--|--|--------|---------------|--------------|
| Category   | Factor                                 |        | Total         | Forecast     |
| <u>OT Visitors</u>                                       |  |        | 283,570       |              |
| <u>Total Spend</u>                                       | \$                                     | 184.87 | \$ 52,424,706 |              |
| Restaurants  | \$                                     | 39.68  | \$ 11,252,035 |              |
| Retail Trade   | \$                                     | 30.98  | \$ 8,785,373  |              |
| Entertainment  | \$                                     | 5.11   | \$ 1,449,587  |              |
| <u>Study Area Capture</u>                                |  |        |               |              |
| Restaurants  |  | 59%    | \$ 6,638,701  | \$ 779,716   |
| Retail Trade   |  | 48%    | \$ 4,216,979  | \$ 495,285   |
| Entertainment  |  | 73%    | \$ 1,058,198  | \$ 124,286   |
| <u>Demand (Square Feet)</u>                              |  |        |               |              |
| Restaurants  | \$                                     | 650    | 10,213        | 1,200        |
| Retail Trade   | \$                                     | 250    | 16,868        | 1,981        |
| Entertainment  | \$                                     | 150    | 7,055         | 829          |
| <b>TOTAL</b>   |  |        | <b>34,136</b> | <b>4,009</b> |
| <b>Source:</b>   | <b>Randall Gross / Dev. Economics.</b> |        |               |              |

Downtown Shelbyville is expected to capture about \$13 million in direct tourist sales by 2026, assuming that the riverfront concepts (as outlined later in this report) are implemented and establish a destination attraction for overnight visitors. This \$13 million translates into about 11,400 square feet of restaurant space, 19,000 square feet of retail space, and 8,000 square feet of entertainment venue space. It should be noted that this tourism demand rises above and beyond "day-trip" expenditures by visitors from other parts of the trade area including Murfreesboro, Franklin, and the southern half of the Nashville Metro Area. Those day trip expenditures are already accounted for in the household demand figures stated above.

### Employee-Generated Demand

In addition to demand generated by households in the trade area and by tourists visiting from outside of the area, demand is also generated by downtown-area employees who dine and shop at businesses in the business district. An analysis was conducted to determine the extent of downtown worker expenditures and potential for growth. This analysis determined that about 1,180 downtown-area employees generate \$6.7 million in retail sales potential, translating into demand for about 21,900 square feet of retail/commercial space. This demand is

conservatively expected to increase to \$6.9 million or 22,600 square feet of demand by 2026.

| <b>Table 9. DOWNTOWN EMPLOYEE-GENERATED RETAIL DEMAND, SHELBYVILLE, 2021 &amp; 2026</b> |  |                     |                           |               |
|---|--|---------------------|---------------------------|---------------|
| <b>Type of Good</b>   | <b>Employee Expenditures</b>           |                     | <b>Sq. Footage Demand</b> |               |
|   | <b>2021</b>                            | <b>2026</b>         | <b>2021</b>               | <b>2026</b>   |
| Convenience   | \$ 3,508,649                           | \$ 3,620,329        | 9,143                     | 9,434         |
| Shoppers Goods  | \$ 1,771,178                           | \$ 1,827,555        | 7,668                     | 7,912         |
| Eating & Drinking   | \$ 1,191,728                           | \$ 1,229,661        | 2,653                     | 2,737         |
| Entertainment   | \$ 102,693                             | \$ 105,961          | 1,141                     | 1,177         |
| Personal Service  | \$ 118,681                             | \$ 122,458          | 1,319                     | 1,361         |
| <b>TOTAL</b>  | <b>\$ 6,692,928</b>                    | <b>\$ 6,905,964</b> | <b>21,923</b>             | <b>22,621</b> |
| Source:   | Randall Gross / Development Economics. |                     |                           |               |

## Competitive Framework

There is significant competition for the retail consumer within Shelbyville and in the broader market. The Main Street/US231 Corridor offers major convenience anchors including Kroger, CVS and Walgreens; along with shopper's goods store anchors including Walmart, Lowe's, TSC, Hibbett Sports, and Newton Chevrolet; plus restaurant chains like Zaxby's, Chili's, and Bojangles. The 41A-west corridor has Food Lion, Piggly Wiggly and other retailers.

Madison Street/41A-east offers chain restaurants like Wendy's and McDonald's, plus Roses and other stores at the Madison Street Station center. Surrounding towns offer historic downtowns that compete with Shelbyville's, although cities like Tullahoma do not have the concentration of historic buildings and independent boutiques offered by Shelbyville's quaint downtown. Smaller communities like Bell Buckle attract visitors for antique shopping and events but also can't compete with Shelbyville for the variety of downtown shopping opportunities. But Shelbyville does compete with regional shopping hubs like The Avenue in Murfreesboro, Cool Springs Galleria, or – perhaps most importantly - historic Downtown Franklin.

## Downtown Shelbyville Retail Potentials

Downtown Shelbyville is forecasted to capture up to 160,000 square feet of retail potential generated by trade area households, tourists, and downtown workers within the regional competitive market context. Some of this demand would help to fill existing vacant space, which accounts for nearly 20% of commercial building space in downtown Shelbyville, with net sales potential translating into demand for about 100,000 to 112,000 square feet. Of course,



## Randall Gross / Development Economics

increased capture could also translate into growth in sales for some of the existing businesses. This amount would translate into 74,000 square feet of shopper's goods space, 32,000 square feet of additional entertainment space, 31,000 square feet of eating & drinking space, 22,000 square feet in convenience goods, and 7,000 square feet of additional personal services use.

| <b>Table 10. SUMMARY DESTINATION RETAIL POTENTIAL BY USE<br/>DOWNTOWN SHELBYVILLE/RIVERFRONT, 2021 &amp; 2026/7</b> |  |                |                |                  |
|---|--|----------------|----------------|------------------|
| Type of Good  | Gross Demand (SF)                                    |                | Existing Uses  | Warranted Demand |
|   | 2021   | 2026/7         |                |                  |
| Convenience   | 53,130   | 62,165         | 40,310         | 21,855           |
| Shoppers Goods  | 127,222  | 228,778        | 154,811        | 73,967           |
| Eating/Drinking   | 20,338   | 47,613         | 17,017         | 30,596           |
| Limited Service   | 4,701  | 4,747          | 2,665          | 2,082            |
| Full Service  | 8,926  | 23,234         | 7,886          | 15,348           |
| Entertainment   | 12,148   | 42,102         | 9,800          | 32,302           |
| Personal Services   | 14,317   | 19,408         | 12,800         | 6,608            |
| <b>TOTAL</b>  | <b>227,155</b>                                       | <b>400,066</b> | <b>234,737</b> | <b>165,329</b>   |
| Existing Vacant   |  |                | 53,038         |                  |
| <b>Net New Space</b>  |  |                |                | <b>112,291</b>   |
| Note:   | Potentials net of existing/planned commercial space. |                |                |                  |
| Source:   | Randall Gross / Development Economics.               |                |                |                  |

A detailed summary of downtown potentials by specific retail business category is shown in the **Appendix** of this report. Key categories for which there is significant demand include department stores, full-service restaurants, drinking places, and entertainment venues. Some categories indicate demand that may not be sufficient to support the average operating floor plate for stores that would be operationally viable, so some of that unmet demand would be absorbed by existing stores downtown and elsewhere through sales growth. Other businesses for which there is some minor potential, such as car dealerships, may not be appropriate for recruitment as part of the broader downtown business mix that is meant to garner tourism and other destination market support.

## Recommended Business Mix

Based on the market findings and in order to build marketing concepts that strengthen the overall potential for destination-driven demand, several businesses are recommended for recruitment, anchoring, or tenancing as part of a broader business mix. These businesses include a **Micro Distillery and Full-Service Restaurant** that would serve as an anchor for the riverfront and for drawing on the regional visitor base. This use would be complemented by exceptional park, amphitheater, and supportive uses oriented to the Duck River's natural and recreational assets.

| Table 11. RECOMMENDED RETAIL MIX,<br>SHELBYVILLE RIVERFRONT |               |
|---|---------------|
| Type of Business  | Square Feet   |
| <b>Riverfront Area</b>                                      |               |
| Micro Distillery-FS Restaurant                              | 10,500        |
| Live Music Stages/Amphitheater                              | 18,600        |
| Riverfront Cafes  | 7,500         |
| Coffee/Ice Cream  | 3,500         |
| River Recreation/Bicycle Supply                             | 5,500         |
| Art Gallery/Extension                                       | 3,000         |
| Farmer's Market/Garden Supply                               | 3,800         |
| Subtotal  | 52,400        |
| <b>Other Downtown</b>                                       |               |
| Recreation Apparel/Accessory                                | 3,800         |
| Health  | 3,900         |
| Personal Services   | 2,800         |
| Restaurant/Music Stages                                     | 7,500         |
| Environmental Book/Gift Store                               | 4,800         |
| Subtotal  | 22,800        |
| <b>Total</b>  | <b>75,200</b> |
| Source: Randall Gross / Dev. Economics                      |               |

The business mix is targeted to the riverfront and to other parts of downtown Shelbyville as follows.

### **Riverfront Area**

A total of about 52,400 square feet of business use is targeted to the riverfront, anchored as noted above by a micro-distillery and full-service restaurant of at least 10,500 square feet. The micro-distillery builds and strengthens Shelbyville's brand as the heart of the Distillery Trail, since thousands of Jack Daniel visitors pass through town each year and a unique new distillery has made Shelbyville its home. The Tennessee distilling process originated just south of Shelbyville in Lincoln County and the city is surrounded by at least 16 distilleries in Middle Tennessee alone. Other liquor production and drinking venues like breweries would add value as well, but Tennessee whiskey is really the brand that provides the strongest, most locally relevant, and most unique link to encourage destination tourism to Shelbyville.

The micro-distillery would be situated along the riverfront or with outdoor and rooftop seating along the bluff overlooking the river, offering expansive views of the river and associated activities there. Associated with this micro-distillery,

restaurant venue, and the riverfront would be live entertainment venues focused on live music. Demand for about 18,600 square feet of live entertainment could be captured through a combination of live music venues, restaurants with stage spaces, and outdoor performance venues such as an amphitheater.

A series of other indoor/outdoor dining experiences is also recommended, including full-service cafes that offer outdoor seating either along the riverfront or above on the bluff overlooking the Duck River. Smaller “snack” venues such as ice cream and donut stands and coffee shops are also recommended as part of the mix, especially to serve riverfront visitors. A river recreation-oriented adventure sporting goods store of at least 5,500 square feet is recommended as part of the mix. This store could be accommodated either as part of a “trailhead” facility along the river, or within another part of downtown near the square. Such a shop would cater to both river recreation enthusiasts and surface trail users such as bicyclists and would offer a service department to cater to travelers. Other riverfront-oriented uses recommended as part of this business mix include an art gallery or commercial extension/outlet of the existing Fly Art Center as well as a Farmer’s Market with gardening supply that could be held on a regular basis.

### **Other Downtown**

There is retail potential beyond what can be accommodated on or near the riverfront that should be recruited to other parts of downtown to fill vacant spaces and/or to help create opportunities for new, mixed-use infill development. Among these opportunities are recreational apparel and accessory stores (3,800 square feet), which complement the outdoor sporting goods business and help to establish a hub for outdoor recreation activity and shopping. There is also demand for about 3,900 square feet of pharmacy or other health & personal care goods stores, partly to capture an under-served local market but also to complement outdoor recreation and “healthy lifestyle” activities. There is the opportunity for another 2,800 in personal care businesses, such as hair salons and spas that cater to increasingly affluent residents and visitors.

A Duck River-oriented bookstore, perhaps operated by or benefiting a Duck River Conservancy or the Duck River Development Agency, could also help cement the brand opportunities apparent on the riverfront. Having a beneficiary, such as a conservation foundation, would help in marketing and branding a book or gift store while also generating funds for the river’s conservation. Finally, there is the opportunity for at least additional 7,500 square feet of full-service restaurants, stages, and/or drinking establishments. In order to establish a destination, there would be a need for clustering of such activity. One or two restaurants will not, in and of themselves, help to attract significant tourism to downtown Shelbyville. There would be a need for sufficient choices that would help attract visitors and make an overnight stay worthwhile.



## **Section 4. CONCEPTUAL DEVELOPMENT PROGRAM & STRATEGIC RECOMMENDATIONS**

The market findings presented in this report are predicated in part on the assumption that access and public amenities would be enhanced at the Duck River waterfront to help leverage private business and real estate investment. Buildings on the waterfront may present opportunities for certain commercial businesses, but hotel and retail potential is maximized with investment in public amenities to help create destination value. This section presents the overall development concept for the Duck River waterfront, specific project elements, as well as recommendations for marketing and financing.

### **Development Concept & Program**

A concept for development of the Downtown Shelbyville Riverfront is presented based on the findings of the hotel and retail market analyses, along with input from prospective investors. That concept calls for public investment in amenities and infrastructure surrounding the Duck River waterfront that help to leverage private investment and create a unique destination for dining, entertainment, events, environmental education, and recreation activities.



*Infrastructure & Public Amenities Envisioned at the Duck River Waterfront*

Key public elements of the waterfront revitalization include restoration and improvements to the existing Fisherman's Park, including establishment of a Blueway trailhead, boat launch, Farmer's Market, and Duck River Heritage interpretation kiosk or facility. Enhanced access would be established through pedestrian trails, and bluffs would be cleared of underbrush to allow for better view



sheds. The dam would be improved as appropriate to allow for kayak and canoe access. The power/water building would be reused as a venue for nighttime light shows or similar activity that animates the waterfront. An amphitheater would be constructed along the bluff to accommodate live outdoor entertainment with views of the river. The bridge might be improved to include better lane markings and signage that enable safer pedestrian access and heightened river views.

While some private investment is already envisioned in historic buildings on the bluff, the aforementioned public investments would help to leverage more destination potential for downtown Shelbyville. The market analysis forecasted potential for construction of a high-quality resort-style riverfront hotel; and for rehabilitation of existing buildings (including City-owned property) and new construction for distillery/brewery, restaurant, and event venues along the bluffs overlooking the river. These private venues would be most successful if they accommodate outdoor seating (bluff level and rooftop) with unobstructed river views. Thus, parking areas and tree cover behind existing structures would be removed and replaced with pedestrian trail areas and outdoor seating.



### Infrastructure and Public Amenities Program

Infrastructure and public amenities are summarized below by prospective phase.

| Table 12. DUCK RIVER LANDING<br>PUBLIC IMPROVEMENTS PROGRAM |                                       |              |
|---|---------------------------------------|--------------|
| Phase / Type  | Specific Use                          | Square Feet  |
| 1. Ped Access   | Pedestrian Trail Extension            | -            |
| 1. Landscaping  | Fisherman's Park Improve.             | -            |
| 1. Boat Access  | Kayak Launch                          | -            |
| 1. Building Rehab   | Power Building (Light Show)           | 3,000        |
| 1. Ped Access   | Enhance Bridge Experience             | -            |
| 2. Platform Const.  | Nature Center/ Farmer's Market        | 2,000        |
| 2. Venue Const.   | 250-Seat Amphitheater                 | -            |
| <b>TOTAL</b>  | <b>-</b>                              | <b>5,000</b> |
| Source:   | Randall Gross / Development Economics |              |

Some or all of these public improvements are seen as enhancing the overall visitor experience and creating access that can leverage more active use of the Duck River as a recreation amenity while also creating a destination for tourists and recreation visitors.

It is envisioned that Fisherman's Park would accommodate the **Trailhead for a Duck River Blueway System** linking Shelbyville with natural areas and communities along the length of the Duck River. The trailhead would comprise of the park, kayak/canoe launch, Duck River Environmental Interpretation Kiosk or Center, and a regular Farmer's Market.



Three Rivers Water Trail (PA); Right: Powell River Blueway Trail (TN); Suir River Blueway (GY); Bluewater Trail (MI); Weatherfield (CT), The Powerhouse (Columbus (GA)

*Concepts for Blueway use at the Duck River Trailhead in Fisherman's Park*

### **Private Development Program**

Such improvements will help leverage more than 64,000 square feet of direct private investment and development on the riverfront, phased as follows:

| Table 13. DUCK RIVER LANDING<br>PRIVATE DEVELOPMENT/USE PROGRAM |  |               |
|---|--|---------------|
| Phase / Type  | Specific Use   | Square Feet   |
| 1. Building Rehab   | Riverview Building Distillery/Brew                                 | 13,029        |
| 1. Building Rehab   | Edwards Building Restaurants                                       | 4,056         |
| 1. Public Art/LS  | Fly Arts Center Improvements                                       | -             |
| 1. Public Art   | Murals on Private Buildings  | -             |
| 2. New Construct  | Riverfront Hotel & Parking   | 42,250        |
| 2. Building Rehab   | Warehouse Music/Venue  | 4,784         |
| <b>TOTAL</b>  |  | <b>64,119</b> |
| Source:   | Bedford County Assessor and Randall Gross / Development Economics. |               |

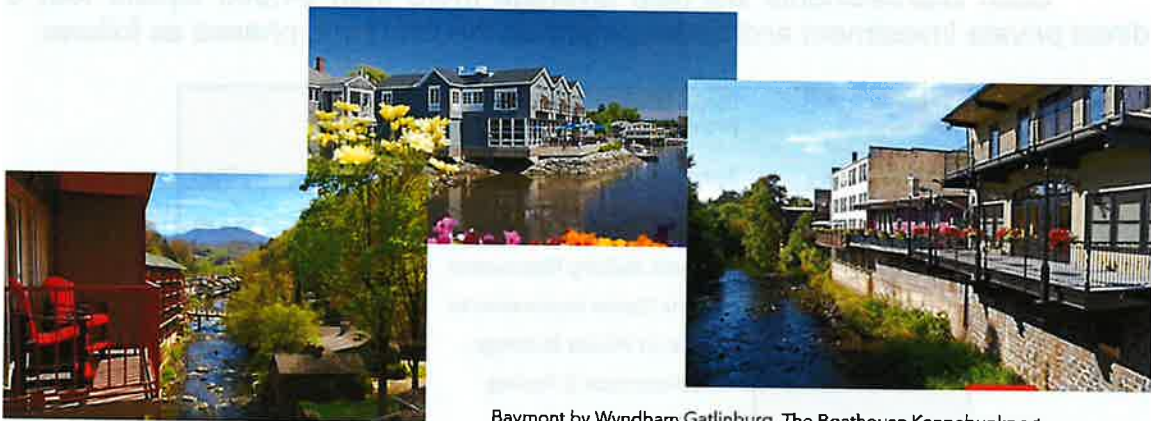


These investments include reuse of the Riverview Building for a **Distillery/Brewery and restaurant complex** and additional restaurants on the site of the Edwards Building. Each of these facilities would accommodate outdoor (and possibly rooftop) seating along the bluff overlooking the Duck River. Surface parking might also be accommodated at one end.



### **Waterfront Distillery and Dining Concepts**

A new **Duck Riverfront Hotel** with structured parking totaling an estimated 42,000 square feet would be constructed on the site of a surface parking area adjacent to the bridge. Additionally, warehouse space towards the rear or second floor of existing buildings on the square would be converted to +/-4,800 square feet or restaurant or event space. Public art and pedestrian improvements would link the Fly Arts Center and private downtown buildings to the riverfront activity zone.



Baymont by Wyndham Gatlinburg, The Boathouse Kennebunkport, Oregon Garden Resort (Silverton)

### **Waterfront Resort Lodging Concepts**

The lodging facilities could include meeting and event space that would also offer views of the river on one side and downtown on the other.



## **Summary**

The overall development concept includes a mix of public infrastructure and amenities as well as private/commercial development elements. These components, along with opportunities for retail businesses downtown, are summarized again below.

### **Infrastructure & Amenities**

- Trails, Steps, and Access Points to Fly, etc.
- Boat Launch & Trailhead
- Amphitheater
- Public Art
- Upgraded Park Facilities and Landscape
  - *Farmer's Market/Garden Supply*
- Buffered Parking
- Bridge Improvements
- Flood / Stormwater Improvements (?)

### **Commercial Development Elements**

#### Riverfront

- Micro Distillery / Restaurant
- Live Music Venues (integrated w/restaurants)
- Resort Hotel
- Outdoor Cafés

#### Downtown

- Outdoor Recreation Sporting Goods
- Specialty Food
- Duck River Books, Gifts, Health & Personal Care, etc.

## **Master Planning**

It is strongly recommended that the City pursue a Master Planning effort under the guidance and performance of professional planners with expertise in waterfronts and downtown revitalization. A master plan would help to identify and address key factors associated with flood control and engineering, pedestrian access and trail systems, Blueway launch and trailhead design, bridge design, park planning, topography and structures, urban design, traffic and parking, wayfinding signage, heritage sites, historic rehabilitation, amphitheater design, and site development.

The City would issue a Request for Qualifications (RFQ) as part of a competitive bidding process for consultants to prepare the master plan. Competition for the plan will help increase the level of professionalism and service

that can be achieved through the plan. Finally, a master plan will help enhance opportunities for private investment because it will provide a “roadmap” and concepts that will reduce uncertainty and risk for the private sector.

### **Tenancing & Business Recruitment**

Discussions were held with several prospective investors and tenants for buildings that the City has purchased along the bluff overlooking the Duck River waterfront. There is a high level of interest among these prospective business owners, several of whom already operate similar businesses in the region or have operated businesses in the past near the site. While it is a positive sign that investors have shown an interest, particularly in the development of restaurant & drinking establishment concepts that are generally consistent with the recommendations of this report, the City can be in the enviable position of choosing the best options. As such, it is highly recommended that the City consider not only the investors that have presently shown interest but also others who may provide even better options for use of the buildings. Key recommendations in this regard follow:

#### **Uncle Nearest Distillery & Restaurant**

Shelbyville is home to Uncle Nearest, a new distillery that has already proven to be a successful brand that also has a unique story with universal appeal. Bringing this venture downtown, in the form of “branch” operation using equipment from their distillery plus a full-service chef-driven restaurant and bar, would be a premier choice for the waterfront buildings. It is not enough to have a bar serving whiskey, even if it is branded and made locally. There would need to be some, even token, operating component present on the site, because part of the appeal for destination visitors is gaining access to something made on site. The riverfront distillery would not only anchor revitalization it would create new branding opportunities and exposure for Uncle Nearest, which could then generate co-branding opportunities with downtown.

Other distillery and brewery operations have shown interest in investing in the site, one of which wishes to enter into a “rent-to-own” type of agreement with the City. Breweries are excellent anchors for downtown revitalization, but they are not unique to Shelbyville. In fact, one of the prospective investors already operates a brewery up the road in Columbia. So, while such a facility will bring locals downtown, it is unlikely to generate the destination draw for Shelbyville that a unique facility – especially a whiskey distillery associated with a local name – would have. Shelbyville lies at the heart of the Tennessee Whiskey Trail, so having a beer producer there doesn’t in itself generate synergies with other sites in the visitor itinerary. Breweries could present secondary opportunities, in addition to a distillery or whiskey venue, to cater to a broader mix of tastes.

**Duck River Outfitters**

Recruit an existing outfitter or assist an entrepreneurial effort to establish an outfitter in downtown Shelbyville. An outfitter (in addition to, or associated with, an outdoor recreation sporting goods business) would help strengthen Shelbyville's position as a trailhead and hub for outdoor recreation along the Duck River. Columbia and other communities nearby already have several such outfitters, including the Higher Pursuits Duck River Canoe Base, River Rat Canoe and Kayak Rentals, FAB on the Duck, Duck Canoe, and others. These existing businesses may be open to opportunities to open a base near the riverfront in downtown Shelbyville.

**Duck River Foundation (DRDA)**

There is the opportunity to partner with the Duck River Development Agency or to establish a new foundation to generate funding in support of Duck River conservation efforts. DRDA is already based in downtown Shelbyville, so the organization has an investment in the community, and there are ways to enhance the agency's exposure and increase its resources through a pro-active co-branding effort associated with the Duck River waterfront in Shelbyville. One outlet for funding could be a bookstore, for which there is market support, focused on the ecology of the Duck River and the broader topic of river conservation, recreation, and resources. Integrating DRDA into the project would generate opportunities for strengthening the overall brand and draw attention to the river and its unique resources.

**Hotel Developer RFP**

Once a Master Plan has been completed and there is clear direction on the possible site or sites for hotel development, the City should issue an RFP for hotel developers and operators to bid on development of the site. Based on the site analysis and on discussions with engineers, there would appear to be sites appropriate for hotel development just east of the bridge (near Mill Street and West Depot Street). An under-utilized bank parking lot adjoins West Holland Street at Mill Street, along with parking areas located behind the Gunter Building. These underutilized areas may be appropriate for structured parking topped by a resort-quality hotel with river views and adjacent to downtown.

The City would likely need to negotiate with the property owners for purchase of these properties or facilitate an equity partnership between them for attracting a developer. The purchase approach would likely work best as the City could incentivize the cost of the land to help leverage development. Either way, this site would need to be considered within the broader scope of the Master Planning process.



### **Live Performance Venue Operator**

If an amphitheater proves to be a viable option for integration in the Master Plan, then it would be recommended that the City seek to contract with a venue operator for marketing, booking, and operation of the facility since Shelbyville would not have the resources to operate the facility in-house. A professional operator could also help book performers into live music venues in the downtown area, including those operating out of restaurants. That being said, an interim or alternative approach could be to establish a non-profit venue operating board that would hire a professional operator.

### **Financing & Incentives**

The City of Shelbyville has already made a financial commitment to invest in the waterfront area, by purchasing historic building spaces on the bluff overlooking the river. The City may not need to write down the cost of these buildings significantly as an incentive if there is sufficient investment interest (although with caveats relating to a phase-in period allowing rent-to-own). The City is best apt to recoup such expenses through purchase agreements that have claw back provisions relating to the successful operation of distilleries, restaurants, and live performance venues. Gradually, such venues will generate property and sales tax revenues on site as well as through spin-off to other downtown businesses.

The City may need to seek grant funding to implement some of the infrastructure and public access recommendations contained in this report. These improvements were assigned a high-level, indicative cost as part of the economic and fiscal impact assessment completed separately from this market analysis. Volkert identified the following possible costs for such improvements:

|  |             |
|--|-------------|
| • Duck River Ecology Center/Kiosk        | \$1,000,000 |
| • Amphitheater                           | \$ 800,000  |
| • Pedestrian Trail                       | \$ 550,000  |
| • Fisherman's Park Upgrades              | \$ 350,000  |
| • Kayak Launch & Portage                 | \$ 300,000  |
| • Power Building Rehab (for Light Shows) | \$ 300,000  |
| • Bridge Upgrades/Pedestrian Access      | \$ 250,000  |

These public improvements, priced at \$3,550,000, may not cover other costs relating to flood control, sound and electrical systems, site clearing, public parking, etc. There are grant funds available to cover some of these expenses, especially since the overall project can generate benefits to the State of Tennessee in terms of tourism as well as conservation, downtown revitalization, and other initiatives which the state has prioritized for rural economic development. TDEC has helped fund the construction of amphitheaters (most recently \$250,000 to the city of LaFollette) through its park and recreation budgets. That pool of TDEC grant

funds (or others, like TDEC's Greenways and Trails Program) might also be used to upgrade and improve Fisherman's Park, create a boat launch, develop pedestrian trails, and establish a Blueway trailhead. Federal grants are available through the DOT BUILD program and FHWA Recreational Trails grant program. The Conservation Alliance provides grants for pedestrian access in natural areas including along rivers. Other nonprofits and conservation-oriented groups offer grants for small and large projects like the Ecology Center, aimed at conservation education and interpretation of river ecology.

For specific projects, the City's policy of using buildings (and potentially sites) can work well in leveraging private investment. In the case of a hotel development, such leveraging may be required through City-owned land and through such incentives as public-private partnerships for the construction of structured parking facilities. Such facilities could be funded in all or part through the implementation of a Tax Increment Financing (TIF) district. In fact, parking garages are among the more successful examples of the use of TIF financing to leverage private investment, since structured parking otherwise frequently "sinks" the financial pro forma for such projects.

Finally, the City can utilize its regulatory authority to incentive investment such as through density bonuses that allow more development on a site so long as the investor meets certain key requirements. Fast track mechanisms, associated with negotiated agreements involving City-owned land, could also be employed to reduce the cost of development through the regulatory process. The City can also use its leverage in working with private property owners to help facilitate the consolidation of parcels, reducing the time and expense normally assigned to the private developer to achieve broad-based development projects. Such consolidation could occur as part of, or as a result of, a master planning process that includes engagement with property owners.

## APPENDIX

| Table 3. RETAIL INVENTORY, DOWNTOWN SHELBYVILLE AREA, 2021   |           |             |                |             |
|--|-----------|-------------|----------------|-------------|
| Category   | Number    | (Percent)   | Sq. Ft.        | (Percent)   |
| <b>Convenience</b>   |           |             |                |             |
| Grocery  | 1         | 1%          | 19,500         | 7%          |
| Convenience  | -         | 0%          | -              | 0%          |
| Specialty Food   | 3         | 4%          | 4,470          | 2%          |
| Health/Pers Care   | 1         | 1%          | 3,330          | 1%          |
| Gas/Convenience  | 5         | 7%          | 9,931          | 3%          |
| Florist  | 1         | 1%          | 2,070          | 1%          |
| Liquor/Tobacco   | 1         | 1%          | 1,009          | 0%          |
| Misc   | -         | 0%          | -              | 0%          |
| Sub-Total  | 12        | 17%         | 40,310         | 14%         |
| <b>Shoppers Goods</b>  |           |             |                |             |
| Apparel  | 8         | 11%         | 17,983         | 6%          |
| Accessory  | -         | 0%          | -              | 0%          |
| Jewelry  | 1         | 1%          | 1,710          | 1%          |
| Shoes  | -         | 0%          | -              | 0%          |
| Furniture  | 2         | 3%          | 11,737         | 4%          |
| Home Furnishings   | 2         | 3%          | 8,865          | 3%          |
| Appliances   | 1         | 1%          | 6,737          | 2%          |
| Hardware/Paint/Farm  | 2         | 3%          | 6,816          | 2%          |
| Garden Supply  | -         | 0%          | -              | 0%          |
| Home Centers   | -         | 0%          | -              | 0%          |
| Department Store   | -         | 0%          | -              | 0%          |
| Non DS GM  | 1         | 1%          | 9,542          | 3%          |
| Used Mdse/Antiques   | 7         | 10%         | 65,906         | 23%         |
| Auto Dealer  | -         | 0%          | -              | 0%          |
| Auto Supply  | 2         | 3%          | 7,800          | 3%          |
| Electronics  | 1         | 1%          | 6,737          | 2%          |
| Books/Music  | -         | 0%          | -              | 0%          |
| Musical Instruments  | -         | 0%          | -              | 0%          |
| Gift, Novelty, Svr, Misc   | 1         | 1%          | 2,093          | 1%          |
| Hobby/Toy/Game   | 2         | 3%          | 8,884          | 3%          |
| Luggage/Leather  | -         | 0%          | -              | 0%          |
| Office Supply/Sta  | -         | 0%          | -              | 0%          |
| Misc   | -         | 0%          | -              | 0%          |
| Sporting Goods   | -         | 0%          | -              | 0%          |
| Sub-Total  | 30        | 42%         | 154,811        | 54%         |
| <b>Dining &amp; Entertainment</b>  |           |             |                |             |
| Restaurant-LS  | 2         | 3%          | 2,665          | 1%          |
| Restaurant-FS  | 4         | 6%          | 7,886          | 3%          |
| Drinking Estab.  | -         | 0%          | -              | 0%          |
| Snack/Beverage   | 4         | 6%          | 6,466          | 2%          |
| Entertainment  | 1         | 1%          | 9,800          | 3%          |
| Sub-Total  | 11        | 15%         | 26,817         | 9%          |
| <b>Personal Svcs</b>   |           |             |                |             |
|  | 7         | 10%         | 12,800         | 4%          |
| <b>TOTAL</b>   | <b>60</b> | <b>83%</b>  | <b>234,737</b> | <b>82%</b>  |
| Existing Vacant  | 12        | 17%         | 53,038         | 18%         |
|  |           |             | 12,000         |             |
| <b>GRAND TOTAL</b>   | <b>72</b> | <b>100%</b> | <b>287,775</b> | <b>100%</b> |
| Sources: Bedford County Assessor, retail businesses/owners, and Randall Gross / Development Economics. |           |             |                |             |

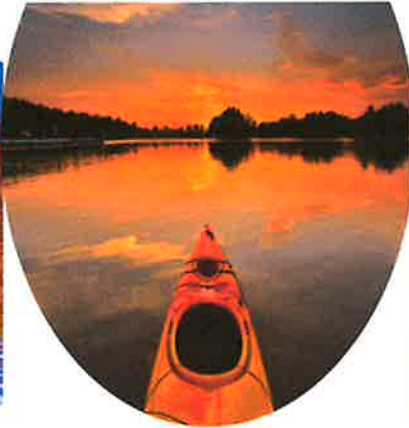


| <b>Table 1. TOTAL WARRANTED RETAIL DEMAND BY USE, SHELBYVILLE RIVERFRONT, 2021 AND 2026</b> |                             |                |                      |                         |
|---|-----------------------------|----------------|----------------------|-------------------------|
| <b>Type of Good</b>   | <b>Gross Demand (Sq Ft)</b> |                | <b>Existing Uses</b> | <b>Warranted Demand</b> |
|   | <b>2021</b>                 | <b>2026</b>    |                      |                         |
| <u>Convenience</u>  |                             |                |                      |                         |
| Grocery   | 18,938                      | 21,712         | 19,500               | 2,212                   |
| Convenience   | 3,667                       | 3,911          | -                    | 3,911                   |
| Specialty Food  | 5,227                       | 6,070          | 4,470                | 1,600                   |
| <i>Farmer's Market</i>  | 3,967                       | 4,408          | -                    | 4,408                   |
| Health/Pers Care  | 8,852                       | 10,131         | 3,330                | 6,801                   |
| Gas/Convenience   | 5,483                       | 7,761          | 9,931                | (2,170)                 |
| Florist   | 2,178                       | 2,593          | 2,070                | 523                     |
| Liquor/Smoke  | 3,418                       | 3,978          | 1,009                | 2,969                   |
| Misc Convenience  | 1,400                       | 1,600          | -                    | 1,600                   |
| <b>Sub-Total</b>  | <b>53,130</b>               | <b>62,165</b>  | <b>40,310</b>        | <b>21,855</b>           |
| <u>Shoppers Goods</u>   |                             |                |                      |                         |
| Apparel   | 3,890                       | 21,077         | 17,983               | 3,094                   |
| Accessory   | 614                         | 955            | -                    | 955                     |
| Jewelry   | 1,381                       | 4,407          | 1,710                | 2,697                   |
| Shoes   | 978                         | 3,477          | -                    | 3,477                   |
| Furniture   | 11,989                      | 14,889         | 11,737               | 3,152                   |
| Home Furnishings  | 6,273                       | 10,319         | 8,865                | 1,454                   |
| Appliances  | 1,205                       | 1,397          | 6,737                | (5,340)                 |
| Hardware  | 5,505                       | 6,576          | 6,816                | (240)                   |
| Garden Supply   | 1,398                       | 2,526          | -                    | 2,526                   |
| Home Supply   | 5,650                       | 6,436          | -                    | 6,436                   |
| Department Store  | 9,875                       | 21,677         | -                    | 21,677                  |
| Non DS GM   | 7,594                       | 8,939          | 9,542                | (603)                   |
| Used Mdse/Antiques  | 41,583                      | 65,795         | 65,906               | (111)                   |
| Auto Dealer   | 4,204                       | 8,373          | -                    | 8,373                   |
| Auto Supply   | 5,489                       | 6,190          | 7,800                | (1,610)                 |
| Electronics   | 3,609                       | 4,679          | 6,737                | (2,058)                 |
| Books/Music   | 1,076                       | 3,466          | -                    | 3,466                   |
| Musical Instrument  | 893                         | 1,828          | -                    | 1,828                   |
| Gift, Novelty, Svr  | 2,001                       | 9,464          | 2,093                | 7,371                   |
| Hobby/Toy/Game  | 2,487                       | 9,867          | 8,884                | 983                     |
| Luggage/Leather   | 924                         | 1,001          | -                    | 1,001                   |
| Office Supply/Sta   | 1,364                       | 2,232          | -                    | 2,232                   |
| Misc SG   | 4,606                       | 7,725          | -                    | 7,725                   |
| Sporting Goods  | 2,634                       | 5,480          | -                    | 5,480                   |
| <b>Sub-Total</b>  | <b>127,222</b>              | <b>228,778</b> | <b>154,811</b>       | <b>73,967</b>           |
| <u>Dining &amp; Entertainment</u>   |                             |                |                      |                         |
| Restaurant-LS   | 4,701                       | 4,747          | 2,665                | 2,082                   |
| Restaurant-FS   | 8,926                       | 23,234         | 7,886                | 15,348                  |
| Drinking Est.   | 1,851                       | 8,153          | -                    | 8,153                   |
| Snack/Bev   | 4,861                       | 11,479         | 6,466                | 5,014                   |
| Entertainment   | 12,148                      | 42,102         | 9,800                | 32,302                  |
| <b>Sub-Total</b>  | <b>32,486</b>               | <b>89,715</b>  | <b>26,817</b>        | <b>62,899</b>           |
| <u>Personal Services</u>  |                             |                |                      |                         |
|   | 14,317                      | 19,408         | 12,800               | 6,608                   |
| <b>TOTAL</b>  | <b>227,155</b>              | <b>400,066</b> | <b>234,737</b>       | <b>165,329</b>          |
| <i>Existing Vacant</i>  |                             |                | <b>53,038</b>        |                         |
| <b>Net New Space</b>  |                             |                |                      | <b>112,291</b>          |
| <b>Source:</b> Randall Gross / Development Economics.                                       |                             |                |                      |                         |

*Economic & Fiscal Impacts*

**Duck River Landing**

Downtown Shelbyville



Prepared for the City of Shelbyville  
By Randall Gross / Development Economics  
August 2, 2021

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## INTRODUCTION

This draft report provides a summary of findings from an economic and fiscal benefits assessment for a proposed riverfront revitalization concept in Shelbyville. A conceptual development program was identified and tested based on the findings of a market analysis conducted by Randall Gross / Development Economics, which forecasted the economic potential for development and use along the Duck Riverfront in Downtown Shelbyville. Key findings with respect to the economic and fiscal impacts of this riverfront revitalization concept on the City of Shelbyville are summarized below.

## CONCEPTUAL DEVELOPMENT PROGRAM

A concept has been presented for development of the Downtown Shelbyville Riverfront, based on the findings of a real estate market analysis conducted by Randall Gross / Development Economics, along with input from prospective investors. The market analysis forecasted potential for rehabilitation of existing buildings (including City-owned property) and new construction for distillery/brewery, restaurant, and event venues along with a high-quality riverfront hotel. It was determined that such private investment could be leveraged through public improvements to the riverfront including kayak blue way and enhanced pedestrian access, development of an amphitheater and a Duck River environmental center, and improvements to Fisherman's Park. Public improvements are summarized below by prospective phase.

| Table 1. DUCK RIVER LANDING<br>PUBLIC IMPROVEMENTS PROGRAM |                                       |              |
|--|---------------------------------------|--------------|
| Phase / Type   | Specific Use                          | Square Feet  |
| 1. Ped Access  | Pedestrian Trail Extension            | -            |
| 1. Landscaping   | Fisherman's Park Improve.             | -            |
| 1. Boat Access   | Kayak Launch                          | -            |
| 1. Building Rehab  | Power Building (Light Show)           | 3,000        |
| 1. Ped Access  | Enhance Bridge Experience             | -            |
| 2. Platform Const.   | Nature Center/ Farmer's Market        | 2,000        |
| 2. Venue Const.  | 250-Seat Amphitheater                 | -            |
| <b>TOTAL</b>   | -                                     | <b>5,000</b> |
| Source:  | Randall Gross / Development Economics |              |

Some or all of these public improvements are seen as enhancing the overall visitor experience and creating access that can leverage more active use of the



Duck River as a recreation amenity while also creating a destination for tourists and recreation visitors. Such improvements will help leverage more than 64,000 square feet of direct private investment and development on the riverfront, prospectively phased as follows:

| <b>Table 2. DUCK RIVER LANDING<br/>PRIVATE DEVELOPMENT/USE PROGRAM</b> |   |                    |
|--|---|--------------------|
| <b>Phase / Type</b>  | <b>Specific Use</b>   | <b>Square Feet</b> |
| 1. Building Rehab  | Riverview Building Distillery/Brew                                    | 13,029             |
| 1. Building Rehab  | Edwards Building Restaurants  | 4,056              |
| 1. Public Art/LS   | Fly Arts Center Improvements  | -                  |
| 1. Public Art  | Murals on Private Buildings   | -                  |
| 2. New Construct   | Riverfront Hotel & Parking  | 42,250             |
| 2. Building Rehab  | Warehouse Music/Venue   | 4,784              |
| <b>TOTAL</b>   |   | <b>64,119</b>      |
| <b>Source:</b>   | Bedford County Assessor and Randall Gross /<br>Development Economics. |                    |

These investments include reuse of the Riverview Building for a Distillery/Brewery and restaurant complex and additional restaurants on the site of the Edwards Building. Each of these facilities would accommodate outdoor (and possibly rooftop) seating along the bluff overlooking the Duck River. Surface parking might also be accommodated at one end. A new riverfront hotel with structured parking totaling an estimated 42,000 square feet would be constructed on the site of a surface parking area adjacent to the bridge. Additionally, warehouse space towards the rear or second floor of existing buildings on the square would be converted to +/-4,800 square feet or restaurant or event space. Public art and pedestrian improvements would link the Fly Arts Center and private downtown buildings to the riverfront activity zone.

## **FISCAL BENEFITS TO THE CITY OF SHELBYVILLE**

Development of this concept would generate direct fiscal benefits totaling nearly \$450,000 to the City of Shelbyville on an annual, recurring basis into the future. Several of these fiscal benefits are summarized below.

| Table 3. ANNUAL FISCAL BENEFITS TO THE CITY OF<br>SHELBYVILLE, TENNESSEE<br>DUCK RIVER LANDING AT BUILDOUT |   |             |                   |
|--|---|-------------|-------------------|
| Type   | Base  | Rate/Factor | Ann. Amount       |
| Real Property Tax  | \$ 42,000,000   | 1.77        | \$ 297,400        |
| Sales and Use Tax  | \$ 8,764,058  | 1.0%        | \$ 87,600         |
| Hotel/Motel Tax  | \$ 2,920,000  | 1.7%        | \$ 49,600         |
| <b>ANNUAL BENEFIT</b>  |   |             | <b>\$ 434,600</b> |
| Sources:   | City of Shelbyville and Randall Gross /<br>Development Economics. |             |                   |

### **Real Property Tax Revenues**

About \$42.0 million in investment in private rehabilitation and new construction in the aforementioned projects along the riverfront would yield annual real property tax revenue to the City of Shelbyville of almost \$300,000. In addition to revenue generated to the City, another \$423,360 in property tax would be collected to benefit County Schools and other County functions, for a total of more than \$723,000 per year.

### **Sales and Use Tax Revenues**

Restaurants and cafes, distilleries, and event venues along the riverfront would conservatively generate sales of nearly \$9.0 million per year, based on the findings of the market analysis. These sales yield tax revenues of about \$90,000 to the City, plus another \$153,400 to the County for schools and other County functions, for a total of nearly \$250,000 per year.

### **Hotel & Motel Tax Revenues**

The proposed hotel would potentially generate up to \$2.9 million in annual income, yielding about \$50,000 in hotel/motel tax revenues to the City of Shelbyville. This yield assumes that the hotel does not also have a restaurant or other amenities generating additional tax revenues to the City.

## **Other Revenues**

The concept would also yield various one-time revenues to the City during construction, such as building and other permit fees equal to an estimated \$158,000. Other miscellaneous revenues generated from the riverfront projects to the City will likely include alcohol license fees, business taxes, rentals & concessions (e.g., Fisherman's Park, Environmental Center), and others. In addition, riverfront development would also generate consumer traffic in support of downtown businesses which, in turn, will result in increased revenue from sales tax and property tax collections, etc. Thus, there are "indirect" fiscal impacts generated through the gradual revitalization of downtown Shelbyville.

## **ECONOMIC IMPACTS ON SHELBYVILLE**

The conceptual program discussed here for revitalization of the downtown riverfront includes a direct investment of \$45,550,000, based on "high-level" indicative cost estimates provided by Volkert, Inc.

| <b>Table 4. CONSTRUCTION PERIOD ECONOMIC IMPACTS,<br/>DUCK RIVER LANDING, DOWNTOWN SHELBYVILLE</b> |  |                         |                            |                              |
|--|--|-------------------------|----------------------------|------------------------------|
| <b>Factor</b>  | <b>Direct<br/>Investment</b>   | <b>Total<br/>Output</b> | <b>Direct<br/>Earnings</b> | <b>Direct<br/>Employment</b> |
| Phase 1  | \$ 9,150,000   | \$ 16,699,665           | \$ 3,202,500               | 61                           |
| Phase 2  | \$ 36,400,000  | \$ 66,433,640           | \$ 12,740,000              | 242                          |
| <b>TOTAL</b>   | <b>\$ 45,550,000</b>   | <b>\$ 83,133,305</b>    | <b>\$ 15,942,500</b>       | <b>303</b>                   |
| Notes:   | Direct Employment expressed in worker years.<br>Total Output based on final demand multiplier. |                         |                            |                              |
| Sources:   | U.S. Bureau of Economic Analysis, Volkert, Inc., and Randall Gross /<br>Development Economics. |                         |                            |                              |

This number includes an investment of about \$9,150,000 in the initial phase of development, which is focused primarily on public infrastructure and rehabilitation and fit-out of several key City-owned buildings. Another \$36.4 million would be expended in Phase 2, which includes construction of a new, 100-room hotel and several other private investments plus development of a public amphitheater.



### Construction-Period Impacts

This investment would generate total output (including the “multiplier effect” of expenditures throughout the regional economy) of more than \$83.1 million during construction. About \$15.9 million would be expended on construction salaries and income for a total of 303 worker years or jobs during the construction period. More than 60 construction-period jobs would be created through Phase 1, with another 240 jobs created in Phase 2. The median salary for these jobs would be \$40,525 (based on data from the Tennessee Department of Labor and Workforce Development) plus benefits.

### Recurring (Annual) Impacts

Expenditures generated by the various riverfront entities on an annual operating basis will leverage economic benefits throughout the Shelbyville economy. Based in part on the Market Analysis, direct annual expenditures are forecasted at about \$6,168,000 per year, with a significant share of this spending generated by the distillery/brewery and restaurant complexes.

| Table 5. ANNUAL ECONOMIC IMPACTS AT BUILDOUT<br>DUCK RIVER LANDING, DOWNTOWN SHELBYVILLE |  |                      |                     |                   |
|--|--|----------------------|---------------------|-------------------|
| Use  | Direct Expenditures  | Total Output         | Direct Earnings     | Direct Employment |
| Amphitheatre   | \$ 48,000  | \$ 78,200            | \$ 24,000           | 1                 |
| NC/Farmer's Market   | \$ 25,000  | \$ 40,800            | \$ 7,500            | 3                 |
| Riverview-Distillery/Brew  | \$ 3,302,900   | \$ 5,383,700         | \$ 2,312,030        | 87                |
| Edwards-Restaurant   | \$ 1,160,000   | \$ 1,890,800         | \$ 812,000          | 31                |
| Riverfront Hotel   | \$ 1,304,900   | \$ 2,127,000         | \$ 652,450          | 25                |
| Warehouse Event/Venue  | \$ 327,200   | \$ 533,300           | \$ 179,960          | 7                 |
| <b>TOTAL</b>   | <b>\$ 6,168,000</b>  | <b>\$ 10,053,800</b> | <b>\$ 3,987,940</b> | <b>153</b>        |
| Sources:   | McCormack Amphitheater, Lodging & Hotel Mgt, Tennessee Department of Labor & Workforce Development, Eventbrite; USTA; Lodging Magazine, & Randall Gross / Development Economics. |                      |                     |                   |

These direct expenditures will yield local and regional economic impacts totaling more than \$10.0 million per year in the form of supply-chain sales and spending throughout the area. Direct earnings generated from the operation of riverfront activities would total nearly \$4.0 million per year, with another \$1.4 million in income and earnings generated throughout the local and regional economy. The riverfront activities would create a total of more than 150 direct permanent jobs on

site and up to 1,900 jobs in the regional economy throughout the supply chain. Many of the direct jobs would be in foodservice, with median salary of \$26,500.

### **Downtown Area Business Sales Impacts**

As noted earlier, investment and activities at the riverfront will help create a destination that draws tourism and other visitors to downtown Shelbyville. The visitor base and sales volumes will expand not only along the riverfront but throughout downtown and around the city. Some of these indirect impacts are captured in the numbers expressed above. Importantly, the market analysis indicated that the "destination effect" of riverfront development would generate an increase in sales volumes of about **\$28.1 million** throughout the downtown area. Some \$11.9 million would be captured on the riverfront but the remaining **\$16.2 million could flow to other existing and new businesses in Shelbyville.**

## **SUMMARY**

This analysis forecasted a significant fiscal and economic impacts from a \$46.1 Million investment in the Shelbyville Riverfront on revitalization of downtown, on the regional economy, and on the City's fiscal health as summarized below.

### **FISCAL BENEFITS TO THE CITY OF SHELBYVILLE**

#### **Annual Benefits**

|                             |                  |
|-----------------------------|------------------|
| • Property Taxes            | \$300,000        |
| • Sales & Use Taxes         | \$ 90,000        |
| • Hotel/Motel Taxes         | \$ 50,000        |
| <b>Total Annual Revenue</b> | <b>\$440,000</b> |

#### **One-Off Benefits**

|                               |                  |
|-------------------------------|------------------|
| <b>Permit and Fee Revenue</b> | <b>\$160,000</b> |
|-------------------------------|------------------|

### **ECONOMIC IMPACTS ON SHELBYVILLE**

#### **Annual Benefits**

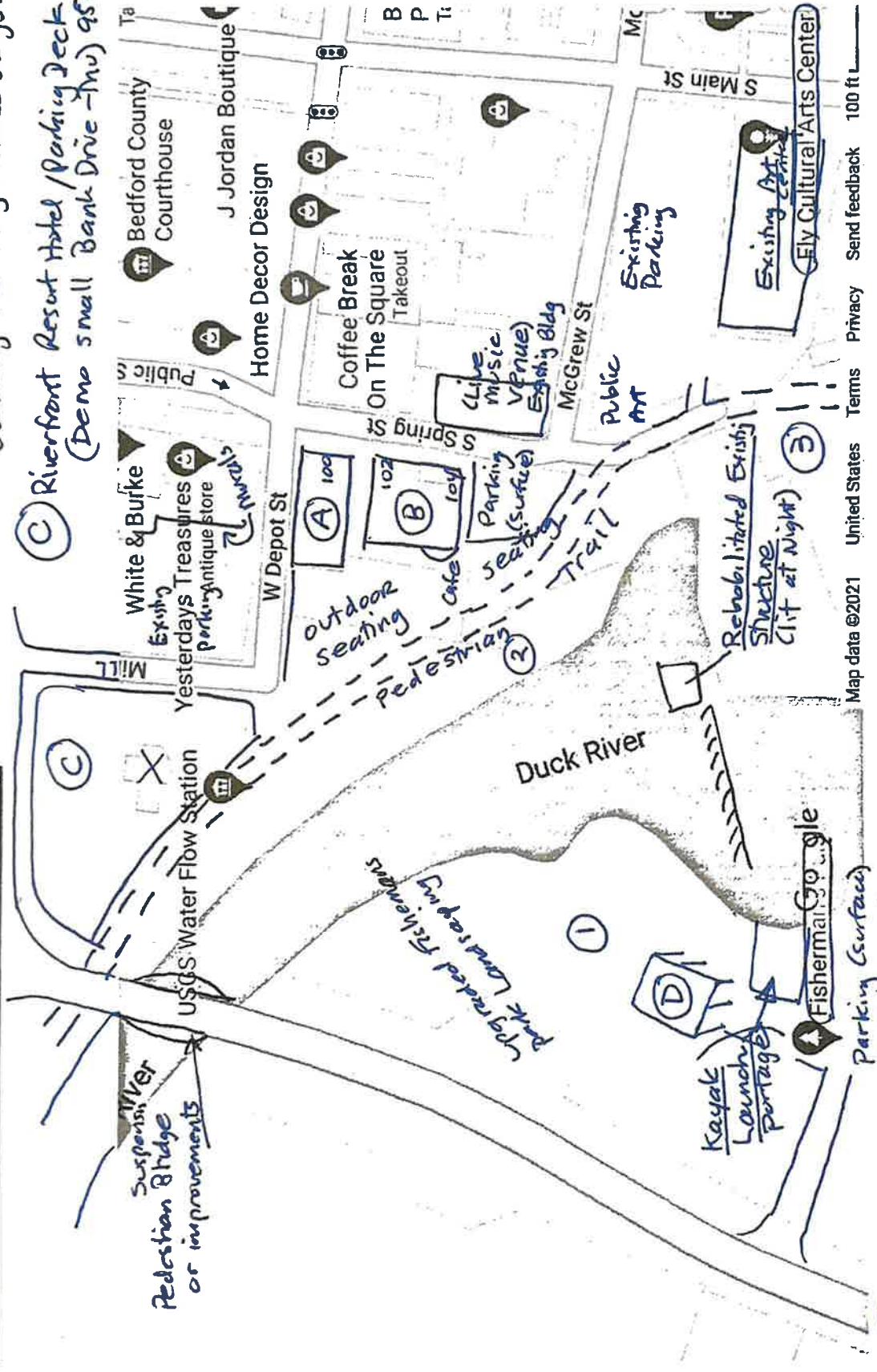
|                   |                |
|-------------------|----------------|
| • Direct Spending | \$6.2 Million  |
| • Total Output    | \$10.1 Million |
| • Direct Earnings | \$4.0 million  |
| • Direct Jobs     | 150            |

#### **Construction-Period Impacts**

|   |                |
|---|----------------|
| • Direct Investment                         | \$45.6 Million |
| • Total Output                              | \$83.1 Million |
| • Direct Earnings                           | \$15.9 Million |
| • Direct Worker Years                       | 300 FTE        |
| • Increased Sales to Shelbyville Businesses | \$16.2 Million |

# "DUCK RIVER LANDING" CONCEPTS

- A) micro-distillery / Restaurant / mixed use / deck  
(Existing 2 story historic Bldg)
- B) Restaurants / cafe / Live music venue / deck  
(Existing 1-2 story historic Bldgs)
- C) Riverfront Resort Hotel / Parking Deck  
(Demo small Bank Drive - Hwy) 95-100 EMS New



- D) Nature Center / -New / elevated  
Farmer's Market - surface
- E) Amphitheatre - possible locations ①, ②, ③