



To: CCRFC Board of Directors  
From: DMC Staff  
Date: August 1, 2017  
Re: Downtown PILOT Program and Policies

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**BACKGROUND:**

The Downtown Memphis Payment-In-Lieu-Of-Taxes (PILOT) Program is a financial incentive designed to encourage commercial real estate development in and around the Downtown Memphis area by fixing property taxes at the predevelopment level (plus a gradual increase) for a set period of time. The PILOT length is determined by a grading system that factors in use, development cost, location, as well as other criteria. Periodically, those criteria are reevaluated by staff and the CCRFC Policy Committee to ensure they are reflective of community priorities and market conditions.

**2016 POLICY CHANGE:**

In July 2016, the CCRFC modified its PILOT policy for projects located outside the Central Business Improvement District (CBID) but within CCRFC's jurisdictional boundaries (the Parkway system). This policy change allowed for an 8-year maximum PILOT for eligible projects located outside the CBID but within the Parkways. The goal of this policy change was to encourage numerous small projects that needed short PILOTs to become viable and get underway. The change was approved for a 36-month trial period. The intent of the trial period was to test the approach and reevaluate and make adjustments, if needed.

Prior to this policy change, CCRFC PILOTs were reserved for large, catalytic projects, such as Crosstown Concourse. Smaller projects would have been ineligible for CCRFC PILOTs under the pre-2016 policy.

**STAFF RECOMMENDATION:**

During the first year of this new policy, no requests for PILOTs outside the CBID have been reviewed by the CCRFC. Feedback from the development community leads staff to

conclude than an 8-year PILOT term is insufficient to attract financing and make new construction projects financially viable within the CCRFC's jurisdiction. Given the fact that attracting new multi-family development to the core city is a pronounced community priority, staff suggests that CCRFC modify its policy for PILOTs outside the CBID but located within its jurisdiction.

#### **PROPOSED PILOT POLICY MODIFICATIONS:**

DMC staff recommends the following five changes in order to streamline the PILOT policies and treat all areas within the CCRFC jurisdiction similarly. Additionally, these changes will allow the CCRFC to be more aggressive in using the PILOT as a tool for increasing density and supporting new development in the urban core of Memphis.

1. The length of PILOT terms for all projects within the CCRFC's jurisdiction will be based on the same grading criteria and matrix.
2. The PILOT fee will not vary by location and will remain at 1% of total development cost for terms up to 10 years and 1.5% for terms more than 10 years.
3. The PILOT grading matrix will be revised to add 3 years to projects located within the CBID (see attached; new text in yellow highlighter on pg. 12 of revised PILOT application)
4. The PILOT grading matrix will be revised to add 1 year to projects located outside the CBID but within the CCRFC's jurisdiction (see attached; new text in yellow highlighter on pg. 12 of revised PILOT application).
5. For projects located outside the CBID but within the CCRFC's jurisdiction, only multi-family or mixed-use projects including a multi-family component are eligible for a CCRFC PILOT.

#### **POTENTIAL FUTURE PROGRAM IMPROVEMENTS:**

In addition to supporting multi-family and mixed-use developments outside the CBID as described above, CCRFC has the potential to approve PILOTs for scattered site projects including multiple residential apartment structures (duplex, triplex, and larger) on separate parcels located within a neighborhood. The CCRFC's goal with a scattered site, or urban infill, PILOT is to support new infill development in core city neighborhoods where single large sites may not be available or appropriate. While not a policy change, DMC staff will be working with the CCRFC Policy Committee and the local development community in the coming months to investigate the feasibility of using the PILOT to encourage new urban infill within the Parkways.

# APPENDICES

## Appendix I – PILOT Grading

*A project must meet at least one primary qualification category in order to be eligible for any applicable secondary qualifications and/or additional term accumulation. Exceptions for projects that further the priorities of the CCRFC may be granted at the discretion of the CCRFC board.*

<b>PRIMARY QUALIFICATION</b>		<b>SECONDARY QUALIFICATION</b>	
<b>RESIDENTIAL</b>			
2 to 5 Units:	<i>1 Year</i>	2 to 5 Units:	<i>.5 Year</i>
6 to 10 Units:	<i>2 Years</i>	6 to 10 Units:	<i>1 Year</i>
11 to 15 Units:	<i>3 Years</i>	11 to 15 Units:	<i>1.5 Years</i>
16 to 25 Units:	<i>4 Years</i>	16 to 25 Units:	<i>2 Years</i>
26 to 50 Units:	<i>5 Years</i>	26 to 50 Units:	<i>2.5 Years</i>
51 Units +:	<i>6 Years</i>	51 + Units:	<i>3 Years</i>
<b>OFFICE</b>			
Below 15,000 sf:	<i>1 Year</i>	Below 15,000 sf:	<i>.5 Year</i>
15,000 to 50,000:	<i>2 Years</i>	15,000 to 50,000:	<i>1 Year</i>
50,001 to 100,000:	<i>3 Years</i>	50,001 to 100,000:	<i>1.5 Years</i>
100,001 to 200,000:	<i>4 Years</i>	100,001 to 200,000:	<i>2 Years</i>
200,001 to 300,000:	<i>5 Years</i>	200,001 to 300,000:	<i>2.5 Years</i>
300,001 sf +:	<i>6 Years</i>	300,001 sf +:	<i>3 Years</i>
<b>EDUCATION</b>			
Below 15,000 sf:	<i>1 Year</i>	Below 15,000 sf:	<i>.5 Year</i>
15,000 to 50,000:	<i>2 Years</i>	15,000 to 50,000:	<i>1 Year</i>
50,001 to 100,000:	<i>3 Years</i>	50,001 to 100,000:	<i>1.5 Years</i>
100,001 to 200,000:	<i>4 Years</i>	100,001 to 200,000:	<i>2 Years</i>
200,001 to 300,000:	<i>5 Years</i>	200,001 to 300,000:	<i>2.5 Years</i>
300,001 sf +:	<i>6 Years</i>	300,001 sf +:	<i>3 Years</i>
<b>HOTEL</b>			
2 to 10 Rooms:	<i>1 Year</i>	2 to 10 Rooms:	<i>.5 Year</i>
11 to 25 Rooms:	<i>2 Years</i>	11 to 25 Rooms:	<i>1 Year</i>
26 to 50 Rooms:	<i>3 Years</i>	26 to 50 Rooms:	<i>1.5 Years</i>
51 to 100 Rooms:	<i>4 Years</i>	51 to 100 Rooms:	<i>2 Years</i>
101 to 200 Rooms:	<i>5 Years</i>	101 to 200 Rooms:	<i>2.5 Years</i>
201 Rooms +:	<i>6 Years</i>	201 Rooms +:	<i>3 Years</i>
<b>INDUSTRIAL</b>			
Below 50,000 sf:	<i>1 Year</i>	Below 50,000 sf:	<i>.5 Year</i>
50,000 to 150,000:	<i>2 Years</i>	50,000 to 150,000:	<i>1 Year</i>
150,001 to 250,000:	<i>3 Years</i>	150,001 to 250,000:	<i>1.5 Years</i>
250,001 to 350,000:	<i>4 Years</i>	250,001 to 350,000:	<i>2 Years</i>
350,001 to 500,000:	<i>5 Years</i>	350,001 to 500,000:	<i>2.5 Years</i>
500,001 sf +:	<i>6 Years</i>	500,001 sf +:	<i>3 Years</i>
<b>PARKING STRUCTURES</b>			
200 to 300 cars:	<i>1 Year</i>	200 to 300 cars:	<i>.5 Year</i>
301 to 400 cars:	<i>2 Years</i>	301 to 400 cars:	<i>1 Year</i>
401 to 500 cars:	<i>3 Years</i>	401 to 500 cars:	<i>1.5 Years</i>
501 to 600 cars:	<i>4 Years</i>	501 to 600 cars:	<i>2 Years</i>
601 to 700 cars:	<i>5 Years</i>	601 to 700 cars:	<i>2.5 Years</i>
701 cars +:	<i>6 Years</i>	701 cars +:	<i>3 Years</i>

**RETAIL**

15,000 to 20,000 sf:	4 Years	Below 5,000 sf:	.5 Year
20,001 to 30,000 sf:	5 Years	5,000 to 9,999 sf:	1 Year
30,001 sf + :	6 Years	10,000 to 14,999 sf:	1.5 Years
		15,000 to 20,000 sf:	2 Years
		20,001 to 30,000 sf:	2.5 Years
		30,001 sf + :	3 Years

**TOTAL PROJECT DEVELOPMENT COST**

\$1 – 5 Million:	1 Year
\$5+ – 10 Million:	2 Years
\$10+ – 15 Million:	3 Years
\$15+ – 20 Million:	4 Years
\$20+ Million:	5 Years

**CCRFC Priorities**

**General Location**

Located in CBID (Appendix II):	3 Years
Located outside CBID, but inside CCRFC boundaries (Appendix II):	1 Year

**Core & Historic**

*Project may only qualify for one of the following five:*

Construction of a new structure in the Downtown Core:	1 Year
Renovation of an existing structure in the Downtown Core:	2 Years
Renovation of a structure listed as non-contributing property in a National Register or Landmarks Commission Historic District:	3 Years
Renovation of a structure listed as significant or contributing in a National Register or Memphis Landmarks Commission Historic District:	4 Years
Renovation of a structure listed individually on the National Register of Historic Places:	5 Years

**Community-based Initiatives & Economically Distressed Areas**

*Project may qualify for up to two of the following:*

Fronting the Main to Main Multi-Modal Connector Route (Appendix II):	3 Years
Located within the boundaries of the Edge Neighborhood (Appendix II):	3 Years
Located within the boundaries of the South City Impact Area (Appendix II):	3 Years
Located within the boundaries of the Pinch Neighborhood (Appendix II):	4 Years
Located in a Census Tract with a Poverty Rate over 20 percent*	2 Years
Located in a Census Tract earning 80 or less of Area Median Income (AMI)*	2 Years

**Design & Energy**

*Project may qualify for one or more of the following:*

Including permanent public art (qualification determined by the DMC Design Review Board):	1 Year
Including enhanced architectural lighting (qualification determined by the DMC Design Review Board):	1 Year
Leadership in Energy and Environmental Design (LEED) Certification:	4 Years

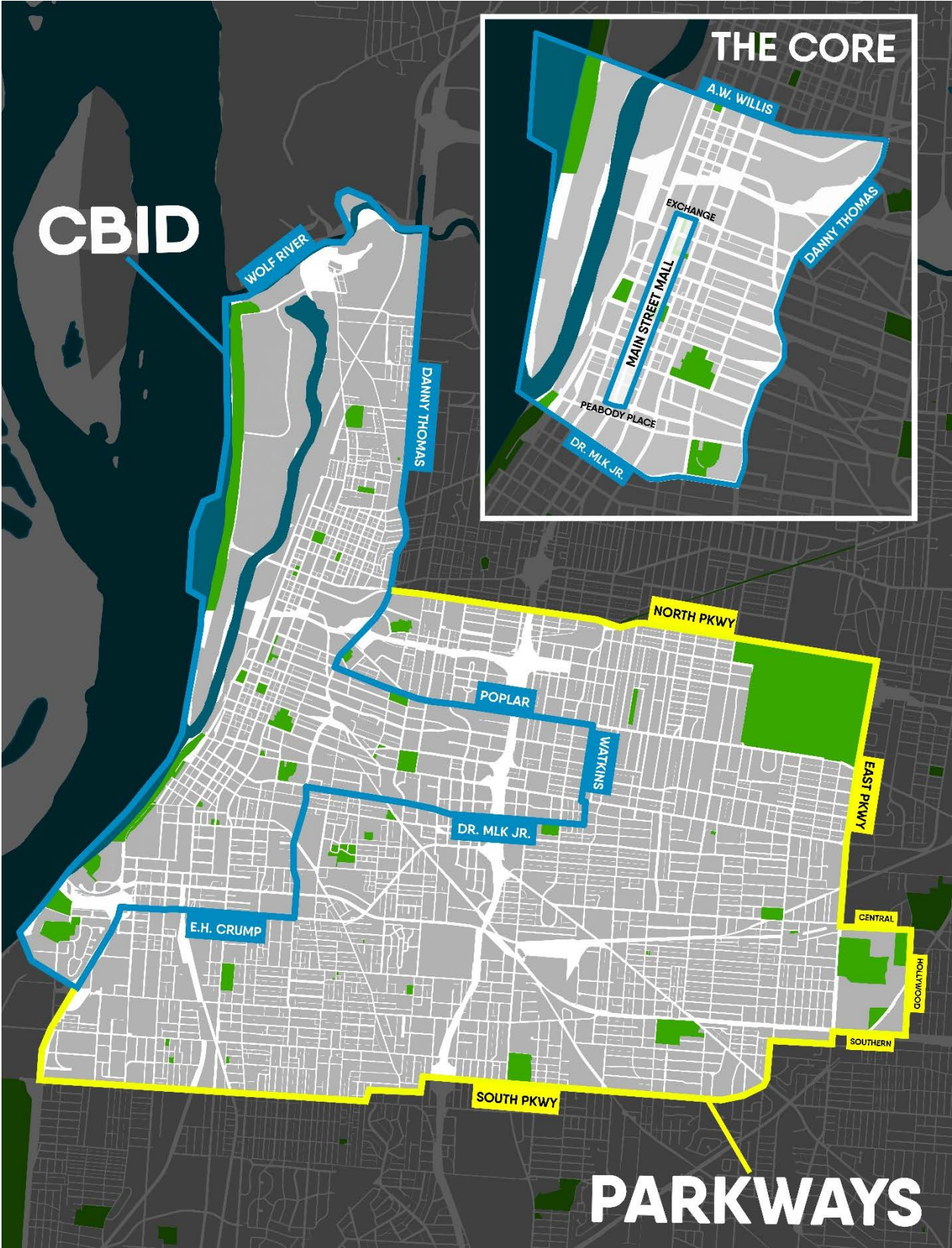
Net Zero Energy Building (NZEB) Certification:	4 Years
Memphis Light, Gas and Water (MLGW) Energy Advantage Certification:	1 Years

\* Applicants may refer to the HUD map to confirm qualification; <https://www.huduser.gov/qct/qctmap.html>.

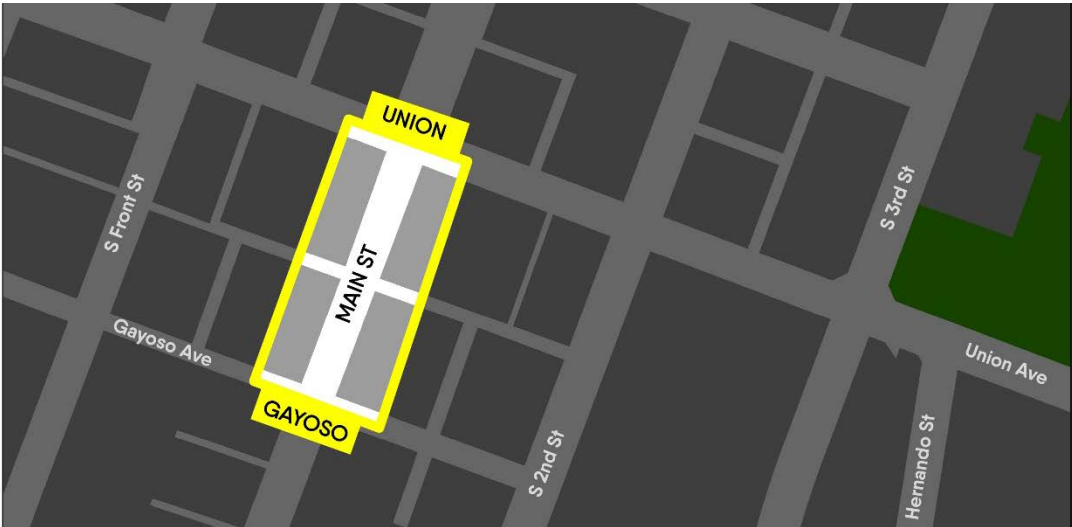
**PILOT TERM CALCULATION**

Primary Qualification:	
Secondary Qualification A:	
Secondary Qualification B:	
Secondary Qualification C:	
Total Project Development Cost:	
CCRFC Priorities:	
<b>PILOT TERM:</b>	

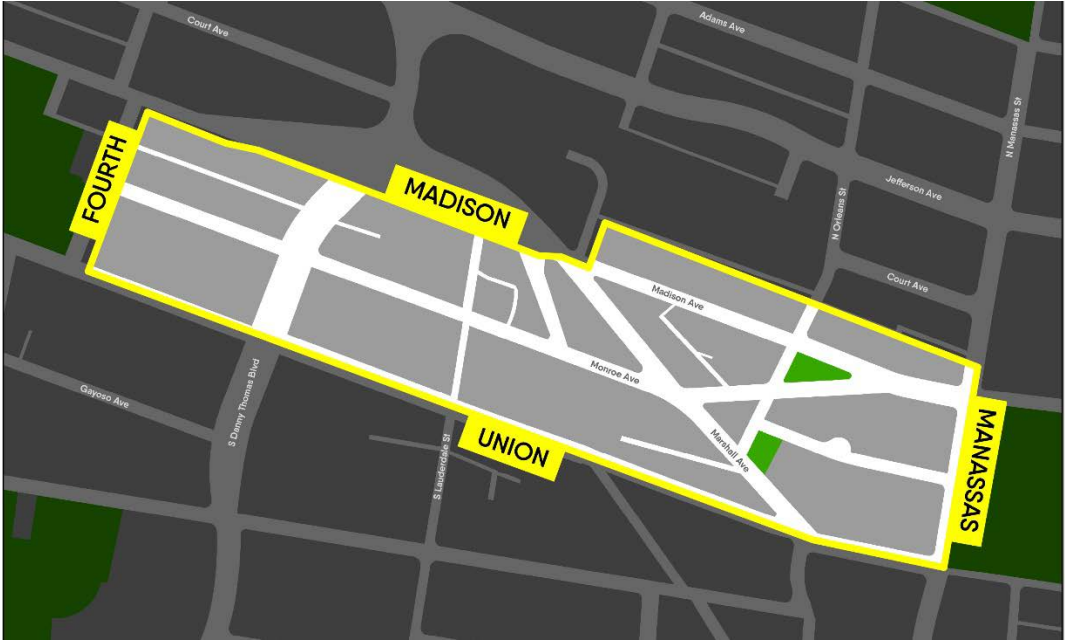
# APPENDIX II – PROGRAM BOUNDARIES



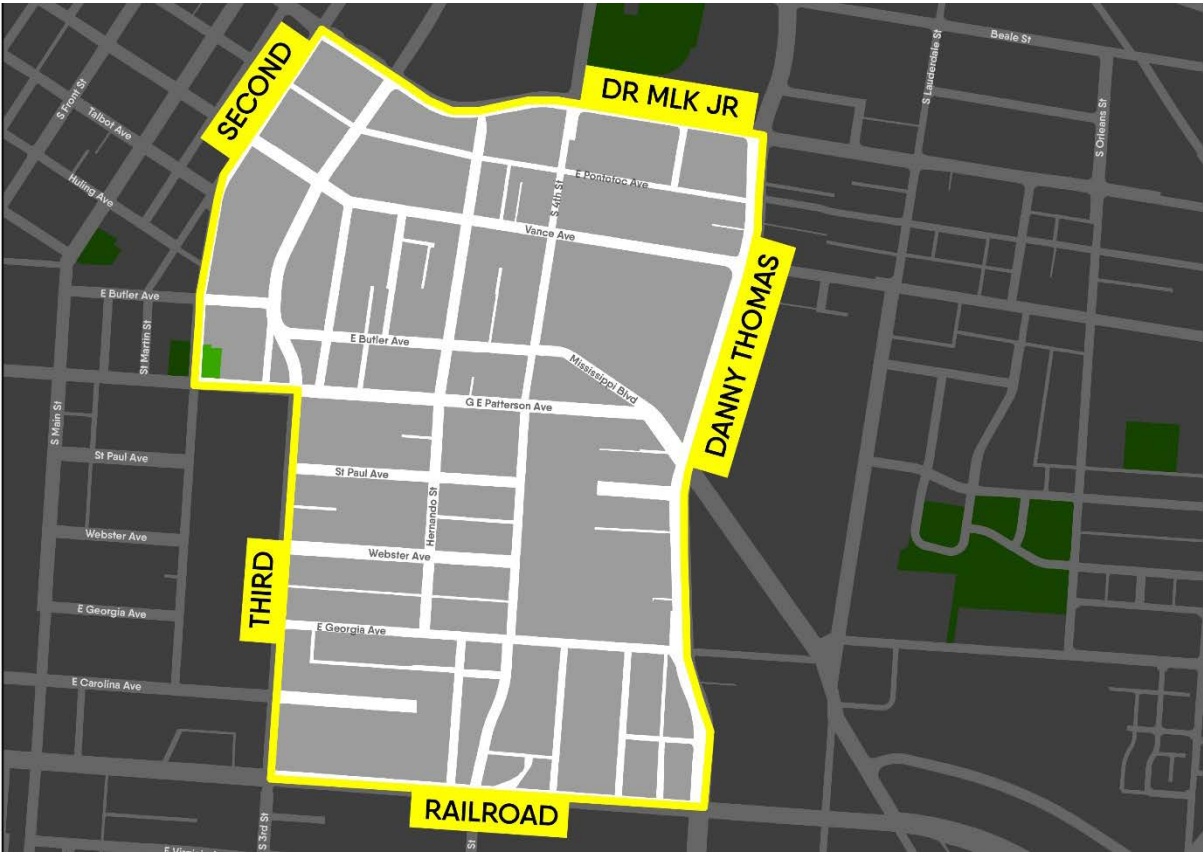
### Demonstration Block



### Edge



### South City Impact Area



### The Pinch District

