

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: August 14, 2019
RE: Development Loan Request – 343 Madison Ave.

The enclosed Development Loan application has been submitted for consideration at the August 21, 2019, CCDC Board Meeting.

Project: **343 Madison Ave.**

Applicant/Owner: Monroe Associates, LLC
Mike Todd, Chief Manager
629 Monroe Ave.
Memphis, TN 38103

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

Project Description: The subject property is a 1-story commercial building on the south side of Madison Avenue, in the block between Fourth Street and Danny Thomas Blvd. The building is currently vacant and in need of significant repair due to a deteriorated roof.

For the last 12 years, 343 Madison has been used as a warehouse and commercial space for Tad Pierson of American Dream Safari. Prior to that use, the building operated as a body shop since the 1960s, and is believed to have originally been built as a cotton-grading facility.

Following redevelopment, the property will likely be divided into two commercial/retail tenant spaces. A 2,650 sq. ft. space will front Floyd Alley on the south and a 3,600 sq. ft. space will front Madison Ave. to the north.

The applicant is requesting a \$200,000 Development Loan to assist with permanent building improvements including the following:

- Removal and replacement of entire roof system including rotten decking and minor structural repair.

- Installation of four (4) 5-ton high-efficiency roof-top HVAC units and duct work.
- All new plumbing in building including new sewer and water lines for four (4) ADA accessible bathrooms.
- Relocate electrical service to east wall, new wiring for HVAC units, new LED lighting, and necessary repairs to existing electrical system.
- Remove entire plaster ceiling, and prep for reinstallation of drywall or for exposed framing.
- All necessary masonry tuck-pointing.
- Improve entrance on the north façade and add new storefront, transom windows, and exterior door.
- Repaint all exposed elevations.

Emergency roofing repairs began in August, 2019 after consultation with DMC Staff. Full building renovation will commence following CCDC and DRB approvals. Construction is expected to be complete in Q1 2020.

Overall Budget:

The following budget describes the overall project:

Sources:

Bank Financing	\$150,000	(27.5%)
Owner’s Equity	\$150,000	(27.5%)
CCDC Dev. Loan	\$200,000	(36%)
Cash Flow	\$50,000	(9%)
Total Sources	\$550,000	(100%)

Uses:

Property	\$150,000	(27%)
Construction Costs	\$350,000	(63%)
Soft Costs	\$20,000	(4%)
Financing Fees	\$10,000	(2%)
Professional Fees	\$5,000	(1%)
Other Uses	\$15,000	(3%)
Total Uses	\$550,000	(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:

New roof	\$72,080	(21%)
Structural repairs & decking	\$15,264	(4.5%)
Roofing materials	\$13,780	(4%)
Select demolition	\$19,302	(5.5%)
HVAC	\$53,000	(15.5%)
Gas infrastructure	\$15,900	(4.5%)
Construction equipment rental	\$8,480	(2.5%)
Electrical repairs	\$14,000	(4%)
Plumbing	\$22,260	(6.5%)
Concrete, demo, and scoring	\$9,304	(3%)
New façade (north elevation)	\$37,100	(11%)
Tuck-pointing	\$1,908	(0.5%)
Specialty masonry	\$4,770	(1.5%)
Exterior painting	\$6,160	(2%)
<u>Labor, profit, and overhead</u>	<u>\$49,443</u>	<u>(14%)</u>
Total Uses	\$342,751	(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 (\$355,000) will be approximately **\$88,750.**

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.

DMC staff is supportive of this project for several reasons. First, the full renovation of existing buildings is an important goal of the CCDC and the Downtown Memphis Commission (DMC). Second, the project is situated along Madison Avenue, an important gateway into Downtown from the east.

Finally, supporting investment at this location is consistent with the DMC's special focus on the Edge District including the following key investments:

- PILOT and public parking garage in support of The Bakery Apartments, Orion Headquarters, Cycle Shop, and Leo Events
- Storefront Grant - High Cotton Brewing Company
- Exterior Improvement Grant - 672 Marshall
- Exterior Improvement Grant - Arnold's BBQ
- Neighborhood public art in partnership with Cat Pena and the Collaboratory
- Public realm and streetscape improvements in partnership with the Memphis Medical District Collaborative (MMDC).
- Exterior Improvement Grant - Edge Motor Museum, 645 Marshall Avenue.
- Exterior Improvement Grant and Development Loan - Karen Adams Designs, 647 Madison
- Special Development Grant - The Ravine
- Exterior Improvement Grant and Development Loan - 425 Madison, Preserver Partners

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.