

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: June 12, 2019
RE: Exterior Improvement Grant & Development Loan Request, 118-124 Monroe Ave.

The enclosed Exterior Improvement Grant & Development Loan applications have been submitted for consideration at the June 19, 2019, CCDC Board Meeting.

Project: **118-124 Monroe Avenue**

Applicant/Owner: 124 Newsroom, LLC
120 Monroe Ave.
Memphis, TN 38103

Project Contacts: Ms. Adrienne de Lathouder Littlefield
Mr. John Littlefield
Ms. Shantih Smythe
Mr. Bert Smythe

Applicant's Request: Development Loan in an amount up to \$200,000.
Exterior Improvement Grant in an amount up to \$80,000.

Project Description: The subject property is a 0.126 acre parcel on the north side of Monroe Avenue, in the block between Main Street and Second Street. The property contains a row of 4 attached historic buildings. While the upper floors are vacant, part of the ground-floor of the property is currently in use as McEwen's restaurant.

Although the restaurant originally opened Downtown in 1997, the applicants have owned and operated it for more than 10 years. After leasing the property from a family trust for eleven years, the partners at McEwen's decided to purchase the property which includes their current space plus one additional bay to the east as well as the upper floors in all four buildings. The proposed renovation will include both the ground-floor and the upper floors.

This major renovation will include all new building systems including mechanical, electrical, plumbing, sprinklers, and an elevator. The original stucco façade will be restored with new windows and storefronts throughout. McEwen's restaurant

will receive a renovation including a new kitchen and an additional dining room space in the westernmost bay. The upper floors will be renovated as six (6) rental apartments. The mix includes 3 studio apartments, 1 one-bedroom unit, and 2 two-bedroom units.

The applicant is requesting CCDC approval for both an Exterior Improvement Grant (EIG) and a Development Loan. EIG grant funds will be used to renovate the building exterior including exterior windows and doors, signage, lighting, and painting. The \$200,000 Development Loan will assist with interior building improvements such as a new elevator, HVAC, plumbing, electrical, and structural repairs.

Contingent upon CCDC and DRB approvals, construction could begin as early as July, 2019. Construction is expected to take approximately 22 weeks, with completion possible by the end of Q4 2019.

Overall Budget:

The following budget describes the overall project:

Sources:

Owner's Equity	\$200,000	(11%)
CCDC Development Loan	\$200,000	(11%)
CCDC EIG Grant	\$80,000	(4%)
<u>Bank Financing</u>	<u>\$1,376,286</u>	<u>(74%)</u>
Total Sources	\$1,856,286	(100%)

Uses:

Property Acquisition	\$420,000	(22.5%)
Hard Construction Costs	\$1,317,926	(71%)
Soft Costs	\$27,585	(1.5%)
Professional Fees	\$75,775	(4%)
<u>Financing Fees</u>	<u>\$15,000</u>	<u>(1%)</u>
Total Uses	\$1,856,286	(100%)

Dev. Loan Program:

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent equipment, and first floor, non-residential tenant improvements that are permanent in nature are also eligible uses. Removable fixtures and equipment and soft costs are not eligible expenses under the program. The Development Loan is permanent financing at an interest rate of 1%. While the loan has a 10-year term, the amortization schedule is based on a 20-year period in order to offer lower monthly payments. The program has a maximum loan amount of \$200,000 per project. As permanent financing, the final loan amount is reimbursable and based on approved receipts.

The following budget describes the Development Loan scope of work:

<u>Uses:</u>		
Select demo & site work	\$46,800	(7%)
New elevator	\$120,000	(18%)
Fire protection & sprinklers	\$62,190	(10%)
Plumbing	\$95,865	(15%)
HVAC	\$64,800	(10%)
Wood (structural repair, framing, stairs, interior)	\$186,629	(29%)
<u>Roofing & thermal protection</u>	<u>\$69,000</u>	<u>(11%)</u>
Total Dev. Loan Uses	\$645,284	(100%)

EIG Budget:

The Exterior Improvement Grant (EIG) is designed to help Downtown commercial property owners and businesses make high-quality cosmetic improvements to the exterior of their property. A secondary goal of the grant is to help new and existing businesses succeed by enhancing their curb appeal in ways that might not be possible without assistance. The Exterior Improvement Grant is for exterior work only and requires minimum leverage of 1 to 1. The maximum grant for this location is \$80,000.

The following budget describes the EIG scope:

<u>Sources:</u>		
Owner's contribution	\$137,332	(63%)
<u>CCDC EIG Grant</u>	<u>\$80,000</u>	<u>(37%)</u>
Total Sources	\$217,332	(100%)

<u>Uses:</u>		
Windows	\$59,884	(28%)
Storefronts	\$76,527	(35%)
Exterior painting	\$18,230	(8%)
West façade windows	\$2,100	(1%)
Repair/replace stucco	\$17,091	(8%)
Exterior doors	\$5,000	(2%)
Exterior lighting	\$8,500	(4%)
<u>Awnings & Signage</u>	<u>\$30,000</u>	<u>(14%)</u>
Total Uses	\$217,332	(100%)

Design Review:

The applicant will submit design plans to the DRB in the coming months.

EBO Program:

Any project that is awarded a financial incentive from the DMC must comply with the Equal Businesses Opportunity (EBO) Program. The EBO program requires that the applicant make a best faith effort to reach no less than 25% participation by minority and women-owned businesses

(MWBE) for the portion of the project scope that is eligible for bidding or subcontracting. The portion of a project subject to meeting the EBO requirements typically involves the hard and soft costs for design & construction.

The following estimated hard and soft costs are subject to the EBO program:

Hard Construction Costs	\$1,317,926	(95%)
<u>Professional Fees</u>	<u>\$75,775</u>	<u>(5%)</u>
Total	\$1,393,701	(100%)

According to the above estimates, a 25% level of MWBE inclusion for the estimated hard and soft costs will be approximately **\$348,425**.

Staff Evaluation:

The DMC’s Strategic Plan encourages facilitating and accelerating real estate development, incentivizing Downtown development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment Downtown.

Staff is highly supportive of the applicant’s request for a Development Loan and EIG grant for several reasons. First, the project will put a row of partially vacant historic buildings back into productive use. Improving historic buildings and increasing commercial property values through new investment are key goals of the DMC.

Secondly, the project will increase commercial and residential density with the addition of new apartment units and an expanded restaurant in the Downtown Core. Filling in the gaps, increasing the customer base, and replacing vacancy with new commercial activity are vital to creating a climate for Downtown retail to be successful. Finally, the proposed incentives will help a long-term Downtown stakeholder purchase their building, expand a successful business, and double-down on their investment in, and commitment to, Downtown Memphis.

Recommendation:

Staff recommends approval of a Development Loan in an amount up to \$200,000 and an Exterior Improvement Grant in an amount up to \$80,000, based on approved receipts and subject to all standard closing requirements and conditions.