

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: February 12, 2020
RE: Development Loan Request – 250 Peabody Pl. #102-104

The enclosed Development Loan application has been submitted for consideration at the February 19, 2020, CCDC Board Meeting.

Project: **250 Peabody Pl. #102-104**

Applicant/Owner: Robb Hunter, on behalf of Belz Enterprises
100 Peabody Pl
Memphis, TN 38103

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

Project Description: The subject property is a 7,544 Sq. Ft. commercial bay that lines the 250 Peabody parking garage on the north side of Peabody Pl, between B.B. King and Rufus Thomas. This commercial bay has never been occupied, and lacks basic systems like HVAC and electrical.

Robb Hunter is the operator of Havana Mix, a cigar lounge adjacent to the subject commercial space. In conjunction with Belz Enterprises, the property owner, Robb Hunter plans to renovate the space into a new lounge, while retaining his existing space as another restaurant concept.

In order to bring this space into a usable condition, the applicant plans on significantly investing in permanent improvements to the building. These improvements will include new electrical, mechanical, and plumbing systems, as well as new flooring, restrooms, and sprinklers.

Overall Budget: The following budget describes the overall project:

Sources:

Bank Financing	\$300,000	(37%)
Development Loan	\$200,000	(25%)
Investor's Equity	\$250,000	(31%)
Owner's Equity	\$50,260	(6%)

Total Sources	\$800,260	(100%)
----------------------	------------------	---------------

Uses:

Construction Costs	\$520,260	(65%)
Soft Costs	\$20,000	(2.5%)
Financing Fees	\$6,000	(0.7%)
Professional Fees	\$4,000	(0.5%)
Furniture and Fixtures	\$180,000	(22.5%)
Working Capital	\$70,000	(8.7%)
Total Uses	\$800,260	(100%)

Dev. Loan Program:

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent HVAC 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. The following scope items are potentially eligible for the Development Loan program:

Development Loan Uses:

Drywall	\$13,110	(3%)
Flooring	\$28,520	(7%)
Mechanical Systems	\$109,250	(28%)
Electrical and Lighting	\$111,550	(29%)
Plumbing	\$74,750	(19%)
Sprinkler Systems	\$48,300	(13%)
Total Uses	\$385,480	(100%)

Design Review:

The applicant will submit design plans to the DRB in the near future.

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.

According to the above estimates, a 25% level of MWBE inclusion for the estimated hard costs and professional fees (\$524,260) will be approximately **\$131,065.**

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.

The proposed project will bring life to a prominent commercial bay that has remained vacant since it was constructed in 2000. Moreover, the project's location adjacent to Beale Street, the soon-to-be-renovated Handy Park, and the Service Master headquarters makes it a strategic place to add vibrancy.

Recommendation:

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