

# The Gem on South Main

345 S. Main St., Memphis, TN  
A Mixed Use Development



GEM Investments, LLC

# Application Background

- Legal Name: GEM Investments LLC
  - Project Name: The Gem on South Main
- Address: 345 South Main St., Memphis, TN
- Telephone Number: 615-525-3126
- Applicants Representative: Matthew Pierce
  - Guarantors of the Project: Eric Deems, Matthew Pierce, and George Ritzen
- Partnership Structure: Limited liability company

# Application Background – Team

- Matthew Pierce

- Matthew Pierce is currently the Director of Acquisitions for a real estate private equity firm in Nashville, Tennessee. In his short tenure with the position he has led the acquisition, development, and disposition of over \$30,000,000 in assets. Previously, Mr. Pierce worked as general counsel for a hospitality development and management firm. While at the firm, he restructured a \$300,000,000 portfolio from a closely held family company into an institutional style investment platform. He led the legal portions of over \$100,000,000 in new development, while also restructuring CMBS debt for the existing portfolio. Matthew has moonlighted throughout his career as an opportunistic investor, starting an affordable housing company and property management company along the way.

# Application Background - Team

- Eric Deems
  - Eric serves as strategist and advisor to a variety of clients, investors, and partners. His professional experience includes working on real estate projects in multiple US markets, leading the Tennessee division for an emerging technology and building materials company based in Silicon Valley, consulting nationwide with various corporate and nonprofit entities, leading public private partnerships, and working on Capitol Hill in Washington, D.C. Originally from Belpre, Ohio, Eric has called Nashville home since 2007. Attending Belmont University is what initially brought Eric to Nashville. The first to attend college in his family, he was an engaged student leader and completed degrees in both political science and business. Eric is currently enrolled at Vanderbilt University's Owen Graduate School of Management earning his MBA. Before starting his own brokerage firm, Eric was a manager and top producer in Nashville's CBRE office.

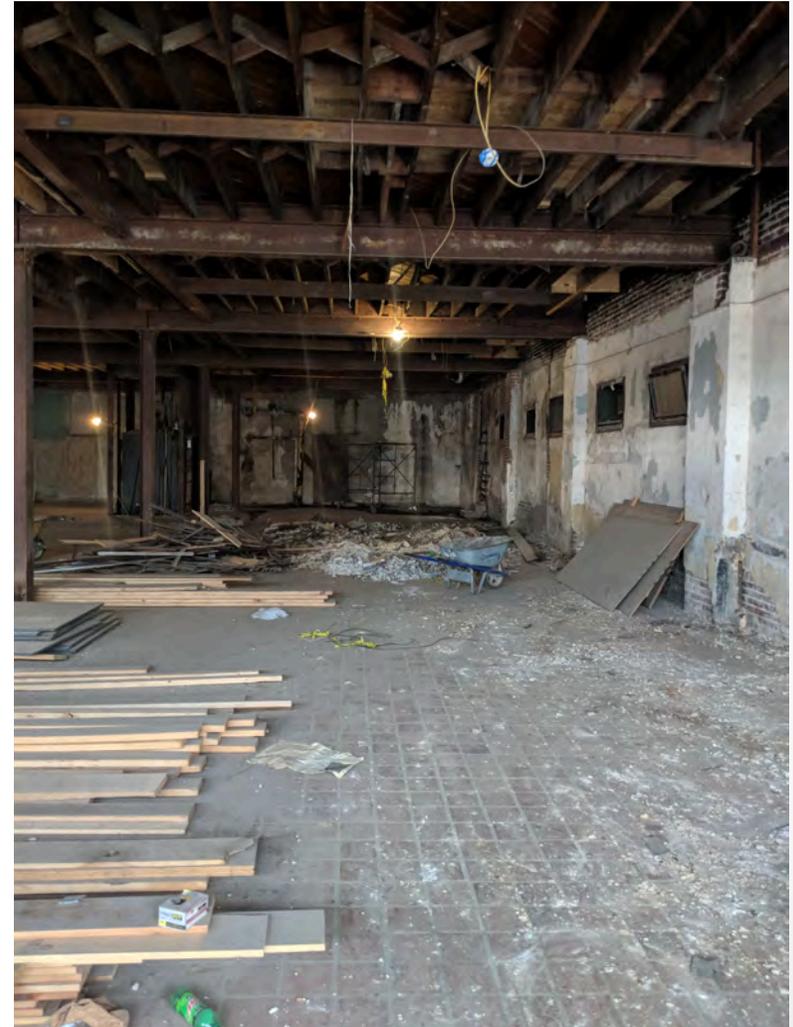
# Application Background - Team

- George Ritzen
  - George Ritzen comes from a long line of real estate professionals. George's father started Ritzen Group, establishing a large real estate portfolio across the Southeast. Growing up, George was constantly around commercial real estate development, learning the ups and downs of the cycle, the struggles that come with development, and the joys from a well-planned project. After learning from the tutelage of generational knowledge, George started working on projects of his own and has since developed several projects across the Southeast. George is currently enrolled at Vanderbilt University's Owen Graduate School of Management earning his MBA.

# Proposed Project

- Address: 345 South Main St., Memphis, TN
- Location:
  - The property is located within the South Main Street Arts District and consist of one vacant building and one surface parking lot. On the north side of the property, 345 S. Main St., sits a portion of the historic Ambassador Hotel. The Ambassador Hotel was built in 1915 as one of the staples of South Main Street. The building is three stories tall, with 15,000 of usable square feet. The building was connected to the neighboring Ambassador Hotel Condos located at 77 Vance but was separated by fire sometime in the past century. The condos were redeveloped in 2003 and are currently 100% occupied. The north building is currently unoccupied and in need of a full renovation.
  - The surface lot to the south contains 16 parking spots and a patio for South of Beale Restaurant. The lot will be utilized for retail and residential parking.

# Proposed Project - Current Photos



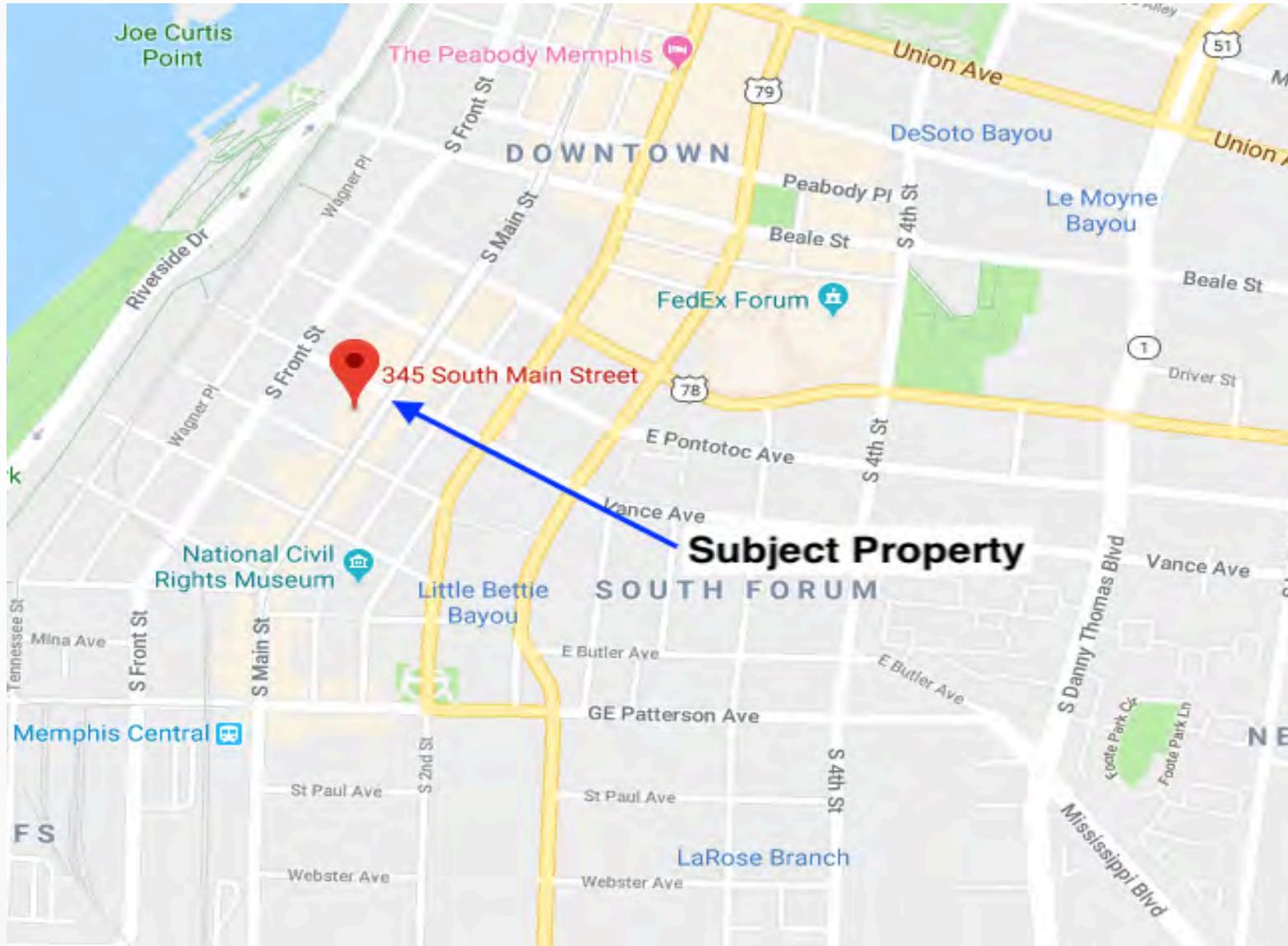
# Proposed Project – Current Photos



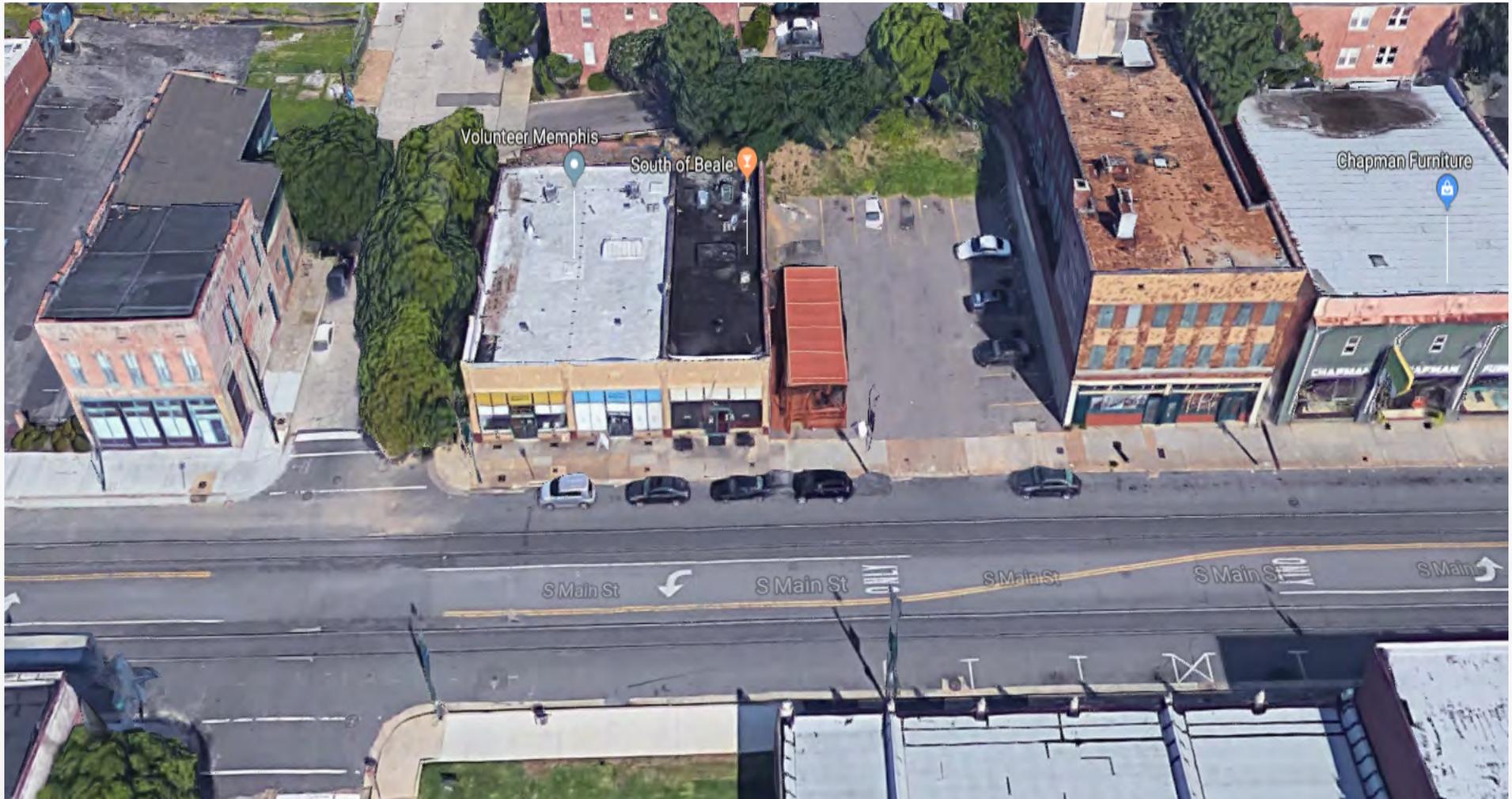
# Proposed Project – Current Photos



# Proposed Project



# Proposed Project – Aerial



# Proposed Project - Aerial



# Proposed Project - Usage

- The Gem on South Main Street is a mixed-use project being developed to maximize the qualities of the existing buildings, help aid in the growth of the neighborhood, and provide utilities to the existing tenants and residents of the area.
- Our plan is to redevelop the building, utilizing its historic nature providing residential and retail uses. The ground floor will be rehabilitated to facilitate a well-known retail tenant, while the top two floors will be renovated into apartments for short term and long term residential usage, taking advantage of the historic hotel layout for maximum preservation.

# Proposed Project – Economic Impact

- The project aims to utilize existing demand drivers within the South Main Arts District and add to the public utilities for tourists and locals alike.
- The top two floors will provide a mixture of long term and short term rentals, dependent on demand. The market currently is lacking in short term rental units operated on platforms such as Airbnb and Homeaway. The project will meet that demand by master leasing the top two floors to an international short-term rental manager.
- The bottom floor will be occupied by a well-known hospitality company, helping build the food scene of the South Main district.
- Both concepts will add jobs and demand drivers to the area, supporting the tourist and local Memphis economies.



# Proposed Project – Building Characteristics

- The building was built in 1915 as the historic Ambassador hotel.
- The hotel originally contained 140 rooms and was connected with the Ambassador Lofts, located at 77 Vance Ave. The buildings were separated by a fire sometime in the previous century and while the lofts have been fully renovated, 345 South Main has languished since the fire.
- The property is located in the South Main Street Historic District and many historic elements of the building will be maintained to preserve the historic significance.
- Notably, the basement of the building is rumored to be the first distilling location for Martin Wilkes Heron's Southern Comfort.



# Proposed Project – History



# Proposed Project – History





# Proposed Project - Marketing

- Downtown Memphis is currently seeing a resurgence among young professionals moving back into the core as well as several businesses moving back downtown. Currently, downtown apartments are seeing occupancy around 94% and office space is almost non-existent.
- With the resurgence of the downtown core, large companies are relocating and swallowing all large office spaces. One example is Indigo Agriculture's recent announcement to lease 13,000 square feet in Autozone Park (<https://www.bizjournals.com/memphis/news/2018/07/17/agtech-darling-leases-new-space-in-downtown.html>) and Service Master moving their entire headquarters into downtown (<https://news.servicemaster.com/press-release/community/servicemaster-relocate-headquarters-downtown-memphis>).
- The drive to move back downtown is coupled with the general trend of re-urbanization and revitalization of historic buildings. Our project fits perfectly into this trend with both buildings having historic significance in the South Main Street District.

# Proposed Project - Marketing

- In addition to the high occupancy of apartment buildings, the retail space offered on the ground floor of 345 South Main Street coupled with one of very few private surface parking lots, is ideal for a number of retail options.
- With a signed lease in place, we have no need to market the project further, however in the case of any lapse, we are confident we will be able to lease the space very easily.
- While the short term rental option will market itself, by offering a unique home base from which to explore downtown Memphis, the international operator has a long history of success in exceeding rental expectations by offering a robust marketing service.

# Proposed Project – Architectural Renderings

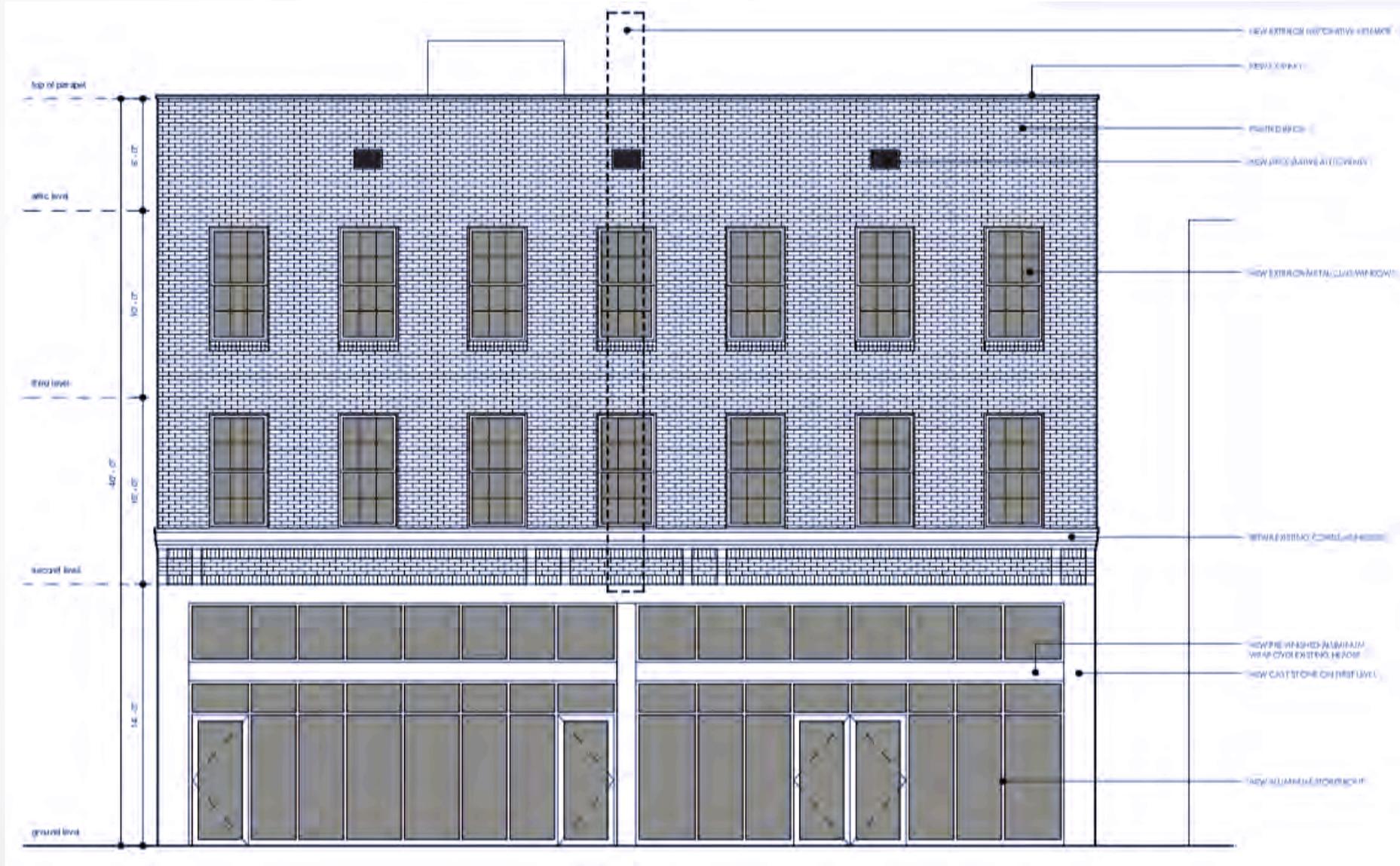


EXISTING BUILDING



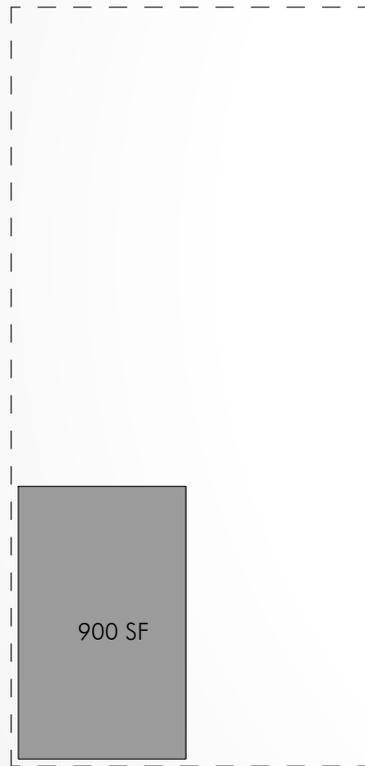
SOUTH MAIN RENOVATION

# Proposed Project - Facade

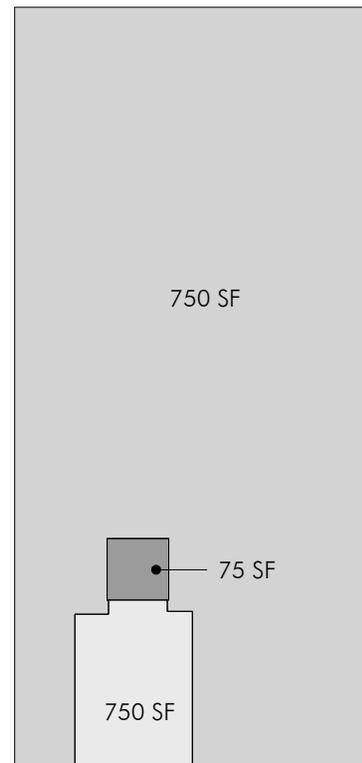


# Proposed Project – Architectural Renderings

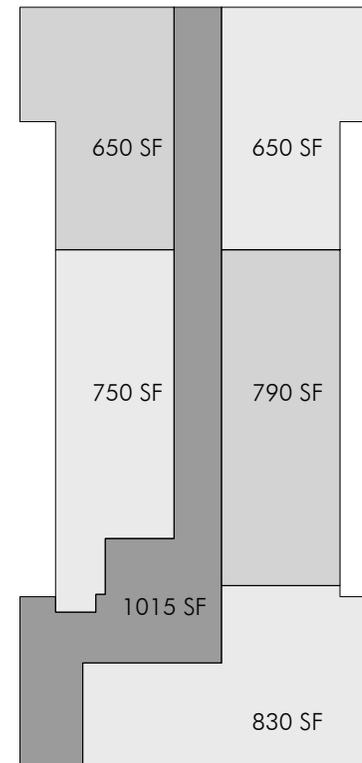
BASEMENT



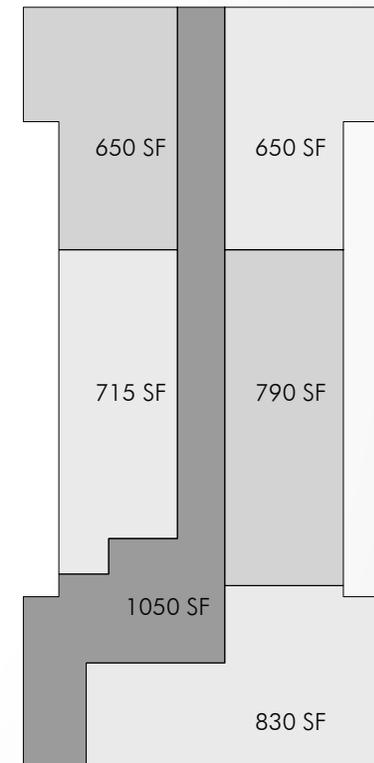
FIRST FLOOR



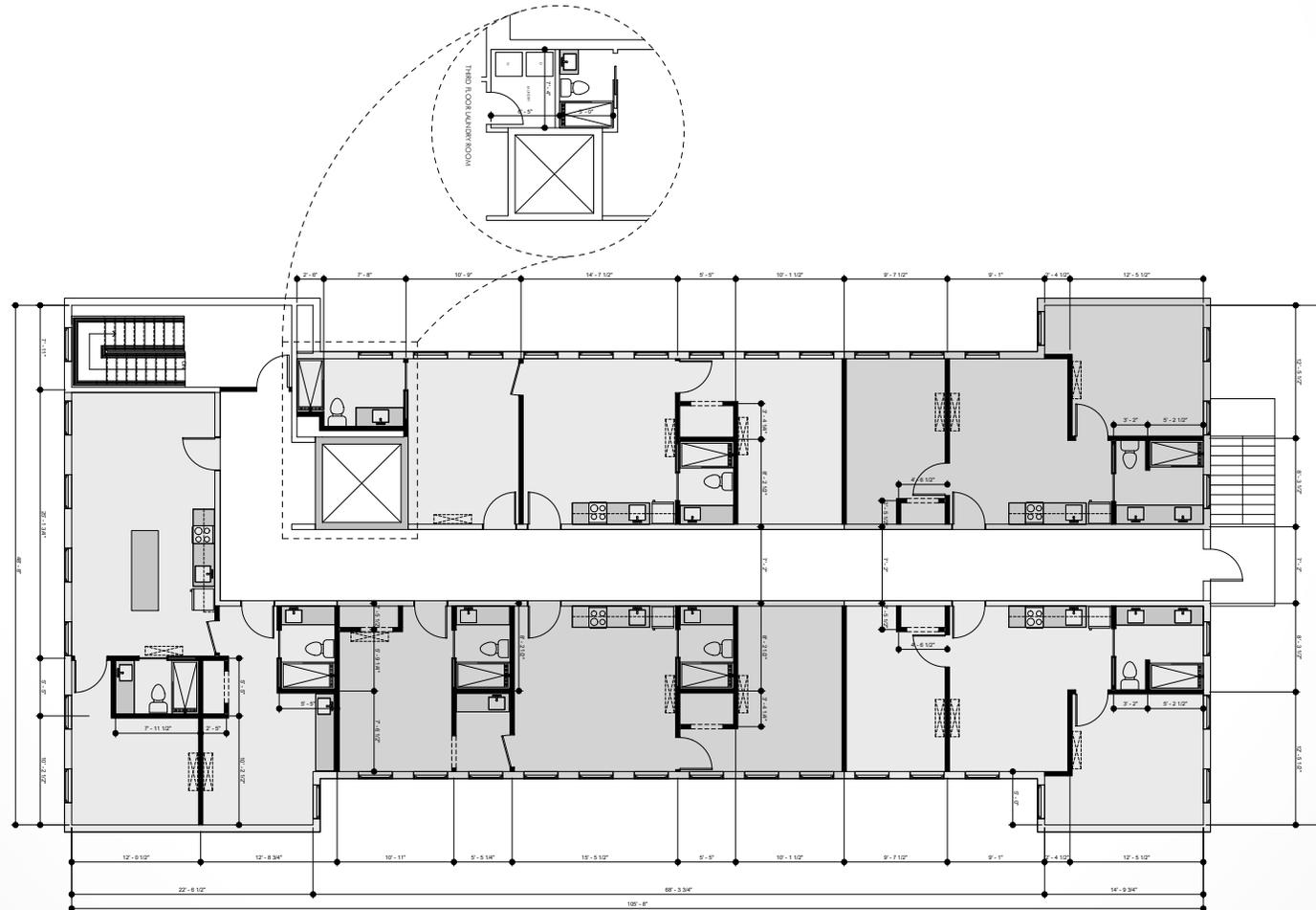
SECOND FLOOR



THIRD FLOOR



# Proposed Project - Architectural Renderings



# Site Control

- Property Owners: David V. Couch – An Individual
- Purchaser: GEM Investments LLC – A Tennessee LLC
- Purchase and Sale Agreement Important Dates:
  - Executed – September 21, 2018
  - Due Diligence Period Start – October 21, 2018
  - Due Diligence Period End – December 24, 2018 (extension option exercised)
  - Extension for Due Diligence Period End – January 24, 2019
  - Close Deadline – February 22, 2019
- Financing provided by First Commercial Bank.

# Financial Items

- Current leases
  - First floor is being leased by a well known hospitality operator.
  - They are paying market rent on ground floor retail for the South Main District. The tenant has signed a 10 year lease.
  - Second and third floor are master leased by an international short term rental operator. They have signed a 5 year commitment for the premises.
- Lender
  - First Commercial Bank
  - \$2,047,000
  - 5 year term/25 year amortization
  - Rate is fixed at 5 year treasury plus 270 bps
  - Projected close date February 19, 2019

# Financial Items – Investment Summary

<b>INVESTMENT SUMMARY</b>						
<b>LOCATION:</b>						
<b>SOURCES:</b>			<b>USES</b>		<b>Total</b>	
Paid in Capital	13.7%	\$ 366,291	Land		\$831,500	
Development Loan + Exterior Improvement Grant	9.7%	\$ 260,000	Hard Costs		\$1,534,500	
Debt	76.6%	\$ 2,047,000	Soft Costs		\$307,291	
Total Project Cost		<b>\$ 2,673,291</b>	Total Costs		<b>\$2,673,291</b>	
<b>Cash Flows:</b>						
		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Effective Gross Income		\$274,025	\$294,673	\$300,408	\$306,256	\$312,218
Expenses		(\$100,392)	(\$101,898)	(\$103,427)	(\$104,978)	(\$106,553)
NOI		\$173,633	\$192,775	\$196,982	\$201,278	\$205,665
Debt Service		(\$154,061)	(\$154,061)	(\$154,061)	(\$154,061)	(\$154,061)
Net Cash Flow		\$19,571	\$38,714	\$42,920	\$47,217	\$51,604

# Financial Items - Development Loan and EIG Source and Use

<b><u>SOURCES:</u></b>			<b><u>USES</u></b>		<b><u>Incentive</u></b>	<b><u>Total</u></b>
Development Loan	62.5%	\$ 200,000	Central HVAC Units	DL	23.44%	\$75,000.00
Exterior Improvement Grant	18.8%	\$ 60,000	Elevator	DL	39.06%	\$125,000.00
Owners Match	18.8%	\$ 60,000	Storefront Doors	EIG	6.25%	\$20,000.00
Total Incentive + Match		<b>\$ 320,000</b>	Façade Windows	EIG	6.25%	\$20,000.00
			Aluminum Storefront Wrap	EIG	15.63%	\$50,000.00
			Storefront Sign w/ LED Accents	EIG	9.38%	\$30,000.00
						<b>\$320,000.00</b>

# Project Timeline

- Loan closing Date:
  - February 19, 2019
- First Expenditure of Financing Funds:
  - For the development loan, elevator preparation work will begin almost immediately after preliminary demolition and site work. The approximate date will be March 15, 2019.
  - For the exterior improvement grant, the façade improvement for the storefront will begin mid-April after preliminary masonry work has been completed and final expenditures will come at the end of the project when the store front display sign is purchased and installed.
- Construction Commencement:
  - Construction will commence with preliminary demolition and site work on March 1, 2019.
- Project Completion:
  - Project is expected to be delivered to the retail tenant by December 31, 2019 and tenant improvements are expected to be completed by March 1, 2020.

# Project Team

- Architects
  - Daniels + Chandler Architects
- Engineer
  - Campbell Engineering
- Environmental
  - Tioga Environmental
- Legal Counsel
  - Farris Bobango PLLC
  - Patricia Adrian
- Management
  - Anchor Property Management
- Brokerage
  - Colliers - Memphis
  - Ben Ricketts
- General Contractor
  - Dwaynes A. Jones Construction Company LLC



# Disclosures

- No guarantor is involved in any current litigation, civil or criminal
- No guarantor has been charged with a felony or indicted
- No guarantor has filed for bankruptcy protections

# Applicant Affirmation

This application is made in order to induce the Memphis Center City Development Corporation (CCDC) to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the CCDC in its consideration of the application is included. The applicant expressly consents to the CCDC's investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the CCDC financial program for which it is applying and agrees to comply with those policies. The applicant shall also be required to show a good faith effort with regard to the employment of minority contractors. The applicant specifically agrees to pay all reasonable costs, fees and expenses incurred by the CCDC whether or not the incentive is granted or project completed.

Representative Signature: 

Date: January 10, 2019