

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: December 3, 2019  
RE: PILOT Application: 46 Keel Ave. (Conwood Development)

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The enclosed PILOT application has been submitted for consideration at the December 10, 2019, CCRFC Board Meeting.

**Project: 46 Keel Ave. (Conwood Mixed-Use Development)**

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Applicant/Owner: Wolf River Harbor Holdings, LLC  
495 Tennessee Street, Suite 152  
Memphis, TN 38103

Project Representatives: William Orgel  
Tom Marsh  
Jay Lindy  
Adam Slovis

Applicant's Request: 20-year PILOT lease for mixed-use commercial project

Included Parcels: Parcel ID 001046 00001 (46 Keel Ave.)

Project Description: The subject property is a 1.969-acre parcel at the northwest corner of N. Front Street and Keel Avenue in the Uptown neighborhood. The property includes a ca. 1910 warehouse and factory complex of six attached or adjacent buildings. The existing buildings range up to 4-story in height and total approximately 287,780 sf. The site has been designated as the American Snuff Company Historic District on the National Register of Historic Places. As part of the overall financing strategy, the developer intends to utilize Federal Historic Tax Credits.

The applicant will renovate the existing buildings as a mixed-use commercial development to include the following major components:

- Approximately 105 multi-family apartment units
- Office space (approx. 78,000 sf)
- Ground-floor commercial (approx. 10,000 sf)

The exterior of the buildings will be restored to the original warehouse style. The development also includes the addition of an outdoor pedestrian space and roof terrace.

Contingent on PILOT approval, the applicant will close on project financing in Q1 2020. Construction will likely begin in Q1 2020 and be complete in Q2 2021.

**Project Budget:**

The total development cost of the project is approximately \$45,958,275. To be eligible for a PILOT, the value of the proposed building renovations, site improvements, or new construction must be equal to, or greater than, at least 60% of the total project cost. Based on the preliminary budget, the project meets this requirement. The following describes the overall sources and uses of funding:

**Sources:**

Debt	\$34,470,000	(75%)
Owner Equity	\$5,664,548	(12%)
Historic Tax Credits	\$5,823,727	(13%)
<b>Total Sources</b>	<b>\$45,958,275</b>	<b>(100%)</b>

**Uses:**

Property Purchase	\$266,344	(0.5%)
Hard Construction Costs	\$35,532,552	(77%)
Soft Costs	\$6,855,112	(15%)
PILOT Fee	\$689,400	(1.5%)
Financing Fees	\$2,144,867	(5%)
Other Fees/Uses	\$470,000	(1%)
<b>Total Uses</b>	<b>\$45,958,275</b>	<b>(100%)</b>

**Project Grading:**

Per the PILOT scoring system, the project could achieve a grade in excess of the program cap of 15 Years.

**Primary Qualifications:**

Residential (+51 units)	6 Years
Office (50,001 – 100,000 sf)	3 Years

**Secondary Qualification:**

Retail (10,000 – 14,999 sf)	1.5 Years
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**Total Project Development Costs:**

+\$20 Million	5 Years
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**Priorities & Initiatives**

Located within CBID	3 Years
Renovation of Contributing Structure	4 Years
+20% Poverty Rate Census Tract	2 Years
80% or less AMI Census Tract	2 Years

<b>Total:</b>	<b>26.5 Years</b>
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Applicant's Request: The applicant is requesting approval of a 20-year PILOT. According to the applicant, approval of a PILOT is necessary for the project to be economically viable and attract financing.

EBO Program: Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC), or any of its affiliate boards, shall include a best faith effort to attain no less than 25% participation by minority and/or women-owned businesses (MWBES) in the project's development costs (design soft costs and construction hard costs). **Compliance with this Equal Business Opportunity (EBO) Program is a closing requirement. If the requirements of the EBO Program are not met, the CCRFC reserves the right to cancel the incentive.**

Based on the current information provided by the applicant, the estimated hard cost and soft costs for this project are as follows:

Hard Construction Costs	\$35,532,552	(95%)
Estimated A&E Soft Costs	\$1,900,000	(5%)
<b>Total Uses</b>	<b>\$37,432,552</b>	<b>(100%)</b>

According to the above estimates, a 25% level of MWBE inclusion for the combined hard and soft costs will be approximately **\$9,358,138**.

Housing Policy: This project will require compliance with the CCRFC's Affordable Housing Requirement. Per the PILOT Program policies, multi-family developments with 51 or more units are subject to, and must be compliant with, DMC's affordable housing policy. Per the policy, at all times during the PILOT term, at least twenty percent (20%) of the residential units shall be occupied by or held available solely for individuals and families of low and moderate income such that the percentage of median gross income shall not exceed eighty percent (80%) of the median gross income for Shelby County, Tennessee.

Design Review Board: The applicant will submit plans to the DRB in the coming months.

Parking Strategy: Regarding the immediate parking strategy for the subject property, it is contemplated that approximately 40-60 parking spaces will be provided within the existing buildings on site. The remainder of the initial parking demand can be satisfied with surface parking on the north

side of the site. It should be noted that the applicant owns other key property within the neighborhood and is considering future PILOT requests. Future development could include structured parking that serves the broader neighborhood and supports additional projects.

Estimated Payments:

The current annual city and county taxes on the property total approximately **\$3,429**. A PILOT would allow for the full renovation of a vacant and blighted property.

During the 20-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$157,910**. This represents a **4505%** increase from the amount of taxes currently generated by the property. Over the course of the 20-year PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$3,089,620**.

Staff Evaluation:

Based on the submitted application and the accompanying pro forma, DMC staff agrees with the applicant that a PILOT is needed for the project to be economically viable, attract bank financing, and warrant equity investment. The DMC's Strategic Plan encourages the following: facilitating and accelerating real estate development, incentivizing development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment.

In most cases, staff recommends that the CCRFC limit PILOTs to a maximum length of 15 years. However, staff is supportive of an exception in this case to approve a 20-year PILOT for several key reasons.

First, this project involves the adaptive reuse of a historic property on the National Register of Historic Places. The DMC proactively encourages adaptive reuse and historic preservation as effective strategies to develop Downtown Memphis in a way that leverages our authenticity and unique sense of place as competitive advantages.

Second, this building has sat in a vacant and blighted condition for several years. Remediating the condition of this property has been a priority of the DMC's Anti-Blight Committee for the past 24 months. Third, this project will add new office space and multi-family housing stock to the market. Increasing Downtown's residential and daytime population are key metrics of success for the DMC. Increasing Downtown's population adds vibrancy to the district and directly supports new and existing retail options.

Finally, the project is located in Uptown, a section of the Central Business Improvement District (CBID) that has historically seen less investment than other areas. The DMC staff works with partners in the public and private sectors to encourage new projects in this important neighborhood. As was the case with recent approvals for Malone Park Commons, 61 Keel, and Grind City Brewing, the DMC and its affiliate agencies are emphatically supporting new investment in Uptown. Further, the CCRFC's PILOT Grading Criteria places special emphasis on Census Tracts that have a poverty rate in excess of 20% and/or a median income of 80% or less of the area median income (AMI). Directing new investment towards these census tracts is a high priority for the CCRFC and the DMC.

**Recommendation:**

**Staff recommends approval of a 20-year PILOT subject to the applicant achieving the proposed grading enhancements and meeting all standard closing requirements and conditions.**