

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC) Board of Directors
From: DMC Staff
Date: September 12, 2018
RE: Development Loan Application – 647 Madison Ave.

The enclosed Development Loan application has been submitted for consideration at the September 19, 2018, CCDC Board Meeting.

Project: **647 Madison Ave.**

Applicant/Owner: Surtout Pour Vous Inc.
dba Karen Adams Designs
647 Madison Ave.
Memphis, TN 38103

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

Project Description: The subject property is located at the south side of Madison Avenue, west of South Orleans Street. The 0.48-acre site includes two contiguous parcels with an existing building and adjacent surface parking lot.

The existing building at this site was originally built in 1945 as a bakery. In 1964, Camp Electric Inc. purchased the property and conducted food equipment service and repair. In addition to offering commercial and residential equipment, it also warehoused large equipment and commercial ovens.

Karen Adams Designs recently purchased the property with plans to relocate its current administrative and production staff, design studio, printing, manufacturing and warehousing operations from a leased location on Broad Avenue. Established in 2001, Karen Adams Designs successfully designs and manufactures wholesale stationery goods and related trade products to over 1400 US based and international retailers. US based retailers are located in all 50 states.

The project scope of work includes the full interior and exterior renovation of the building. Major work elements will include new electrical, plumbing, HVAC, masonry

repair, roof repair, and façade restoration. Site work to improve the adjacent parking lot will also be performed.

In addition to full interior renovation using the proposed Development Loan, the applicant previously received an Exterior Improvement Grant (EIG) from the CCDC in an amount up to \$60,000 for exterior façade improvements.

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.

Sources:

YTD Project Debt	\$280,000	(19%)
Owner's Equity	\$172,800	(11.4%)
Bank Financing	\$780,000	(52%)
CCDC Development Loan	\$200,000	(13%)
CCDC EIG Grant	\$60,000	(4%)
MMDC Grants	\$10,000	(0.6%)
Total Sources:	\$1,502,800	(100%)

Uses:

Property Acquisition	\$353,000	(23%)
Hard Costs	\$970,000	(65%)
Soft Costs	\$89,000	(6%)
Professional Fees	\$90,800	(6%)
Total Uses	\$1,502,800	(100%)

Following approval of a Development Loan from CCDC, construction is scheduled to begin in mid-October with a target completion date within 12-18 months.

Dev. Loan Budget:

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 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 following scope of work elements are potentially eligible expenses for the Development Loan:

Interior Finish Carpentry	\$97,900	(26%)
Electrical, Plumbing, HVAC	\$183,500	(48%)
<u>Commercial Roofing & Tuckpointing</u>	<u>\$101,000</u>	<u>(26%)</u>
Total Eligible Uses	\$382,400	(100%)

Design Review: The Design Review Board (DRB) approved this project at its August 1, 2018 meeting.

Final Loan Amount: The Development Loan program has a maximum loan amount of \$200,000. As permanent financing, the final loan amount is reimbursable and based on approved receipts.

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 women and minority-owned businesses (M/WBE) 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 estimated budget, a 25% level of M/WBE inclusion for the hard and soft costs related to design and construction would be approximately **\$265,200**.

Staff Evaluation: The DMC's Strategic Plan encourages facilitating and accelerating real estate development, incentivizing Downtown development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment Downtown.

DMC staff is highly supportive of this project for several reasons. First, the full renovation of existing buildings is an important goal of the CCDC and the Downtown Memphis Commission (DMC). Second, the project is situated along Madison Avenue in the heart of the Edge, an important Downtown neighborhood.

Notable recent DMC investments in the Edge include:

- PILOT and public parking garage in support of The Bakery Apartments, Orion Headquarters, Cycle Shop, and Leo Events
- Storefront Grant for High Cotton Brewing Company
- Exterior Improvement Grant for 672 Marshall
- Exterior Improvement Grant for Arnold's BBQ
- Neighborhood public art in partnership with Cat Pena and the Collaboratory
- Public realm and streetscape improvements in partnership with the Memphis Medical District Collaborative (MMDC).
- Exterior Improvement Grant for Edge Motor Museum, 645 Marshall Avenue.

Finally, approving a Development Loan for this project actively supports a local company, Karen Adams Designs, in their efforts to invest in permanent office space in Downtown Memphis. Recruiting and retaining Downtown office users, especially creative firms, is a top goal for the DMC and its affiliate Boards.

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.