



To: Center City Development Corporation (CCDC) Board of Directors
From: DMC Staff
Date: April 9, 2019
RE: 64 S. Main – Request to Modify Terms of Previously-Approved Development Loan

Background:

On October 10, 2018, the CCDC approved a Development Loan in an amount up to \$200,000 in support of the planned redevelopment at 64 S. Main Street. The Center City Revenue Finance Corporation (CCRFC) also approved a 15-year PILOT for the project.

The subject property is located on the east side of the Main Street Mall, in the block between Monroe Avenue and Union Avenue. The building, currently vacant, is recognized as a Contributing Structure within the locally-zoned Gayoso-Peabody Historic Preservation (Landmarks) District. The two-story building contains about 3,715 sq. ft. per floor including a full basement. The applicant plans to renovate the building as a mixed-use development to include a boutique fitness and wellness center, healthy food concept, pop-up shops, and creative office space.

Request:

The CCDC Development Loan is designed to be 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 loan is traditionally paid out after the work has been completed, based on approved receipts.

The applicant is requesting modifications to the standard loan terms to allow the project to go forward as planned. The building's appraisal did not ultimately include the basement level, an area planned to be a fitness concept. The unexpectedly low appraisal left a gap of approximately \$100,000 that must be filled in order for the applicant to close on property acquisition and begin construction.

The applicant is requesting an advance of half of their approved Development Loan (\$100,000), to be paid out on the front end to close the financing gap to acquire the property. The remaining half (\$100,000) of the loan would remain as reimbursable after the eligible work has been completed. The applicant will sign a personal guarantee as security for the proposed Development Loan.

Subject to approval of this modified Development Loan, the applicant expects to close on project financing within 1-week. Construction will begin soon thereafter and will likely be complete by the end of 2019.

Staff Recommendation:

It must be noted that in the vast majority of cases, staff would not be supportive of the proposed request. Making the Development Loan reimbursable after work has been completed is a mechanism designed to mitigate financial risk to the CCDC.

However, the full redevelopment of this vacant property is a DMC priority. As part of its Main Street Strategy, the Downtown Memphis Commission (DMC) has a strategic focus on fighting blight, adding vibrancy, and improving property values along the Main Street Mall. Encouraging the full renovation of this vacant building has been a goal of the DMC staff over the past 24 months. Staff recognizes that flexibility is sometimes needed when working with smaller projects that can be inherently difficult due to thin margins and without the benefit of economies of scale.

Staff is supportive of approving the proposed modifications to the loan terms with the following conditions:

- All owners of the applicant entity must sign a personal guarantee to secure the \$200,000 Development Loan
- Receipts to support the \$100,000 advance shall be provided to CCDC as paid and within six (6) months of amendment approval.
- Applicant to close on the PILOT on the same day or before the advance on the Development loan is funded.
- Should the standard terms of the Development Loan not be met, the \$100,000 advance will become due and payable at such time the determination is made. Such terms included but are not limited to EBO Program compliance and provision of qualifying receipts for approved work.