

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: June 2, 2020  
RE: PILOT Application: 2035 Madison Ave.

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The enclosed PILOT application has been submitted for consideration at the June 9, 2020, CCRFC Board Meeting.

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**Project: 2035 Madison Mixed-Use Development**

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Applicant/Property Owner: Mr. Taylor Caruthers  
Caruthers Group, LLC  
2075 Madison Ave.  
Memphis, TN 38104

Applicant's Request: 10-year PILOT

Included Parcel: Parcel ID 017064 00003C (2035 S. Madison Ave.)

Project Description: The subject property is located on the south side of Madison Avenue, in the block between Diana Street and South Morrison Street. The site is of an atypical shape, with primary frontage at the corner of Madison and Diana and secondary frontage on the west side of the block along Morrison Street. Two vacant buildings along Madison Avenue will be demolished to clear the site.

The project will involve new construction for a mixed-use development with 29 apartment units, approximately 4,000 sq. ft. retail space along Madison Avenue, and 50 off-street parking spaces.

The applicant owns the subject property. Contingent on PILOT approval, the applicant plans to close on project financing within 6 months and will likely begin construction in early 2021 and be finished by late 2022.

Project Budget: The total development cost of the project is approximately \$6,662,200. 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	\$4,913,373	(74%)
Equity	\$1,748,828	(26%)
<b>Total Sources</b>	<b>\$6,662,200</b>	<b>(100%)</b>

**Uses:**

Property purchase	\$950,000	(14%)
Hard construction costs	\$5,319,000	(80%)
Professional fees	\$266,000	(4%)
Permits & testing	\$20,000	(0.5%)
Legal, insurance, marketing	\$40,000	(0.5%)
PILOT closing fee	\$67,200	(1%)
<b>Total Uses</b>	<b>\$6,662,200</b>	<b>(100%)</b>

Project Grading: Per the PILOT scoring system, the project could achieve a maximum grade of 10.5 years.

Primary Qualification:

Residential (26-50 units) 5 Years

Secondary Qualifications:

Retail (below 5,000 sf) 0.5 Year

Total Project Development Costs:

\$5 - 10 Million 2 Years

Priorities & Initiatives

Located within CCRFC boundaries 1 Year

Census Tract w/ +20% poverty 2 Years

**Total Potential PILOT Grade: 10.5 Years**  
**PILOT Request 10 Years**

Applicant's Request: The applicant is requesting approval of a 10-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.**

The estimated hard cost and professional fees for this project are as follows:

Hard construction costs	\$5,319,000	(95%)
Professional fees	\$266,000	(5%)
<b>Total Uses</b>	<b>\$5,585,000</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 **\$1,396,250**.

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 \$10,204. A PILOT would allow for vacant and underutilized property to be replaced with new infill housing and commercial space in the heart of Midtown.

During the 10-year PILOT term, the annual payment in lieu of taxes is estimated at approximately \$41,608. This represents a 307% increase from the amount of taxes currently generated by the property. Over the course of the 10-year PILOT term, the cumulative increase in new taxes generated by this property will be approximately \$314,038.

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.

Supporting new development and attracting investment to the core city is a top priority for the CCRFC and the City of Memphis. The proposed redevelopment near Overton Square will replace vacant and underutilized property with

mixed-use infill development. Contemporary in architectural character, the proposed development will feature an active ground-floor with new space for commercial activity along Madison Avenue.

This infill project is closely aligned with the CCRFC's goal of increasing population density by adding new housing units and vibrancy within our urban core. While the project is modest in size, putting vacant and underutilized property back into productive use is an important step toward the city's goal of building up, and not out, in Memphis' core neighborhoods.

**Recommendation:**

**Staff recommends approval of a 10-year PILOT subject to the applicant meeting all standard closing requirements and conditions.**