

# **“THE THEATER DISTRICT” DOWNTOWN’S ENTERTAINMENT CENTER**

## **GOAL AND PURPOSE:**

The following outlines and defines the goal and purpose of this project:

- \* Re-energize a section of Birmingham’s central business district which is currently home to an exorbitant number of vacant ground floor retail spaces that create blight and a financial albatross on our city
- \* Create a downtown nightlife featuring an upscale multi-venue entertainment area with food, coffee shops, music, theaters, art galleries, cocktail lounges and general after-hours entertainment
- \* Support and bolster the after-hours businesses already in place downtown
- \* Increase the demand for retail space in the city center
- \* Enhance downtown property values
- \* Provide new incentives for moving general businesses to the city center
- \* Increase the desirability of downtown loft/apartment living by creating more entertainment options nearby
- \* Enhance the overall image and perception of downtown Birmingham both locally and nationally

## **INTRODUCTION:**

Downtown Birmingham has struggled for years with retail flight from the city’s central business district. The Theater District (The District) along Third Avenue North was established several years ago to overcome the city center’s decline and to breathe new life into the area. Though the recent emergence of a thriving loft district has provided a basis for a few restaurants and lounges to emerge and become relatively successful, very few retail and service businesses that have opened in the past few years are still here.

Furthermore, due to the large number of store-front vacancies in the area, lease rates have plummeted. Many owners, realizing that current lease rates would result in operating costs outpacing income, have simply removed their property from the market. As ground floor rates became lower than those for upper floor office space, those ground floor spaces that are occupied

downtown are generally offices for professionals - accounting firms, law firms, architectural firms and the like. Though these tenants are definitely helpful to property owners, they do little to maximize the potential of the downtown community and encourage the emergence of new business. Because these properties have to compete with office space in large buildings and in other areas of town, this trend also tends to keep rental rates low.

On the other hand, retail and food-service businesses provide foot traffic within an area, steering people to other types of businesses within that area. This creates a snowball effect, as an increase in demand for space drives up its value, which increases rental income, and ultimately raises property values for the entire area. The question then becomes, how do you bring new retail to the area, how do you take that first step?

In the case of Birmingham's Theater District, this first step is to determine the kind of businesses that could get the snowball rolling. Other than the few shops in Harbert Plaza, virtually all of the downtown retail stores are gone. Most have given up hope trying to find a way to lure the public back downtown, away from the suburban malls and shopping centers. However, there is a way, a strategy that has been successful time and again in Chattanooga, Nashville, Greenville, Charlotte, Memphis, and dozens of other cities across the southeast and the country. The answer is simple: **Entertainment**.

Downtown Birmingham already has the seeds of a great entertainment district in place. The Alabama Theatre and the McWane Center are thriving. Summerfest has found a home downtown. Fine eating establishments such as Café Dupont, John's New City Diner, Roma and several others are doing well. The Wine Loft, Speakeasy and the Metro Bistro do a brisk after-hours business with little advertising. Though these businesses do well on their own, every single one would welcome the addition of other businesses to the area. It is the one thing that can insure their longevity.

What if there were a dozen upscale businesses - restaurants, theaters, lounges, clubs, sports bars, coffee shops, music shops, discos, night clubs, etc - all within a few blocks of each other? This concept has worked for years in 5 Points South, and is doing wonders for the Lakeview area. There is little doubt that it will work at the newly proposed civic center development. And it will work in downtown Birmingham, too.

The owners of the bars and restaurants referenced above took bold moves locating their businesses in Downtown Birmingham. For those who would depend on an after-hours business, they truly took a blind leap of faith that their clientele (other than local residents) would drive downtown specifically to come to their establishments. Few gave them a chance to survive, but they have beaten the odds; and in doing so have proven that people will come downtown if the right environment is there. The next step is to form a plan to capitalize on this success.

So how does it begin? How can not one but several tenants and investors be convinced to spend thousands, even hundreds of thousands of dollars on such a venture? How can investors have some assurance that the public is going to come and provide the business required for success? The answer is simple: **Numbers**. **There must be an influx of a minimum of eight new specific**

***businesses which will construct their spaces and open their doors at approximately the same time.*** With support from several different sectors, Joseph McClure Commercial Real Estate (JMCRE) can accomplish this.

By compiling a list of available properties or first-floor spaces within the district along with salient rental/purchase information, soliciting the cooperation of owners, providing as-built plans for each space, providing information on government assistance programs and available financing, providing professionals to answer specific questions and solve problems and coordinating implementation of the over-all concept, JMCRE can streamline the process potential businesses need to move forward quickly.

By assembling complete information packages on each available property and outlining the District concept, JMCRE can market directly to the targeted business needed for the start of the project. Convincing property owners to give qualified prospects free options on their space for a period of time while JMCRE lines up the eight tenants/investors encourages execution of leases or contracts without financial risk. After the eight leases or contracts needed to create the “incubator” are executed, the options will expire and the contracts and leases will be in effect. This scenario will provide the needed assurance to the tenants and buyers that they are not going it alone thus their chances for success are greatly increased.

#### **THE DEFINED AREA:**

For this proposal, we have targeted a small area of downtown consisting of both sides of two streets along four adjacent blocks: **This area includes Third Avenue North between 18<sup>th</sup> and 20<sup>th</sup> Streets and Twentieth Street North between 1<sup>st</sup> and 4<sup>th</sup> Avenues.** For the purposes of this proposal we will refer to this area as it has been previously named, **The Theater District** (The District) This name will likely change as the District takes on it’s own personality. There were several factors taken in consideration in the selection of this area:

- \* The number and variety of vacant street-level retail spaces within a defined area which could readily lend themselves to the overall concept. Within the District, there are currently more than twenty historic properties with vacancies, each with its own unique character, atmosphere and environment. These spaces range in size from 800 to over 20,000 square feet. Some are for sale but most are for lease. Conditions range from basic shells to spaces ready for occupancy. They include free-standing buildings as well as multi-tenant, mid-rise office buildings. The variety of available space means that practically anyone with an interest will be able to find a space that fits their requirements.
- \* Another important consideration was to find an area that readily lends itself to expansion as the District becomes a success and other businesses seek to capitalize on it. Blocks adjacent to the District in nearly all directions have similar properties with retail vacancies and could easily become a continuation.

\* The proximity to existing businesses that will immediately contribute to the success of the project was vital. The following are operating businesses that currently exist within (or very near) the District, and would be great assets and contribute to its success:

1. The Alabama Theatre
  2. The Lyric Theater (eventually)
  3. The McWane Center
  4. McWane I Max Theater
  5. Summerfest Theater
  6. Speakeasy 1920
  7. El Mexicano
  8. Java & Jams
  9. Rolly Polly
  10. Beds
  11. MedTown Pharmacy
  12. Seafood Delight
  13. Quiznos
  14. The UPS Store
  15. Roma's
  16. The Pita Loco
  17. Bromburgs
  18. New York Deli
  19. Café Dupont (already looking to expand)
  20. Pete's Famous Hot Dogs
  21. Subway
  22. Reed Books
  23. Safari Cup
  24. Surin of Thailand
  25. The Lyric Hot Dogs
- (The numbers correspond with the "existing Business" map)

\* Possibly the most important factor was parking. Parking in this area can be a serious problem during week days but at night, most of the parking is vacated. Parking decks in the area include the 2<sup>nd</sup> Ave. city deck, the Wiggins Childs Quinn and Pantazis deck, and the McWane Center deck. Surface lots include the three along 19<sup>th</sup> St. between 3<sup>rd</sup> and 4<sup>th</sup> Aves., on the northeast side of 4<sup>th</sup> Ave. and 19<sup>th</sup> St., the southwest corner of 4<sup>th</sup> Ave. and 20<sup>th</sup> St. and several small private lots which may be used for valet. There is also an abundance of on-street parking in the area.

No other location in the city has been found that will better lend itself to this concept and provide as much needed enhancement to both property owners and the City of Birmingham.

## **THE THEME:**

In order to make this District a cohesive whole, rather than an aimless hodgepodge of establishments, a tangible theme must flow through it all. This theme becomes self-evident quickly upon a visit to the area. Birmingham is a city with a rich history, and the buildings within the district reflect that. Most of them were built in the early part of the last century, and each has its own individual character and flavor. This will be the theme of the District, restoring the area to its former luster and bringing back the look of the time when they were built. This theme should carry through not only the design of the buildings, facades and interior designs, but also with the outdoor signage, lighting and landscape.

This theme should encompass specific colors, lettering, lighting and decoration consistent with the turn-of-the-century era. Designers and architects will provide concepts, and a committee of the participating properties and business owners, along with the city's design review committee will consider and choose the specific direction. The result should be a comfortable, coherent and pleasing atmosphere. This should encourage selection by business and property owners of a permanent name for the District

To achieve and adhere to the overall development plan, the types and qualities of the businesses targeted for inclusion in the initial marketing will be scrutinized and accepted or rejected based on how well they contribute to the overall project and its goals. This is much easier to accomplish when the developer and promoter have control of the property, such as in a shopping center or mall, or if the properties are governed by ordinances provided by a public entity or deed restrictions. However, under this circumstance, there will be no control by any one entity thus a property owner may elect to rent to any type of business he chooses. By bringing in high-quality business and with cooperation of property owners and city government, this hopefully will not become an issue. There is no intent to exclude any particular type of operation, but it is also not the intent to end up with a group of homogeneous businesses catering to one specific group. Birmingham is a wonderfully diverse city, and this District should reflect that.

## **THE TARGET BUSINESSES:**

There are no limits at this time on the different business types which may ultimately become a part of the District. The intention is to maintain a level of quality and the City needs to help ensure this. Furthermore, the District Committee that will be established will work to encourage the level of quality and diversity and that the type of businesses are compatible with one another. Though new restaurants will be welcomed, there are currently enough eateries within the District to satisfy that venue for the initial startup period. No doubt that as more people come to the city center after hours, the existing restaurants will expand their hours of operation. What is needed are businesses that will bring in that after-hours crowd who will patronize multiple businesses when they come to the District. Some possible initial targets include a sports bar, dance club, piano bar, martini lounge, wine bar, night club, coffee/news/tobacco shop, book/music store, convenience store and an art gallery. Ideally this will expand over time to include movie theaters, concert halls, and new

restaurants, all of which will bolster and compliment those already in place. Just as important is to avoid becoming a district that, for example, has only college bars or gentlemen's clubs.

JMCRE will identify proprietors of the types of business which we are seeking as well as new entrepreneurs needing a location for such businesses. We will contact these companies and individuals to make presentations on the District and its available properties. They will then be guided through the process from visiting and selecting a property, negotiating a lease or contract, financing, design and construction all the way to opening. The intent is to provide a process that is helpful, quick, and streamlined as possible.

### **PROPERTY OWNERS:**

JMCRE is in the process of compiling a list of all properties in the District with current or potential retail vacancies and plans to meet with the property owner and to explain the plan and answer any questions they might have. The goal is to help them understand the direct and indirect benefits of participating in the program, that whether they are looking to sell or lease their property, our proposal offers the greatest opportunity they have had in years.

The initial target businesses are in the entertainment, food and beverage industry. Depending on the condition of the property, it can cost thousands, sometimes even millions of dollars to bring a building up to modern fire, life safety, and accessibility codes. Each property owner will have to factor this in to understand the ultimate benefits of the renovation to his property and will be asked to make concessions to the prospective tenant accordingly. These concessions will depend on the type of business negotiating for the space, the financial condition of the prospective tenant, and the condition of the building. These concessions could include abated or staggered rent during construction and initial startup, or financial assistance with construction and renovation expenses.

The benefits to the landlord should be obvious: increased income from the building, long-term stability and increased property values. These factors should entice property owners to structure agreements so that all parties share burdens and benefits relatively equally. JMCRE will be available every step of the way to provide the required expertise to both parties through the process, as needs arise.

JMCRE is so committed to the success of this project that much of the preliminary legwork will be performed through our company. For example:

- \* We will compile all pertinent information on each property including floor plans, costs and financing analysis, title work, surveys (when required), environmental studies (when available) and district requirements and restrictions.
- \* We will provide financial institutions with an interest in the District that will put together specific packages for each prospective tenant, to streamline the process further.

- \* Interior designers and architects will be on hand for conceptual and structural design and code studies.
- \* Contractors familiar with each property will be available to provide estimated construction cost and bids.
- \* We will handle advertising and marketing for the development plan as a whole, and each property will have a complete package assembled for perspective tenants. Complete information on the district, the development plan and each property will be available on our web site as well.
- \* We will encourage property owners to clean debris out of their properties and demolish any non load-bearing walls and fixtures which will not contribute to a new layout. We can provide labor to assist with this.
- \* We will assist those without representation, whether they are looking to be sellers, landlords, buyers, or tenants.

The only other requirement to participate in this development plan is for the owners to agree to provide free option periods in which they agree to not lease or sell the property to any other party during that time and to honor any written agreement of terms and conditions that the owner has provided JMCRE, or has negotiated for with the qualified buyers/tenants. For a buyer/tenant to receive this option, they must negotiate and execute a contract to purchase or a lease for the space which may be non-binding until the initial 8 businesses are assembled. This option will be for a yet to be determined period of time which will allow JMCRE to put together the pre-determined minimum number of fully executed leases/contracts to initiate the incubator phase of the development plan. During this time the tenants will perform their due diligence. After this initial phase, any option period for due diligence will be negotiated and spelled out in the contract or lease.

## **THE CITY & COUNTY GOVERNMENTS:**

This can only be achieved with a great deal of support and assistance from local governments. The success of this project could mean more to Birmingham than any recent single downtown construction or renovation development plan thus far. The long term benefits to the city, to the citizens and to the downtown property owners will include new business, an increased tax base, increased property values, the cleaning up of vacant and/or run-down properties, new jobs and an enhanced image and public opinion of Birmingham's city center.

Financially, the increased revenue will come not only from sales taxes but from the increased real estate taxes resulting from the rise in property values and the instigation of additional opportunities downtown. The revitalization of the area will eliminate blight by reopening buildings and filling retail spaces that have stood vacant sometimes for years.

Furthermore, a thriving new entertainment district downtown will give those from the “over the mountain” areas a reason to come back downtown and rediscover Birmingham. This can become the tie that binds 5 Points South to the new civic center development plan. The long-term benefits at this time are impossible to measure, as there is an almost endless supply of properties on the surrounding blocks just waiting to be brought back to life. However, assistance and cooperation of the local government(s) are essential for success and the following are specific issues and items that the city will need to address:

- \* Though there are many ways the city and county governments can help ensure the success of this project, the most important is financing. It is very difficult for an investor to convince a lending institution to provide funding for a new business in what is considered a questionable location. Acquiring financing becomes less laborious when lenders see that the governments are behind the development plan and have made financial commitments. Grants and low or no-interest loans from the local government would not only help the business owners financially but would lend credibility to the entire development plan. This money would be recouped not only through repaying the loans, but through increased property taxes, sales taxes, etc.
- \* For property owners who provide low or no rents or other direct assistance to the tenant during construction and startup phase, an abatement of real estate taxes (for no more than 2 years) from the city and/or county tied directly to the landlord concessions during this startup period would reduce the owner’s overhead and encourage him to provide greater tenant incentives.
- \* The city government will need to provide ordinances and restrictions on the District which would maintain a level of quality businesses and sophistication that will result in a high comfort level for executives, professionals, retirees, young adults, blue collar workers, laborers and college students alike.
- \* The city of Birmingham can provide materials and labor for work on streets, sidewalks, public signs, gutters, landscaping, electrical and lighting in the District and around the properties being renovated. Street lighting must be replaced to provide well-lit streets, sidewalks, alleys, parks and parking lots.
- \* During building and space renovation, the city can encourage Birmingham Water Works to upgrade the water supply to the property. Jefferson County can encourage the sewer department to upgrade the sewer line to each property.
- \* The perception of the lack of safety and security is one of the most important aspects that can make or break the development plan. The Birmingham Police Department should have a substation within the District and provide constant foot, horse and bicycle patrols.
- \* CAPS will need to add extra patrols and expand their hours to accommodate the increased number of patrons and the extended hours.

- \* The hours of operation for the Dart system should be expanded and routes redesigned to provide continuous service between Lakeview, 5 Points South, the Civic Center and the Downtown District. It should also service most parking lots and decks in the area.
- \* Certain laws, ordinances and regulations may impede some aspects of the facilitation of the development plans such as sign regulations and or use of sidewalks for outdoor seating. The issuing authority and the city council should be willing to work with the business to change or eliminate such impediments.
- \* Decisions for through-traffic street closures and rerouting of traffic on special occasions and during times when crowds reach critical numbers should be determined by on-duty police officers working the area..
- \* Free parking should be provided after hours in all city owned or controlled facilities. Tax abatements may also be provided to those private parking lots and decks that provide free after hours parking until the district is successful (no more than 2 years).
- \* 2<sup>nd</sup> & 3<sup>rd</sup> Avenues North should be changed from one way to two way streets with a center turn lane. This will slow traffic through the area and make it more pedestrian friendly. The slower traffic allows drivers to pay more attention to pedestrians and encourage drivers to stop and patronize the businesses.

Some of these items will need to be addressed immediately but most will only come up as the District becomes a success and continues to expand. Upon further discussion with government officials there will be many other ideas considered, but this should provide a basis for further discussions.

### **PRIVATE SECTOR FINANCING:**

Regardless of the amount of financial government assistance, the need for private-sector funding is obvious. Most all of the successful retail businesses currently operating in the District were able to secure financing through the private sector. Many of the investors will already have financing in place with lenders with whom they have established a relationship, who understands their business plans, credit history and financial requirements, particularly the franchises and multiple store businesses. For the rest, however, securing loans may become a daunting task, especially when dealing with lenders unfamiliar with this development. Therefore, financial institutions will be interviewed, considered and selected to become partners in the program.

The selected institutions must agree to study the development plan thoroughly, be comfortable with the properties and the concept and relate to the expected results. Then they must pre-approve and streamline financing for a viable business plan from a credit-worthy, qualified business owner. There will be no more than two financial partners, one conventional and one Small Business Administration (SBA) provider.

## **LEGAL PARTNER:**

During the establishment and the initial promotion of the District, legal advice will be required for any number of challenges which the promoters will encounter. A local law firm will be selected that is civic-minded, has a vested interest in seeing downtown Birmingham succeed and is willing to donate time and expertise to assist in the accomplishment of these goals.

## **AN INTERIOR DESIGNER AND ARCHITECTURAL PARTNER:**

Many of the buildings and spaces have existing floor plans and as-built drawings which are being used to market vacant space. This will be very helpful when designing space plans and negotiating a contract or lease. For those spaces that do not have drawings, an interior designer will be selected who is willing to donate his time to provide as-built drawings on each space and digitize them for easier access.

An architect or an architectural firm will be selected who is also willing to donate time to answer questions on fire, life safety, and accessibility codes. In return the selected interior designer and architect will be promoted as the designer or architect for the district. The property or business owner will not be required to use these firms and may prefer to use his own; however, because of the knowledge and familiarity of the “partner firms” with the buildings and properties, the owners may find it advantageous to use them.

## **DISTRICT COMMITTEE:**

Soon after marketing of the project has begun, a District committee will be formed to make decisions on the direction and overall theme, solicit and lobby local governments and have a voice in the neighborhood meetings. The property and business owners who choose to participate in the program will be invited to be on the committee. They may lobby on things such as sanitation, security, ordinances and restrictions, or festivals. It will be up to the committee on how proactive they become.

## **THE PROMOTER:**

Joseph McClure has sold, leased and developed commercial and investment real estate in Birmingham since 1976, focusing primarily on downtown and mid-town properties. His passion for historic structures, as well as his desire to be a part of the revitalization of downtown Birmingham, led him to form Joseph McClure Commercial Real Estate (JMCRE) in 1989.

Since that time, his company has owned and/or developed more than twenty properties in Birmingham and is currently the owner of two buildings which are in the proposed district. JMCRE expects to benefit from its efforts to promote this entertainment district through commissions and/or

referral fees earned from real estate sales or leases, from purchasing, developing and selling or leasing parcels of real estate and through being employed to design, develop, and oversee construction of the properties within the district. JMCRE plans to cooperate with and/or refer prospects to other real estate agents who have clients, own property or have listings on property within the District. The ultimate goal is to benefit everyone involved, whether they are owners, tenants, customers, or citizens of Birmingham, as equitably as possible. Therefore, any and all external ideas or criticisms are welcomed.

For property owners who do not have a real estate broker currently representing them, JMCRE will request a commission agreement (either exclusive or non-exclusive) for any buyers or tenants JMCRE provides that purchases or leases space. For those properties that are currently represented by other real estate brokers, JMCRE will request to co-op commissions with that broker as is standard within the industry. Other than those commissions, no other fees from the owners will be required for these services and work unless negotiated separately.

### **CONCLUSION AND NOTES FROM JOSEPH McCLURE:**

There are few of us left who still have hope for the retail sector of downtown Birmingham. Seldom do I meet someone from Birmingham who can visualize the potential and envision the possibilities of a vibrant city center. For many years there seemed to be a race to see what retail establishment could go out of business or move out of downtown Birmingham the quickest. By the late 1980s there were practically none left. Retail business became sparse and stagnant.

Then, in the late 1990s a new trend began developing: the emergence of residential lofts and apartments began luring new restaurants, bars and art galleries to the area. Though my company has continued to have inquiries on available properties for residential use, during the past twelve months there has been a marked increase in individuals and companies looking for space for restaurants, bars and night clubs. Every once in a while a new one opens. With so much space available at such low prices, there is no reason to think this trend will end anytime soon. I have spent more than twenty years working to revitalize downtown Birmingham, and finally I am starting to see signs that this work will pay off, that this city can realize the potential I have seen in it all along.

Those who care about our city and how it progresses have a choice: we can sit back and watch as businesses pop up randomly throughout the city center with a questionable chance to succeed, or we can take a proactive stance, provide some guidance and direction and mold downtown Birmingham into a vibrant, city-defining community we can all be proud to call ours. I am not only going to get involved but I plan to take the lead.

One advantage the shopping mall contingent has, which could not be duplicated in the downtown area, is a single point of contact. If someone wants to open a business in a strip or enclosed mall, there is a single person to talk to, who will guide them through each step of the process. For the same person to open a business downtown, they may have to speak with more than a dozen individuals, locating and contacting each on their own. This is a daunting task for an

experienced, savvy businessperson, more-so for someone opening a business for the first time. JMCRE has been assembling marketing packages on downtown properties and helping guide tenants and buyers through this maze for two decades. I am confident that I can do the same for this project, that I can take a suffering section of town and mold it into a lively, cohesive, thriving community.

I plan to start modestly; I am simply looking for eight entrepreneurs who share my vision, and property owners willing to cooperate. Even at this early stage I have several businesses showing interest. I believe in twelve to eighteen months there will be as many as a dozen new businesses within the District and a demand for space from more. In five years, there is no telling how far the District will reach; I can realistically envision several blocks of thriving shops, hotels, restaurants and other businesses. However, every journey begins with a single step. And today I need eight players.