

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: August 8, 2018
RE: Development Loan Application – 226-236 S. Lauderdale

The enclosed Development Loan application has been submitted for consideration at the August 15, 2018, CCDC Board Meeting.

Project: 226-236 S. Lauderdale

Applicant/Owner: Jonathan Thomas
8362 Cedar Bend Cove
Memphis, TN 38018

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

Project Description: The subject property is located on the east side of S. Lauderdale Street, in the block between Dr. MLK Jr. Avenue and Jessamine Avenue. The site is located to the northeast of Mt. Olive Cathedral CME Church and a short distance east of the recently completed Universal Life Building adaptive reuse project. The Juvenile Intervention and Faith-based Follow-up (JIFF) is located directly to the south.

The 0.7-acre site includes one parcel with a two-story apartment building. The existing building, built circa 1959, contains 30 one-bedroom rental units organized in a U-shape around a central courtyard. The applicant purchased the building in early 2018 and plans a full renovation of the building for market-rate apartments. Currently, the property does not provide on-site parking. That condition is unlikely to change given the small size of the site. As it stands now, ample street parking is available in the neighborhood.

Given the condition of the building and the significant work required, the applicant is requesting a CCDC Development Loan to assist with permanent building improvements and a CCDC Exterior Improvement Grant (EIG) for exterior aesthetic enhancements to the building and site. The applicant plans to begin renovation work in September and be completed in Q1 2019.

Project Budget:

The following budget describes the overall financial structure of the project, including both the Development Loan and the Exterior Improvement Grant scopes of work.

Overall Project Sources:

Owner-funded	\$147,990	(36%)
CCDC Development Loan	\$200,000	(49%)
CCDC EIG	\$59,725	(15%)
Total Project Sources	\$407,715	(100%)

Overall Project Uses:

Exterior work	\$254,265	(62%)
Interior work	\$153,450	(38%)
Total Project Uses	\$407,715	(100%)

Development Loan Budget:

The CCDC 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 the applicant lower monthly payments.

The Development Loan can be used for 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 following budget describes the scope of work for the requested Development Loan:

Uses:

Exterior Work

Roof repair	\$24,000	(12%)
New dumpster pad	\$1,100	(.5%)
Balcony structural repair	\$14,000	(7%)
Stair structural repair	\$2,700	(1.3%)
Breezeway structural repair	\$5,000	(2.5%)
Central HVAC system	\$60,000	(30%)

Interior Work

Interior painting	\$12,000	(6%)
New flooring	\$27,000	(13%)
New washer/dryer connections	\$7,500	(3.7%)
Plumbing repair	\$9,000	(5%)
Electrical repair	\$15,000	(8%)
<u>Construction contingency</u>	<u>\$23,115</u>	<u>(11%)</u>
Total Eligible Uses	\$200,415	(100%)

Design Review:

Design Review Board (DRB) review and approval will be required for the exterior scope of work.

Final Loan Amount: The Development Loan 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 potentially eligible uses listed on page 2 total \$200,415.

EBO Program: Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC) shall include a best faith effort to reach no less than 25% participation by minority and/or women owned businesses (M/WBE) in the project's development cost (design 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 CCDC will cancel the incentive.** According to the overall project budget, a 25% level of M/WBE inclusion for the entire scope of work is approximately **\$101,928**.

Staff Evaluation: Staff is in full support of approving a Development Loan and Exterior Improvement Grant for this renovation. This project is highly consistent with the DMC's dual goals of improving commercial property values and adding new population to Downtown Memphis. Moreover, the proposed exterior improvements will be high-impact and should help transform this site from an underutilized property to a neighborhood asset. The exterior changes will beautify the property and enhance neighborhood safety with new lighting and appropriate fencing. The planned improvements using the Development Loan will raise the quality of the rental housing product with noticeable upgrades including central heat and air, plumbing repair, and refurbished stairs, balconies, and breezeways.

Additionally, this project is located within South City, an area of special focus for the DMC in partnership with the City of Memphis and the South City Choice Neighborhood Initiative. DMC staff will continue to work collaboratively with our partners to attract new investment and redevelopment to this important neighborhood.

Recommendation: **Staff recommends approval of a Development Loan in an amount up to \$200,000, based on approved receipts and subject to all standard closing requirements and conditions.** The applicant requests that the loan be dispersed as a series of draws, based on approved receipts, after major project phases have been completed and inspected by DMC staff.