

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: November 6, 2019
RE: PILOT Application: 316 & 324 S. Front St.

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

Project: **316 & 324 S. Front Street**

Applicant: 324 S Front, 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: Stars & Stripes 1B, LLC
1123 Zonolite Rds
Atlanta, GA 30306

Applicant's Request: 15-year PILOT lease for mixed-use commercial project

Included Parcels: Parcel ID 002102 00011C (316 S. Front)
Parcel ID 002102 00013 (324 S. Front)

Project Description: The subject property consists of two contiguous parcels at the northeast corner of Vance Avenue and South Front Street. The property includes a vacant lot (0.459 acres) and an existing 3-story historic brick building (ca. 1900).

The developer plans to transform the site by renovating the existing historic building and constructing a new 6-story building with 165 apartment units on the adjacent vacant lot. Additionally, a new podium parking structure will accommodate approximately 120 parking spaces. Approximately 10,000 sq. ft. of retail space is also planned for the site.

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 in Q3 2022.

Project Budget:

The total development cost of the project is approximately \$30,218,096. 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	\$22,663,572	(75%)
Owner Equity	\$7,554,524	(25%)
Total Sources	\$30,218,096	(100%)

Uses:

Property Purchase	\$3,000,000	(10%)
Hard Construction Costs	\$23,347,562	(77%)
Soft Costs	\$898,200	(3%)
Financing Fees	\$1,948,484	(6.5%)
Other Uses	\$1,023,850	(3.5%)
Total Uses	\$30,218,096	(100%)

Project Grading:

Per the PILOT scoring system, the project could achieve a grade in excess of the program cap of 15 Years.

Primary Qualification:

Residential (+51 units) 6 Years

Secondary Qualification:

Retail (10,000 – 14,999 sf) 1.5 Years

Total Project Development Costs:

+\$20 Million 5 Years

Priorities & Initiatives

Located within CBID 3 Years
 Public Art 1 Year
 Enhanced Architectural Lighting 1 Year

Total: 17.5 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	\$23,347,562	(96%)
Soft Costs	\$898,200	(4%)
Total Uses	\$24,245,762	(100%)

According to the above estimates, a 25% level of MWBE inclusion for the combined hard and soft costs will be approximately **\$6,061,440**.

Housing Policy: Per the PILOT Program policies, multi-family developments with 51 or more units are subject to, and must be compliant with, DMC's housing policy. Per the policy, at all times during the PILOT term, at least twenty percent (20%) of the residential units shall be occupied by or held available solely for individuals and families of low and moderate income such that the percentage of median gross income shall not exceed eighty percent (80%) of the median gross income for Shelby County, Tennessee.

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 **\$14,602**. A PILOT would allow for new infill development and the full renovation of a vacant and blighted building.

During the 15-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$133,025**. This represents a **811%** 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 **\$1,776,349**.

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.

This project will add new investment and remediate blight and vacancy in a part of the South Main neighborhood that is experiencing growing momentum. Adding 165 new apartment units only one block west of South Main Street will help animate neighborhood retail and increase vibrancy throughout the district.

Furthermore, the developer is choosing to renovate the existing 3-story building at the corner. The DMC views Downtown's existing historic building stock as a competitive advantage. Supporting adaptive reuse and historic renovation projects is an important strategy for developing Downtown Memphis in a way that preserves our authenticity and unique sense of place.

Moreover, new infill development at this site fills a substantial gap in activity along an emergent section of South Front Street. The project site is near Old Dominick Distillery, Gus's Fried Chicken, and the under-construction One Beale development. This long-vacant property sits surrounded by investment. Filling gaps in ground-floor commercial activity is an important strategy for increasing walkability and pedestrian safety Downtown.

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.