

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: November 6, 2019  
RE: PILOT Application: 107 S. Main St.

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The enclosed PILOT application has been submitted for consideration at the November 12, 2019, CCRFC Board Meeting.

**Project:** 107 S. Main St.

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Applicant: 107 S. Main, LLC  
Mr. Tom Intrator & Mr. Shay Yadin  
5384 Poplar Ave. #400  
Memphis, TN 38119

Project Representative: Mr. John Halford  
cnct. development, LLC  
676 Marshall Ave. Suite 101  
Memphis, TN 38103

Current Owner: Prau Investment, LLC  
PO Box 38328  
Germantown, TN 38183

Applicant's Request: 15-year PILOT lease for adaptive reuse of a vacant 4-story building for retail and office use

Included Parcel: Parcel ID 002042 00016 (107 S. Main)

Project Description: The subject property consists of one parcel (0.157-acre) located on the west side of South Main Street, in the block between Gayoso Avenue and Union Avenue. The property contains a vacant and blighted 4-story historic building. The circa 1910 commercial building will be redeveloped to include approximately 6,000 sq. ft. of ground-floor retail space with over 18,000 sq. ft. of commercial and office space on floors 2-4.

The applicant has a pending contract to purchase the property. Contingent on PILOT approval, the applicant plans to close on project financing and property acquisition. Construction will likely begin in Q4 2020 and could be complete by mid- 2021.

Project Budget:

The total development cost of the project is approximately \$7,016,357. 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	\$5,262,268	(75%)
Owner Equity	\$1,754,089	(25%)
<b>Total Sources</b>	<b>\$7,016,357</b>	<b>(100%)</b>

**Uses:**

Property Purchase	\$1,150,000	(16%)
Hard Construction Costs	\$4,717,200	(67%)
Soft Costs	\$594,032	(9%)
Financing Fees	\$555,125	(8%)
<b>Total Uses</b>	<b>\$7,016,357</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 Qualification:

Office (15,000 – 50,000 sf)	2 Years
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Secondary Qualification:

Retail (5,000 – 9,999 sf)	1 Years
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Total Project Development Costs:

\$5-10 Million	2 Years
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Priorities & Initiatives

Located within CBID	3 Years
Historic Renovation - Contributing	4 Years
Main to Main Route Frontage	3 Years
Public Art	1 Year
Enhanced Architectural Lighting	1 Year

Total: 17 Years

**Program Cap: 15 Years**

Applicant’s Request:

The applicant is requesting approval of a 15-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	\$4,717,200	(89%)
Soft Costs	\$594,032	(11%)
<b>Total Uses</b>	<b>\$5,311,232</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 **\$1,327,808.**

Design Review Board:

The applicant will submit plans to the DRB in the coming months.

Estimated Payments:

The current annual city and county taxes on the property total approximately **\$20,897.** A PILOT would allow for an vacant and blighted building to be renovated brought back into active commercial use.

During the 15-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$41,406.** This represents a **98%** increase from the amount of taxes currently generated by the property. Over the course of the 15-year PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$307,627.**

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.

107 S. Main has been a top-priority of the DMC's anti-blight focus for over 10 years. Given the strategically important location of this vacant property along the Main Street Mall and within the Demonstration Block, staff is in full support of this PILOT request. Remedying the blighted condition of this property will remove one of last the remaining long-term vacancies on this block.

Additionally, supporting development that adds new ground-floor space for retail tenants along the Main Street Mall is highly consistent with the DMC's Retail Strategy. Building compact critical mass and improving the density of retail offerings within established retail nodes are key strategies for increasing pedestrian traffic and improving Downtown's overall commercial vibrancy.

**Recommendation:**

**Staff recommends approval of a 15-year PILOT subject to the applicant achieving the proposed grading enhancements and meeting all standard closing requirements and conditions.**