

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: April 17, 2019
RE: Exterior Improvement Grant & Development Loan Request, 425-427 Madison

The enclosed Exterior Improvement Grant & Development Loan applications have been submitted for consideration at the April 24, 2019, CCDC Board Meeting.

Project: **425-427 Madison Ave.**

Applicant/Owner: Preserver Partners, LLC
Representative – Mr. Floyd Tyler
8700 Trail Lake Drive West, Suite 105
Memphis, TN 38125

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

Exterior Improvement Grant in an amount up to \$60,000.

Project Description: The subject property is a vacant 2-story building at the southeast corner of Madison Avenue and S. Lauderdale Street in the Edge neighborhood. The applicant plans a full renovation of the property as a mixed-use building with office use on the ground floor and two rental apartments on the second floor.

This circa 1925 building has a unique triangular floor plan that has accommodated a variety of office, retail, and light industrial uses over the years. The applicant purchased the building in February, 2019 and plans to move their investment management firm, Preserver Partners, into the ground-floor (1,704 sq. ft.) and basement (1,665 sq. ft.). The second floor (1,665 sq. ft.) will be renovated as two rental apartment units.

The applicant is requesting CCDC approval for 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, exterior signage, sidewalk repair, exterior lighting, and exterior painting.

The applicant is also requesting a \$200,000 Development Loan to assist with interior building improvements such as flooring, HVAC, plumbing, electrical, and permanent interior walls.

Contingent upon CCDC and DRB approvals, construction is projected to begin in June, 2019. The exterior renovations and building improvements should be complete by December 31, 2019.

Overall Budget:

The following budget describes the overall project:

Sources:

MMDC Pre-Dev. Grant	\$4,800	(0.5%)
CCDC EIG Grant	\$60,000	(7%)
CCDC Development Loan	\$200,000	(23%)
Owner Equity	\$309,700	(35%)
Bank Financing	\$302,000	(34.5%)
Total Sources	\$876,500	(100%)

Uses:

Property Acquisition	\$375,000	(43%)
Hard Construction Costs	\$384,500	(44%)
Soft Costs	\$10,400	(1%)
Professional Fees	\$94,600	(11%)
Financing Fees	\$12,000	(1%)
Total Uses	\$876,500	(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:

Uses:

Select demolition	\$12,000	(6%)
Waterproofing	\$12,000	(6%)
Framing & Insulation	\$37,000	(18.5%)
Interior Painting	\$6,000	(3%)
Roof & Gutter Repair	\$15,000	(7.5%)
Flooring	\$18,000	(9%)
Plumbing	\$24,000	(12%)
HVAC	\$30,000	(15%)
Electrical	\$30,000	(15%)
<u>Contingency</u>	<u>\$16,000</u>	<u>(8%)</u>
Total Uses	\$200,000	(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 \$60,000.

The following budget describes the EIG scope:

Sources:

Owner's match	\$60,000	(50%)
<u>CCDC EIG</u>	<u>\$60,000</u>	<u>(50%)</u>
Total Sources	\$120,000	(100%)

Uses:

Exterior Painting	\$12,000	(10%)
New Signage & Electrical	\$10,000	(8.5%)
Exterior Repair	\$15,000	(12%)
Exterior Windows	\$32,000	(27%)
Exterior Doors	\$10,000	(8.5%)
Exterior Lighting & Electrical	\$7,500	(6.25%)
Exterior Public Art	\$7,500	(6.25%)
Trash Enclosure Fencing/Pad	\$3,500	(3%)
Façade/Cornice Line Repair	\$10,000	(8.5%)
<u>Sidewalk Repair</u>	<u>\$12,500</u>	<u>(10%)</u>
Total Uses	\$120,000	(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 costs are subject to the EBO program:

Hard Construction Costs	\$384,500
Soft Costs & Professional Fees	\$105,000
Subtotal	\$489,500

According to the above estimates, a 25% level of MWBE inclusion for the estimated hard and soft costs will be approximately **\$122,375**.

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 highly supportive of this project for several reasons. First, the full renovation of existing buildings is an important goal of the CCDC and the DMC. Second, the project is situated along Madison Avenue in the heart of the Edge, an important Downtown neighborhood. Notable recent DMC investments in the Medical District and the Edge neighborhood include:

- Neighborhood public art in partnership with Cat Pena and the Collaboratory
- PILOT and public parking garage in support of The Bakery Apartments, Orion Headquarters, Cycle Shop, and Leo Events.
- Storefront Grant: High Cotton Brewing Company
- EIG: The Marshall, 672 Marshall
- EIG: Arnold’s BBQ, 331 Madison

- Public realm and streetscape improvements in partnership with the Memphis Medical District Collaborative (MMDC).
- EIG: Edge Motor Museum, 645 Marshall Avenue.
- EIG & Development Loan: Karen Adams Designs, 647 Madison Ave.
- Development Grant: The Ravine
- EIG & Development Loan: Pillow-McIntyre House, 707 Adams Ave.
- EIG: Mollie Fontaine Lounge, 679 Adams Ave.

Finally, approving incentives for this project actively supports a local company, Preserver Partners, in their efforts to invest in permanent office space in Downtown Memphis. Recruiting and retaining Downtown office users, especially M/WBE-owned firms, is a top goal for the DMC and its affiliate Boards.

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 \$60,000, based on approved receipts and subject to all standard closing requirements and conditions.