



**MEDIA RELEASE**

Oct. 23, 2015

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**REGAL HEADQUARTERS A 'FANTASTIC OPPORTUNITY'  
FOR KNOXVILLE'S SOUTH WATERFRONT**

The announcement today that Regal Entertainment Group will locate their new corporate headquarters on the Tennessee River in downtown Knoxville is a major step in the ongoing revitalization of Knoxville's South Waterfront.

"Regal Entertainment has deep roots in East Tennessee and is a great corporate citizen and partner," Knoxville Mayor Madeline Rogero said. "This is a fantastic opportunity to bring a major corporate headquarters to our rapidly redeveloping South Waterfront, and to keep hundreds of high-paying jobs here in Knoxville. Thanks to Amy Miles at Regal, Governor Haslam, Economic and Community Development Commissioner Randy Boyd, Knox County Mayor Tim Burchett, TVA and Southeastern Development Associates for working with us to put this project together."

The move will bring Regal's 325 headquarter employees to a nine-story office tower at the east end of the former Baptist Hospital site, overlooking the Tennessee River next to the Gay Street Bridge. With the move, a potential increase in the headquarters workforce to 400 employees is expected.

Regal Entertainment Group, founded in Knox County in 1989, is the nation's largest and most diverse theatre circuit, with 7,537 screens in 571 theaters in 42 states (plus the District of Columbia, American Samoa and Guam). It employs 23,168 people and in June 2015 was #757 on Fortune Magazine's list of the 1,000 largest American companies, ranked by revenue.

The City of Knoxville and Regal Entertainment Group have signed a letter of intent for the project, pending approval by City Council. Knox County has also agreed in principle to participate, pending approval by County Commission.

"This was a complex project to put together, and it took a lot of hard work by all partners," Mayor Rogero said. "Many other cities and states would love to be home to a company of Regal's stature. It is a testament to Regal's leadership and commitment to our community that they are staying and expanding right here in Knoxville."

***Highlights of the Letter of Intent between the City of Knoxville and Regal Entertainment Group:***

**THE BUILDING**

- The office building at the east end of the former Baptist Hospital site was built in 1990. It is nine stories tall and has 178,000 square feet.
- Baptist Hospital closed in 2008. The 23-acre Baptist site was acquired from Tennova in 2013 by Southeastern Development Associates (SEDA), formerly known as Blanchard & Calhoun Commercial, Inc. Southeastern Development Associates is developing "One Riverwalk". This mixed-use development will include 300 luxury apartments, student housing, hotel, retail shopping and restaurants, all surrounded by extensive public space including a riverwalk esplanade, parks and an entertainment plaza. The City of Knoxville and Knox County approved Tax-Increment Financing (TIF) to support SEDA's project.

**THE REGAL PROJECT (Agreed to in principle)**

- Pending approval by City Council, the City of Knoxville's Industrial Development Board will purchase the office building from SEDA for \$6 million. As property of the City, it will be removed from the TIF agreement.
- The City will invest an additional \$3 million in renovations and improvements to the building, for a total City investment of \$9 million. Pending approval by County Commission, Knox County will provide \$1.5 million for building improvements. The State of Tennessee also has a proposed contribution of \$1.5 million for improvements, pending approval from the State Funding Board. In addition, SEDA will provide \$500,000 in cash assistance for exterior improvements. TVA will provide approximately \$80,000.
- Regal will pay for the balance of the renovations. The renovations are estimated at a total of \$10 million to \$11 million, which means Regal's contribution will be up to \$4 million to \$5 million. Included in this renovation budget is all furniture, fixtures and office equipment.
- On behalf of the City, the Industrial Development Board will lease the building to Regal Entertainment Group. The initial lease term is 10 years, with two extension options of 10 years each. So the total potential lease term is 30 years.
- Regal will pay no rent for the first 10 years, but it will make payments in lieu of taxes to the IDB in an amount equivalent to the combined assessed City and County property taxes on the building. If the lease is extended, annual rent will be \$1 per square foot for years 11-20, and \$2 per square foot for years 21-30.
- IDB will distribute the payment in lieu of taxes to the City of Knoxville and Knox County. Knox County will receive a portion equal to the County's current tax collection on the property, with the remainder of the payment going to the City.
- Regal will have an option to purchase the building at any time during the lease agreement. The purchase price prior to any improvements to the building will be \$6 million. After the improvements are complete, the purchase price will be \$9 million, minus \$300,000 per complete lease year at the time of purchase. (For example: If Regal decides to purchase the building after 10 years, the purchase price would be \$9 million minus \$3 million, or a total of \$6 million.)

- Regal will not be able to extend the lease if at the time of the lease's expiration it is not using the building as its primary corporate headquarters or is not employing at least 275 people on the premises. Regal will also not be able to exercise its purchase option if it is not using the building as its primary corporate headquarters or is not employing at least 275 people on the premises.
- If at any time during the lease Regal is no longer using the building as its primary corporate headquarters and employing at least 275 people on the premises, the base rent will automatically increase to \$10 per square foot in years 1-10; \$11 per square foot in years 11-20; and \$12 per square foot in years 21-30. Additionally, if Regal is not using the building as its primary corporate headquarters or employing at least 275 people on the premises, the City/IDB will have the right to terminate the lease with one year's notice.
- Regal will be responsible for the maintenance and repair of the building during the term of occupancy.
- As part of the \$6 million property purchase, the City through the IDB will acquire approximately 450 parking spaces in the Blount Avenue parking garage. Included in Regal's contribution is \$180 per year per parking space (subject to annual cost of living increase).
- The garage will be jointly owned by the City and SEDA through a condo regime to be managed by the Public Building Authority. (City's portion of the garage will be removed from the TIF agreement.)
- The garage will be open for public parking from 6 p.m. to 6 a.m. weeknights and 6 p.m. Friday to 6 a.m. Monday on weekends and to be determined on holidays. Regal will have exclusive rights to 100 parking spaces at all times.

#### **BENEFITS**

- Retention and expansion of a major national corporate headquarters in Knox County, with significant impact on the redevelopment of the South Waterfront and ongoing revitalization of downtown Knoxville.
- It will provide a marquee headquarters for Regal Entertainment Group, on prime waterfront property with easy access to interstates, lodging and airport.
- Removing the properties from SEDA's TIF agreement adds back a City revenue benefit of approximately \$5 million over the term of the TIF agreement.

#### **CITY FUNDING SOURCES (PENDING CITY COUNCIL APPROVAL)**

- IDB: **\$1.1 million** available in existing funds.
- Hall tax revenues: City received **\$3.6 million** last year in excess of budgeted funds.
- Savings in operating budget: **\$600,000** in savings from operating budget for 2014-15.
- Fund balance: **\$3.7 million** will be allocated from the City's operating fund balance.
- The goal is for the City to be made whole on its investment if/when Regal purchases the building.
- If Regal does not purchase the building, the City's collateral is a building with Class A office space estimated to be valued after improvements at \$16 million.