

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: September 11, 2019
RE: Development Loan Request – 612 N. 5th Street

The enclosed Development Loan application has been submitted for consideration at the September 18, 2019, CCDC Board Meeting.

Project: **612 N. 5th St.**

Applicant/Owner: Squeal Street LLC
Robert Maloney and Carol Lott
493 S. Main St #301
Memphis, TN 38103

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

Project Description: The subject property is a one-story commercial building at the northeast corner of N. 5th Street and Saffarans Avenue in the Uptown neighborhood of the CBID. Constructed around 1936, the building housed a corner store until it was converted to a residence in 2007. The current owners, Robert Maloney and Carol Lott, acquired the property this summer. They plan to invest in the property, and convert it into a multi-use commercial space. The renovated building will include two bedrooms that can be used as Airbnb short-term rentals, a rentable commercial kitchen, and the building and its yard will also be used as rentable event space.

The planned improvements to 612 N. 5th St. are extensive, and include both interior and exterior changes. On the exterior, metal bars and mesh over the windows and doors will be removed, and the windows will be repaired as needed. An additional window will be added on the north side of the building to serve one of the bedrooms. The roof will be replaced, and a new central HVAC unit will be installed. On the interior, the existing kitchen will be renovated to meet the requirements for a commercial kitchen, a new bathroom will be added, and the ceilings and floors will be redone. The shed on the east side of the building will also be demolished and reconstructed.

Overall Budget:

The following budget describes the overall project:

Sources:

Bank Financing	\$114,750	(29%)
Owner's Equity	\$80,250	(20%)
CCDC Dev. Loan	\$200,000	(51%)
Total Sources	\$395,000	(100%)

Uses:

Property Purchase	\$135,000	(34%)
Construction Costs	\$200,000	(51%)
FF&E	\$30,000	(8%)
Soft Costs	\$10,000	(3%)
Financing Fees	\$10,000	(3%)
Professional Fees	\$10,000	(3%)
Total Uses	\$395,000	(100%)

Dev. Loan Program:

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent HVAC 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 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 lower monthly payments.

The program has a maximum loan amount of \$200,000 per project. The following scope items are potentially eligible for the Development Loan program:

Development Loan Uses:

Replacing doors / windows	\$8,000	(4%)
Awning repair / painting	\$2,000	(1%)
Rear shed demo / replacement	\$19,000	(10%)
HVAC installation	\$22,000	(11%)
Roof replacement	\$19,000	(10%)
Window replacement	\$17,000	(9%)
Exterior patio	\$14,000	(7%)
Ceiling plaster	\$8,000	(4%)
Refinishing concrete floors	\$4,000	(2%)
Bathroom addition / remodel	\$28,000	(14%)
Kitchen demo / remodel	\$35,000	(18%)
Ext. wood replacement / paint	\$12,000	(6%)

Interior remodel	\$9,000	(5%)
Exterior lighting	\$3,000	(2%)
Total Uses	\$200,000	(100%)

Design Review: The applicant will submit design plans to the DRB in the near future.

EBO Program: Any project that is awarded a financial incentive from the DMC must comply with the Equal Businesses Opportunity (EBO) Program. The EBO program requires that the applicant make a best faith effort to reach no less than 25% participation by minority and women-owned businesses (MWBE) for the portion of the project scope that is eligible for bidding or subcontracting. The portion of a project subject to meeting the EBO requirements typically involves the hard and soft costs for design & construction. According to the above estimates, a 25% level of MWBE inclusion for the estimated hard costs and professional fees (\$210,000) will be approximately **\$52,500.**

Policy Note: On August 21, 2019, the CCDC voted to approve a revised version of the Development Loan program. One of the most significant approved changes was the addition of a requirement that, outside of exceptional situations, Development Loan funds should make up no more than 25% of a project’s total budget. However, because the application for 612 N 5th St was in progress prior to the adoption of this new policy, it is being considered using the standards in place prior to the new policy’s adoption.

Staff Evaluation: DMC staff is supportive of the proposed renovation at 612 N 5th St., and recommend the approval of a Development Loan to assist with the project. The DMC has always prioritized the adaptive reuse of historic structures, and that is precisely what this project accomplishes. As the result of this project, a historic property that could otherwise decline in condition will be heavily invested in and returned to active commercial use. This investment will also help to build on the growing development momentum in Uptown, as exemplified by projects like Malone Park Commons, 61 Keel, and Grind City Brewing.

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.**