

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: October 10, 2017
RE: PILOT Application: 663/673 Cooper Street

The enclosed PILOT application has been submitted for consideration at the October 10, 2017, CCRFC Board Meeting.

Project: 663/673 Cooper Street

Applicants: Barry Yoakum & Todd Walker
Filament, LLC
356 South Main Street
Memphis, TN 38103

Applicant's Request: 11-year PILOT lease for a mixed-use development including approximately 11,000 sq. ft. of renovated office space, six rental apartment units, shared amenities, and on-site parking.

The following parcels are included in the PILOT request:

- Parcel ID 030028 00013
- Parcel ID 030028 00014

Project Description: This project involves the adaptive reuse of two existing vacant buildings along Cooper Street and new construction to the rear of the site. The building at 663 Cooper, formerly the Sheet Metal Workers Union office, will be renovated to serve as the new headquarters for archimania, a local architectural firm owned by the two members of Filament, LLC, the PILOT applicant. archimania currently rents office space in the South Main neighborhood.

The building at 673 Cooper, formerly an insurance office, will be renovated to attract a creditworthy office tenant. Located to the rear of the office space, new construction will yield six rental apartments ranging in size from 425 sq. ft. to 590 sq. ft. Thirty-eight (38) parking spaces will also be provided.

Subject to approval of a PILOT, the applicant intends to start construction in late-December, 2017. Construction should be finished in Spring/Summer, 2018.

Project Budget: The total development cost of the project is approximately \$2,870,420. 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 sources and uses of funding:

Sources:

Owner's Equity	\$500,000	(17%)
Bank Loan	\$2,370,420	(83%)
Total Sources	\$2,870,420	(100%)

Uses:

Land	\$915,000	(31.5%)
Hard Costs	\$1,720,000	(60%)
Construction Contingency	\$80,000	(3%)
Soft Costs & Fees	\$113,000	(4%)
PILOT Fee	\$42,420	(1.5%)
Total Uses	\$2,870,420	(100%)

Project Grading:

Per the PILOT scoring system, the project has a base grade of 3 years and could achieve a maximum grade of 11 years with approved public art, enhanced architectural lighting, and energy efficiency certifications.

Primary Qualification:

Office (Below 15,000 sq. ft.) 1 Year

Secondary Qualification:

Residential (6 to 10 Units) 1 Year

Total Project Development Costs:

\$1 - 5 Million 1 Year

Priorities & Initiatives

Located within CCRFC Boundaries 1 Year

Design & Energy

Public Art 1 Year

Enhanced Architectural Lighting 1 Year

LEED and/or Net Zero Certification 4 Years

MLGW Energy Advantage Certification 1 Year

Total Grade: 11 Years

Applicant's Request:

The applicant is requesting approval of a 11-year PILOT. According to the applicant, approval of a PILOT is necessary for the project to be economically viable and attract financing. Without a PILOT tax incentive, the project proforma shows a deficient debt coverage ratio and negative returns on both equity and investment.

Design Review Board:

The applicant will submit plans to the DRB this fall.

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 20% participation by women and/or minority-owned businesses (W/MBEs) 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.**

According to the above estimates, a 20% level of W/MBE inclusion for the combined hard and soft costs will be approximately **\$366,600**.

Estimated Payments:

The current annual city and county taxes on the property total \$22,160. A PILOT would allow for the vacant buildings to be renovated and brought back into productive use. During the 11-year PILOT term, the annual payment in lieu of taxes would equal **\$31,486**. This represents a **42%** increase from the amount of taxes currently generated by the property. Over the course of the 11-year PILOT term, the cumulative increase in taxes generated by these six parcels would be approximately **\$102,585**.

Staff Evaluation:

Based on the submitted application and the accompanying pro forma, staff agrees with the applicant that a PILOT is needed for the project to be viable and attract financing.

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 infill development and attracting new multi-family housing to the core city is a pronounced community priority. Moreover, CCRFC policy is highly supportive of mixed-use projects, such as this application, as an effective strategy to increase density and support new investment that builds places of lasting value and strengthens existing neighborhoods.

Recommendation:

Staff recommends approval of an up to 11-year PILOT subject to the applicant achieving the proposed grading enhancements and meeting all standard closing requirements and conditions.

September 17, 2017

Jennifer K. Oswalt, Interim President
Downtown Memphis Commission
114 North Main Street
Memphis TN 38103

RE: Center City Innovation District Proposal for Mixed-Use Development

Dear Jennifer,

We are grateful for the consideration that the Downtown Memphis Commission is extending by reviewing what we believe is truly a collaborative pursuit of establishing a "Center City Innovation District," incentivized by your existing PILOT program. We understand the gravity of this request and believe, if approved, it will be a monumental as well as a historical milestone in attracting new businesses and investment from outside the Parkways to within the Center City Revenue Finance Corporation's (CCRFC's) boundary.

What are we trying to accomplish for Downtown and the Center City District?

A remarkable shift is occurring in the spatial geography of innovation in America. For the past 50 years, the landscape of innovation has been dominated by suburban corridors of spatially isolated corporate campuses, accessible only by car, with little emphasis on the quality of life or on integrating work, housing, and recreation. A new complementary urban model is now emerging, giving rise to Innovation Districts.

We believe that, with the recent change to the CCRFC's PILOT policies and Mayor Strickland's vocal support for expanded residential and commercial development in Midtown Memphis, the time has come to develop an Innovation District that can expand the transformative efforts already underway in the CBID to the rest of the urban core. Attracting the type and scale of mixed-use developments long absent from Midtown, this Innovation District strategy, generally, and our proposed development, specifically, will support the CCRFC's goals by increasing the number of people living, working, and playing in the urban core, especially by increasing commercial property values throughout the urban core, further accelerating commercial and residential development.

We understand that historically the vast majority of CCRFC PILOTs have been in Downtown's CBID. We also understand that the new CCRFC PILOT Policies and Procedures are specifically intended to expand CCRFC's footprint and transformative incentives throughout the Center City. This project can serve as a historical maker of CCRFC's expanding presence and a continuation of CCRFC's few prior Midtown PILOTs, such as Crosstown and the Union/McLean developments. We know that there is a need to increase business, commercial, and residential development in both Downtown and Midtown to achieve desperately needed density of development throughout the Center City. Our mixed-use commercial and residential development

adds a much needed balance to the heavily retail/entertainment/theater/restaurant development of Midtown. By increasing the amount, value, and density of office/commercial development, we would be increasing Midtown's daytime population and creating new customers for the retail/entertainment/restaurant businesses that now predominate in Midtown. By increasing the amount, value, and density of residential development, we would be increasing Midtown's full-time population, creating new customers for businesses throughout all Midtown and the entire Center City. This mixed-use project and others that may follow can help transform an area that has lacked incentivized commercial and mixed-use development for decades.

A Center City innovation district has the potential to attract office dwellers from outside the Parkways towards and into the urban core that is the cultural and demographic engine of Memphis. It will promote clustered and connected development with like-minded established incubators and accelerators. The PILOT will allow the added value of high-performance design—physically compact, transit-accessible, functional parking and IT infrastructure. Innovation Districts contain live, work and play and particularly, office workers. Memphis' version of this approach can be a magnet, attracting outside investment to the Center City and into Downtown. This investment in a Center City Innovation District would not shift away from or abandon investment in the CBID, but would actually be an expansion of CCRFC's positive and transformative effect and expand the area of critical mass. Approval of this PILOT will help grow the strength of the program and the sustainability of the CBID.

Who is filament?

filament, LLC is the development entity of archimania, PC. Todd Walker, FAIA and Barry Alan Yoakum, FAIA are the partners of both businesses. We have a history of developing smaller properties including a greenfield residential property referred to as Allison & Graham—located on the Greenline—and transformation of the Historic Register First Congregational Church into apartments with Patton & Taylor as partners. We are in the early stages of securing capital investors for our much anticipated 52 South Front project as originally approved with eleven stories by the City.

archimania will be the prime Tenant in the venture in question. We have established a voice internationally that places Memphis at the heart of what's happening in the world of progressive modern architecture. We are currently ranked as the 20 best design architect in the U.S. per ARCHITECT magazine. The majority of our staff lives downtown or within the Parkways. We have been, and continue to be, trailblazers of Downtown Memphis development since 1995. We were intentional about locating our office as part of the early renaissance of South Main, and have worked tirelessly to help reinvent a variety of Downtown properties, and have played a part in Downtown's transformation. Our more notable Downtown projects include: archimania, Consortium MMT, Destination King, Encore Restaurant, Fusion Marketing Group, GE5 Townhomes, MIME, The Blues Foundation/Blues Hall of Fame, Leadership Memphis, Memphis Business Journal, The Recording Academy, Red Deluxe, Sullivan Branding, the renovation of the Vasco A. Smith Administration Building and Visible Music College. We most recently completed almost 200,000 sf of space in Crosstown Concourse for A Step Ahead, City

Leadership, Mama Gaia, Methodist Le Bonheur Healthcare, Memphis Teachers Residency, Poplar & Pyramid Peak Foundations and Tech901. Finally, we are working on a legacy project on behalf of the City of Memphis, the reinvention of Mud Island in concert with the planned Cultural Center and the Fourth Bluff. We love Memphis. In addition, both partners have lived in Downtown Memphis for almost a combined 40 years. We have built custom homes in Harbor Town that have received national as well as international acclaim. We have invested heavily in a variety of commercial properties that are within the DMC core. One of us is in the midst of building a new home in Harbor Town that will rival the greenest homes in the United States. We are innovators, personally as well as professionally.

Moreover, due to our unique riverfront orientation, the time has come for us to capitalize on the natural potential for growth that has been taking place within the Parkways and more specifically along the South Cooper corridor. Relocating our headquarters will not only benefit filament and archimania, but it will enhance the greater downtown area once realized. archimania, the principal office tenant, will celebrate its 23rd business anniversary on July 4th of 2018 and our new headquarters office building will be fully operational by that date if we receive a PILOT within a reasonable time frame from the date of our request. Pending your initial approval, we have secured a high-profile tenant for the entire second building with a 10 year lease. The tenant would be relocating from outside the Parkways.

Why we need a PILOT

Without a PILOT, the property values in Midtown simply do not support the investment required to infuse new life in the aged properties as required by the banking institutions for bank loans for small businesses. So, we need a PILOT. The potential of this neighborhood more than warrants a PILOT, and we propose to be your demonstration PILOT with criteria. The office comps available in the Midtown area are in such a depressed state that real estate appraisers cannot justify the values to support the bank loans required to reinvent the existing building stock much less encourage new buildings with the quality of space that is required and desired by tenants in the South Cooper Corridor of Midtown. The office per square foot lease rates in Midtown are low compared to Downtown and especially to East Memphis. The Midtown office and commercial development can only work financial through the PILOT program. We are making a large commitment, and assuming high risk if this investment does not spark further development in Midtown. We are willing to take risks, but without the PILOT, the banks won't take on the risk. In other words, without PILOTs, no transformative development can happen in midtown, whether for filament or anyone that may follow.

We took some of this risk by purchasing the buildings with an understanding that a PILOT was highly probable based upon our initial investigations with DMC staff and the CCRFC written policies. Therefore, we implore you and the Board to consider our PILOT request. If granted, Downtown will benefit financially to the direct success of drawing business from outside the Parkways that would otherwise find it difficult to justify a relocation. Other progressive cities such as Atlanta, Portland, and San Diego are embracing this trend. Our office has become excited by Antoine Van Agtmael's and Fred Bakker's book *The Smartest Places on Earth: Why Rustbelts Are the Emerging*

Hotspots of Global Innovation as well as emerging academic research on Innovation Districts' positive effects on job creation and economic growth.

"In these communities, -- visionary thinkers, local universities, regional government initiatives, start-ups, and big corporations -- have created brainbelts."

With recent additions to Overton Square, we can imagine the potential for the South Cooper neighborhood's future. Midtown has pockets of increased development (Cooper/Young, Overton Square, Crosstown, Fairgrounds), but Midtown currently lacks the connective tissue, the corridors of development and innovation, connecting, supporting, and amplifying these "anchor" developments that are necessary to nurture (smaller in individual scale, but as great in potential cumulative scale) further development. This lack of connective tissue is in part caused by Midtown's depressed office property values and the need for incentives to spark office/commercial development throughout the Center City.

With your help, we would like to contribute to growing an Innovation District in Memphis, enriched by art, entertainment and recreation, hallmarks of all great livable and vibrant cities. As long time Memphis residents, our overarching goal is to enable this idea to become a reality by facilitating community Visioning Charrettes—how we begin each design project—to unleash the potential to drive new businesses and new jobs in Memphis.

We need you and DMC as our partners to do this together, as an innovative approach to bringing more investment dollars to Downtown.

How will we use the PILOT

filament, LLC plans to develop the mid-century modern buildings at 663 and 673 South Cooper into a mixed-use development that, are in reality, a pair of blighted properties. This mixed-use development will be a model for implementing an Innovation District. The proposed development will include low-scale office space, six multi-family residential units, and shared site amenities for the tenants and the neighboring community. The mix of uses provides a live-work setting, where residents can walk to work and walk or bike to neighboring retail and amenities. The project, by design, will be another Memphis example of adaptive reuse that, as with Crosstown, the Tennessee Brewery, and Peabody Place, emphasizes both innovation and history, bringing in the new without sweeping out the old.

The site amenities will include gathering spaces featuring public art and creative architectural lighting. The office building will be the very first Net Zero Energy Certified building in Tennessee and the residents will meet the MLGW Energy Advantage Certification.

This development is more than filament and more than archimania. It is multi-tenant. We currently have a dozen projects in the works within the Parkways because of this strategy. We are in negotiations with an extremely credit worthy tenant for a ten-year

lease that is currently outside the Parkways. They desire to be a part of an Innovation District and particularly, as our tenant as they have reached out to us do our planned development.

While pursuing the opportunity to spark increased development in Midtown, filament is and will remain fully invested in our Downtown neighborhood, and are working to make it stronger than when we arrived. We purchased the vacant land at South Main and Carolina and had a full price contract signed within 14 days of listing the property. This property's residential development is planned to fit perfectly within the existing housing boom and continue investment in the area. Upon the closing date, we intend to invest 100% of the net proceeds into filament's new development. We also will offer to work with our current South Main landlord to assist with preparing the space for a long-term tenant. We can only afford to develop and accomplish our goals with a long-term tax incentive for the South Cooper Street property. A PILOT will allow us to move forward with a complete investment totaling approximately \$2.5 million.

Our proposed Cooper development is contiguous to a variety of amenities, including extensive housing, food, and retail options. It has a "very walkable" score of 82. The project will accommodate private as well as community-based outdoor activities to address better live, work and play conditions. The plan is to have outdoor concerts and art openings on the site, which will, for the first time, activate and connect Copper-Young and Overton Square with a development that expresses innovation in its execution to attract other like-minded enterprises. An art and education plaza will be provided to the public and will be accessible through its connection to the sidewalk. The education portion of this plaza will provide signage that explains and showcases the attributes of the site and the project as a whole. Furthermore, the building and the plaza will provide energy efficient LED architectural lighting that will brighten the dimly lit streetscape. The plaza will also be the entry portal to six artist studio apartments at grade level. Beginning with the end in mind, the completion of the development will be one of connecting the community by blurring the threshold between public and private through the integration of a variety of public and private amenities.

Proposal

filament, LLC requests, an 11-year PILOT with the following self-imposed requirements to demonstrate our commitment and belief in the implementation of an Innovation District and the value of this PILOT:

1. the larger building [663 Cooper] will have ten-year lease executed by archimania, PC that is at market rate.
2. the smaller building [673 Cooper] will ONLY be allowed to execute a long term and/or series of leases from a creditworthy tenant[s] at market rate.
3. the project will receive LEEDv4 Certification and/or Net Zero Energy Certification.
4. the project will receive Beneficial Occupancy of both tenants within the calendar year of 2018.

5. DMC will be named as a strategic partner on both filament and archimania websites and future AIA awards programs.

This project furthers the community and economic development goals of the Downtown Memphis Commission and the City of Memphis to allow this project to be economically feasible with the support of a fourteen-year PILOT incentive.

Sincerely,

A handwritten signature in black ink, appearing to read "Barry Yoakum". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Barry Yoakum



DRAFT
PILOT APPLICATION
For
663/673 Cooper Street Memphis, TN 38104

Administered By:
Center City Revenue Finance Corporation

1. *State the name, address, and telephone number of the applying entity. State the name(s) of the applying entity's representatives and any other financial guarantors of the Project and their addresses and telephone numbers if different from above.*

Barry Yoakum, FAIA and Todd Walker, FAIA
filament, LLC
356 South Main Street
Memphis, TN 38103

2. *Provide background information about the applicant and guarantors, including development experience, if any, and all other relevant information this organization may need to consider while reviewing the application. Describe the corporate or partnership structure as applicable.*

filament, LLC is the real estate development firm owned and directed by the same partners of archimania. filament, LLC owns several commercial / residential properties in Memphis. (The principal tenant, archimania, is a Memphis based award winning architecture firm established in 1995, which is currently ranked by Architect Magazine as 20 in the best design architects in the United States.)

filament is truly invested in the Center City and are working to make it stronger than when we arrived. As discussed in the accompanying Project Narrative, we purchased the vacant blighted land at South Main and Carolina and worked to make the property an asset. We recently sold the property for a future residential development, planned to fit perfectly within the existing housing boom, and continue investment in the area. filament also owns a vacant lot in the downtown core at 52 South Front. archimania has designed a compatible infill commercial building for that property, which we intend to develop.

filament and archimania have long standing commitments to the Center City, having partnered to bring projects such as Ballet Memphis, Hatiloo Theater, and Eclectic Eye to Midtown's Cooper Street corridor. This proposed project at 663-673 S. Cooper Street will continue the redevelopment strategy for this important core city neighborhood.

3. *Briefly describe the proposed Project. Include in this section:*
 - a) Intended Use: **Mixed-use multi-tenant office and residential**
 - b) Economic and environmental impact: **Conversion of two vacant mid-century modern buildings and residential structures to a cutting-edge mixed-use multi-tenant office & multi-family residential development. Project is located a key location on South Cooper in the Idlewild Historic District and will be catalytic in outside investment into the Center City Innovation District.**
 - c) The square footage of the building / land area to be renovated: **11,000 s.f. / .83 Acres**

- d) All other information needed to fully explain the project. **See Attached Project Narrative**
- e) Attach architectural plans, renderings and any available history on the subject. **See Attached**
- f) A letter from a certified engineer, licensed in the State of Tennessee, as to the structural integrity of the building for its intended usage: **The building renovations will be designed by Tennessee licensed architects and engineers and will meet all applicable building code requirements.**

4. *State the marketing plans for the project identifying the intended market. What types of lessees are anticipated?* **We believe it is time to grow Downtown with Center City as an Innovation District. Doing so will attract the type and scale of office and residential occupants that the DMC desires for Downtown. By decreasing the gap of available quality office and living space between Midtown to attract larger office users to the Downtown core. This strategy will enhance DMC's two primary metrics by increasing the number of people living, working and playing in Downtown and by increasing the associated Downtown commercial property values by increasing office property values in the Center City Innovation District. filament, LLC will enter into a long-term tenant lease of the larger office space with archimania, PC. During the PILOT lease term, the other commercial space will only be leased to another innovative firm attracted to this new burgeoning small business innovation zone along the Cooper Street corridor. filament will also manage the tenants of the multi-family residential units.**
If the project is speculative, how long is full occupancy expected to take and who will manage the project? **filament will be the long-term real estate manager. All leases will be secured prior to completion of construction.**

5. a) *State the location of the proposed project by street address and legal description:*
663/673 Cooper Street, Memphis, Tennessee 38104
b) *Name the property owner at the time of application submittal.*
filament, LLC
c) *If the Applicant does not presently own the property, does the Applicant have a valid option to purchase the property?* **Not Applicable**
d) *Describe any and all existing financing, options and liens on the property.*
The property purchase was financed by the applicant. The improvement project will be financed through bank financing and capital provided by the partners of filament, LLC.

6. *State the estimated Project costs broken down by component (i.e., land, buildings, equipment, soft costs, etc.) Attach bid estimates and show amounts to be paid from loans and equity amounts.*
(See Attached)

7. *Are changes needed to the public space around the Project (For example; sidewalks, lighting and planting)?*
Yes, the proposed site improvements include: sidewalk repairs, landscaping, entry courtyard renovation, removal of the existing driveway curb cut to improve walkability, and utility relocation. This newly improved streetscape and activated courtyard will enhance sidewalk activity and be a positive neighbor to Peabody Park next door.

8. *State the proposed time schedule for the Project including the dates anticipated for the following:*
a) *Closing of the loan or contributing financing availability.*
b) *First expenditure of funds with regard to the project.*
c) *Anticipated date construction will begin:* **Late December, 2017**
d) *Anticipated completion date.* **Spring-Summer, 2018**

9. *Financial Background*

- a) *Attach current audited financial statements of the applicant and guarantors. If audited financial statements are unavailable, please submit non-audited statements.*

- b) *State the relationship any applicant or grantor has had with any accounting firm over the last five years and reason for change, if any. **Not Applicable***
- c) *Attach three years tax returns if Applicant is an individual.*
10. *Name any of the following that will be involved with the Project (with address and phone numbers):*
- a) *Architects and engineers: **archimania, Powers-Hill, Haltom Eng., Depouw Eng., Ozer Engineering***
- b) *Contractor for project: **Grinder Taber Grinder & Precise Contracting (a joint-venture)***
- c) *Other professionals: **Development Studio, LLC***
- d) *Does the Applicant or any guarantor have any previous or ongoing relationship with any Board member or legal counsel of the Board? If so please describe in detail. **An employee of archimania formerly served on the Design Review Board.***
11. *Give three credit references for you personally, and three for your business.*
- | | |
|---|---|
| Phil Woodard
Woodard Properties
509 S. Main St.
Memphis, TN 38103
Cell: 901-351-8199 | Gary Shorb
Urban Child Institute
600 Jefferson Avenue
Memphis, TN 38103
Cell: 901-830-4932 |
| Ekundayo Bandele
Hattiloo Theater
37 South Cooper
Memphis, TN 38104
Cell: 901-246-7361 | |
12. *Please disclose whether any applicant, guarantor or any other person involved with the project is currently engaged in any civil or criminal proceeding. Also disclose whether any individual involved with the project has ever been charged or convicted of any felony or currently is under indictment. Please supply detailed information. **Not Applicable***
13. *State law requires that title to the projects be conveyed to CCRFC in order for it to grant payments in lieu of taxes; CCRFC then leases the property to the applicant or entity designated by the applicant. Indicate who the lessee will be for the Project.*
- a) *State the tax parcel number for all property involved with the Project and the current assessed value of the Property. **Parcel ID: 030028 00013 / 2017 Assessed Value: \$183,280***
Parcel ID: 030028 00014 / 2017 Assessed Value: \$97,160
- b) *Are any assessments presently under appeal? **No** If so, describe the status of the appeal.*
- c) *Will the Project result in the subdivision of any present tax parcel? **No***
14. *Provide the following information about the loan or proposed loan for the Project.*
- a) **Patriot Bank, Michelle Couch, 8376 US Highway 51, Millington, TN**
- b) **Amount of loan for improvements – approximately \$2,300,000.**
- c) **Lender's term letter forthcoming.**
15. *Attach a cash flow pro-forma along with a statement of Sources and Uses of Funds for the project. **See attached cash flow pro-forma.***
16. *Attach information about the financial history of the Project and previous attempts to develop, if possible. **Not Applicable***
17. *Attach EBO Form A - Proposed Utilization Plan. **See Attached***
18. *The statement on the following page must be included along with a dated signature of the applicant or applicant's representatives.*

The following statement must be included along with a dated signature of the applicant or applicant's representatives.

This application is made in order to induce the Memphis Center City Revenue Finance Corporation (CCRFC) to grant financial incentives to the applicant. The applicant hereby represents that all statements contained herein are true and correct. All information materially significant to the CCRFC in its consideration of the application is included. The applicant expressly consents to the CCRFC's investigation of its credit in connection with this application. The applicant acknowledges that it has reviewed the descriptions of the CCRFC financial program for which it is applying and agrees to comply with those policies. The applicant shall also be required to show a good faith effort with regard to the employment of minority contractors. The applicant specifically agrees to pay all reasonable costs, fees and expenses incurred by the CCRFC whether or not the incentive is granted or project completed.

A handwritten signature in black ink, appearing to read "Les Opatem", is written over the signature line.

Applicant Signature

Date

September 18, 2017



**Equal Business Opportunity Program
Proposed Utilization Plan**

Bidder/Proposer/Developer:	filament, LLC	Date Submitted:	September 17, 2017
Project Address/Description:	663/673 South Cooper Street, Memphis, TN 38104	Contact Person:	Barry Alan Yoakum, FAIA

The above named company proposes to use the services of the following listed firms.

Name/Address/Telephone	Ownership Status	Certifying Agency	Type of Work	Subcontract Dollars	Subcontract Percentage
Precision Contracting	MBE		GC	\$ TBD	%
See Appendix: MWBE Cover Letter				\$	%
				\$	%
				\$	%
				Total MBE:	\$ %
				Total WBE:	\$ %
				Total White:	\$ %
				Total Other:	\$ %

Business Ownership Status Minority Owned – MBE Women Owned – WBE White Owned – WOB Other – Non-certified MBE/WBE

I certify that the above information is true to the best of my knowledge:

Signature	Title	Owner / Principal	Date
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Equal Business Opportunity Program and Best-Faith Effort to Attain Minority-Owned Business Participation

As further detailed in the Center City Affiliated Boards Equal Business Opportunity (EBO) Program, Section 10, the applicant must give minority-owned businesses (W/MBEs) an equal and fair opportunity to receive notice, to bid on, and be considered for selection for all contracting opportunities associated with the professional and construction services in the design and renovation/construction of the project. Applicants are required to take affirmative steps to ensure an open and fair contracting process. While there are no mandated quotas, results achieved may evidence whether a fair process was employed. Applicants shall make a best-faith effort to allot, as a goal, no less than 20% of the professional and construction services to W/MBEs in the design and renovation/construction of the project. Commensurate with the size and scope of the project, specific steps that may be indicative of a best-faith effort to identify and contract with W/MBEs include but are not limited to the following: notice to W/MBEs, soliciting bids/quotes directly from W/MBEs, providing constructive notice, utilizing plan rooms, utilizing the CCC for assistance (W/MBE lists and Project Alerts), and working with applicable minority-owned business support organizations (e.g., Mid-South Minority Business Council, Memphis Hispanic Chamber of Commerce, National Association of Women Business Owners, etc.) **To ensure that the EBO requirements are clearly understood, and antecedent to meeting the goals set forth in the EBO Program, all utilization plans must be coordinated with the CCC staff and submitted with the application.**

In accordance with the EBO Program, once the incentive application is approved and design/construction commences, the applicant shall provide written documentation of the status of the utilization plan (which shall include any and all changes or modifications) and the applicable amounts spent (or value of the work completed), on a monthly basis. **If the requirements of the EBO Program are not met, the CCRFC (the applicable affiliate board) reserves the right to revoke and cancel the incentive**

**PROJECT
SOURCES AND USES**

Sources

Debt - 5% 20 yr amortization	\$ 2,370,420.00
Owner Equity	\$ 500,000.00
Misc.	\$ -
	<u>\$ 2,870,420.00</u>

Uses

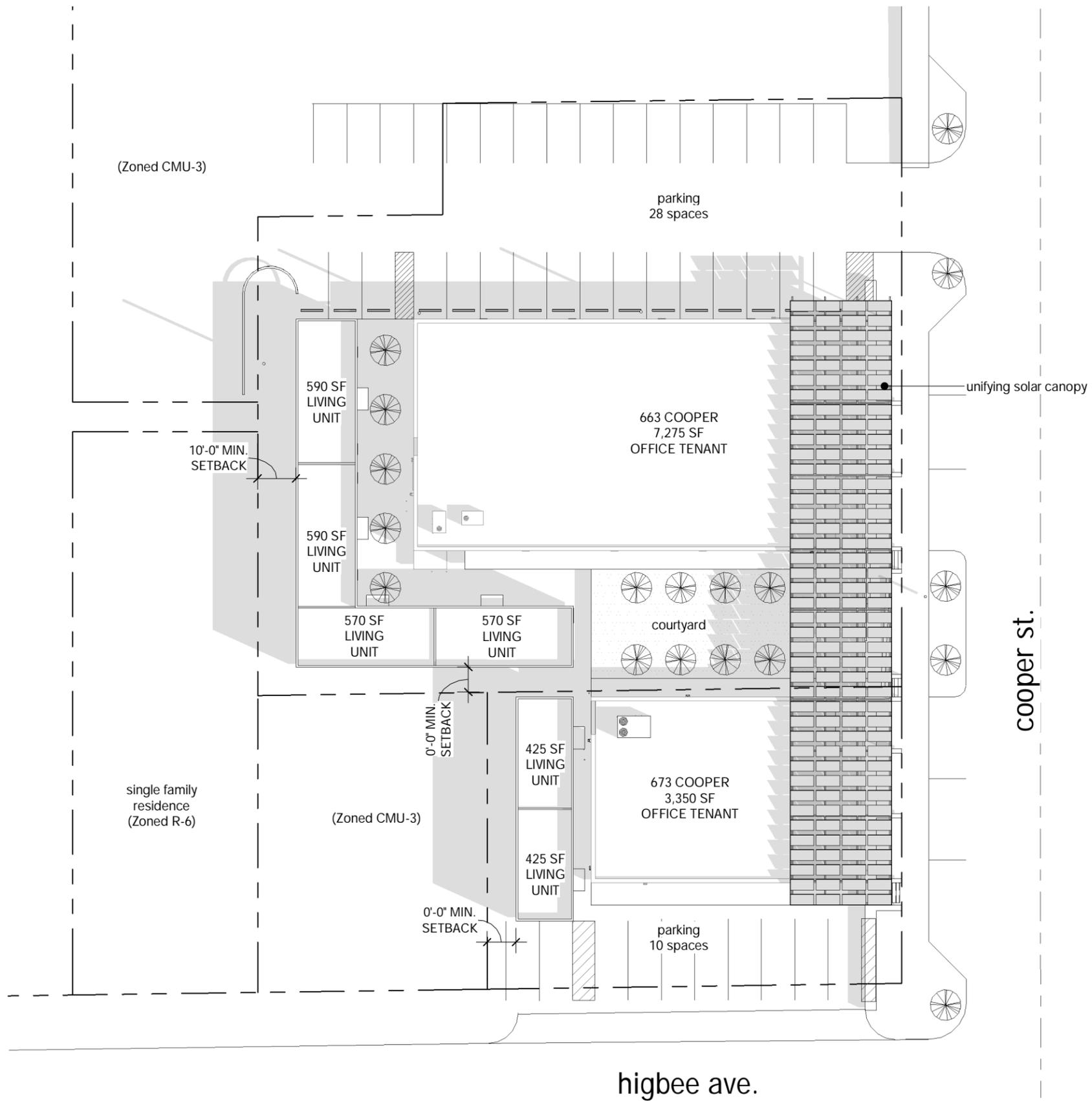
Property Purchase	\$ 915,000.00	
Hard Construction Costs	\$ 1,720,000.00	
Contingency (5% of Construction Costs)	\$ 80,000.00	
<u>Soft Costs w/o PILOT Fee</u>		\$ 113,000.00
Professional Fees	\$ 100,000.00	
Permits	\$ 6,000.00	
Financing Fees & Expenses	\$ 7,000.00	
PILOT Closing Fee	\$ 42,420.00	
	<u>\$ 2,870,420.00</u>	

CASH FLOW STATEMENT
With PILOT

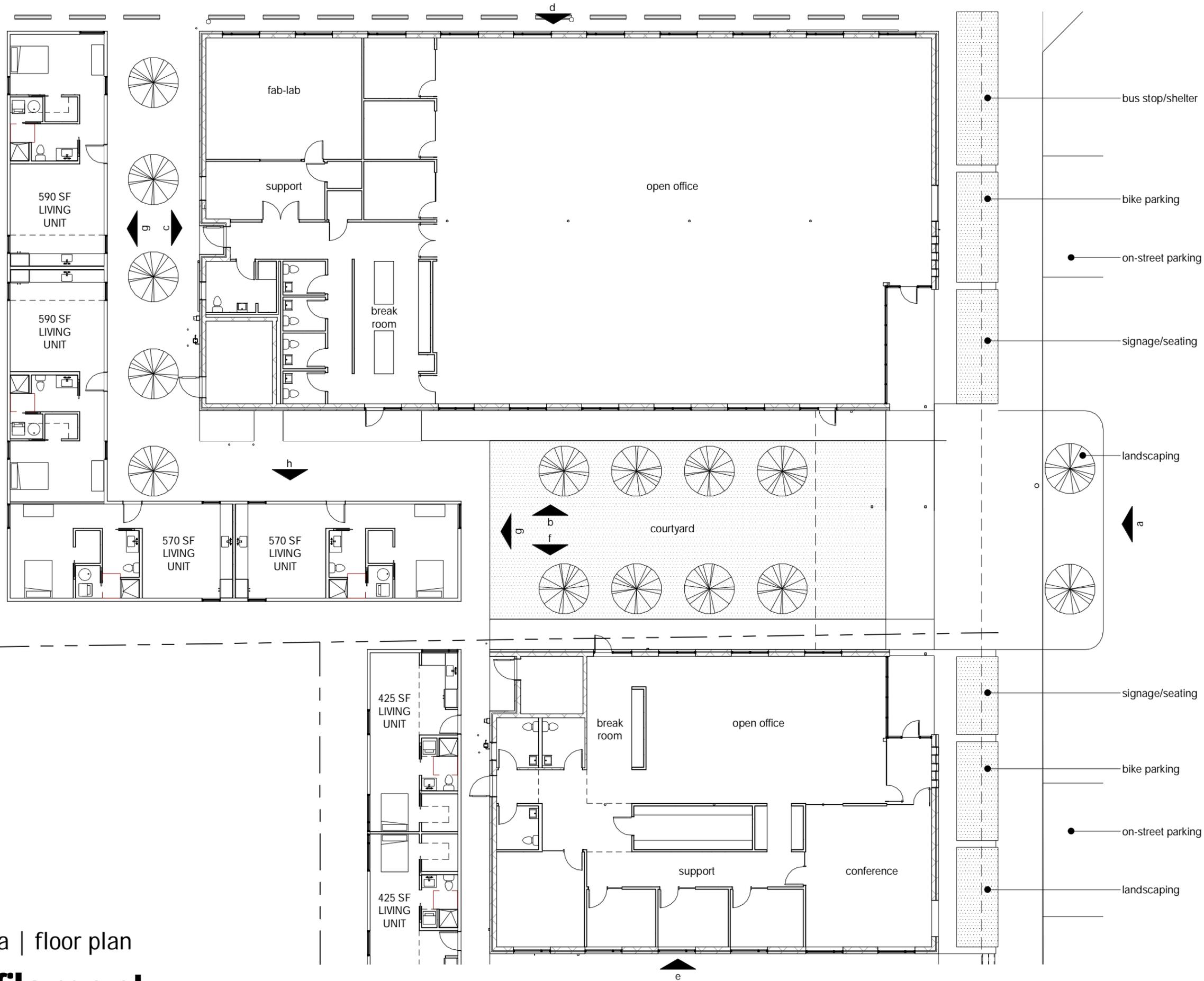
Pilot	Year One	Year Two	Year Three	Year Four	Year Five	Year Six	Year Seven	Year Eight	Year Nine	Year Ten	Year Eleven	Year Twelve	Year Thirteen	Year Fourteen
Lease Revenue														
Commercial Tenant 1	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532	7,532
Occupancy Rate	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue per sf.	\$ 17.00	\$ 17.34	\$ 17.69	\$ 18.04	\$ 18.40	\$ 18.77	\$ 19.14	\$ 19.53	\$ 19.92	\$ 20.32	\$ 20.72	\$ 21.14	\$ 21.56	\$ 21.99
Tenant #1 Revenue	\$ 128,044	\$ 130,605	\$ 133,217	\$ 135,881	\$ 138,599	\$ 141,371	\$ 144,198	\$ 147,082	\$ 150,024	\$ 153,024	\$ 156,085	\$ 159,207	\$ 162,391	\$ 165,639
Commercial Tenant 2	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478	3,478
Occupancy Rate	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenue per sf.	\$ 17.00	\$ 17.34	\$ 17.69	\$ 18.04	\$ 18.40	\$ 18.77	\$ 19.14	\$ 19.53	\$ 19.92	\$ 20.32	\$ 20.72	\$ 21.14	\$ 21.56	\$ 21.99
Tenant #2 Revenue	\$ 59,126	\$ 60,309	\$ 61,515	\$ 62,745	\$ 64,000	\$ 65,280	\$ 66,585	\$ 67,917	\$ 69,276	\$ 70,661	\$ 72,074	\$ 73,516	\$ 74,986	\$ 76,486
Residential (6 units)	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170	3,170
Occupancy Rate	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%	95%
Revenue per sf.	\$ 1.29	\$ 1.30	\$ 1.31	\$ 1.32	\$ 1.34	\$ 1.35	\$ 1.37	\$ 1.38	\$ 1.39	\$ 1.41	\$ 1.42	\$ 1.43	\$ 1.45	\$ 1.46
Monthly Res. Revenue	\$ 3,873	\$ 3,912	\$ 3,951	\$ 3,990	\$ 4,030	\$ 4,070	\$ 4,111	\$ 4,152	\$ 4,194	\$ 4,236	\$ 4,278	\$ 4,321	\$ 4,364	\$ 4,408
Annual Res. Revenue	\$ 46,473	\$ 46,938	\$ 47,408	\$ 47,882	\$ 48,360	\$ 48,844	\$ 49,333	\$ 49,826	\$ 50,324	\$ 50,827	\$ 51,336	\$ 51,849	\$ 52,367	\$ 52,891
Total Lease Revenue	\$ 233,643	\$ 237,852	\$ 242,139	\$ 246,508	\$ 250,959	\$ 255,495	\$ 260,116	\$ 264,825	\$ 269,624	\$ 274,513	\$ 279,495	\$ 284,571	\$ 289,744	\$ 295,015
Operating Expense														
Property Management	4,000	4,040	4,080	4,121	4,162	4,204	4,246	4,289	4,331	4,375	4,418	4,463	4,507	4,552
Property Insurance	7,000	7,070	7,141	7,212	7,284	7,357	7,431	7,505	7,580	7,656	7,732	7,810	7,888	7,967
Taxes	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264	23,264
Utilities	3,500	3,535	3,570	3,606	3,642	3,679	3,715	3,752	3,790	3,828	3,866	3,905	3,944	3,983
Marketing	2,000	2,020	2,040	2,061	2,081	2,102	2,123	2,144	2,166	2,187	2,209	2,231	2,254	2,276
Contract Services	3,000	3,030	3,060	3,091	3,122	3,153	3,185	3,216	3,249	3,281	3,314	3,347	3,380	3,414
Repair & Maintenance	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Total Expenses	47,764	47,959	48,156	48,355	48,556	48,759	48,964	49,171	49,380	49,591	49,804	50,020	50,237	50,457
Net Operating Income	185,879	189,893	193,983	198,153	202,404	206,736	211,153	215,655	220,244	224,922	229,691	234,552	239,507	244,559
Debt Service														
Principal	64,439	68,305	72,403	76,748	81,353	86,234	91,408	96,892	102,706	108,868	115,400	122,324	129,664	137,443
Interest	142,225	138,359	134,261	129,916	125,311	120,430	115,256	109,772	103,958	97,796	91,264	84,340	77,000	69,221
	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664	206,664
Net Cash Flow	\$ (20,785)	\$ (16,771)	\$ (12,681)	\$ (8,511)	\$ (4,260)	\$ 72	\$ 4,489	\$ 8,991	\$ 13,580	\$ 18,258	\$ 23,027	\$ 27,888	\$ 32,843	\$ 37,895
Debit Coverage Ratio (DCR)	0.90	0.92	0.94	0.96	0.98	1.00	1.02	1.04	1.07	1.09	1.11	1.13	1.16	1.18
Return on Equity (ROE)	-4%	-3%	-3%	-2%	-1%	0%	1%	2%	3%	4%	5%	6%	7%	8%
Return on Investment (ROI)	-1%	-1%	0%	0%	0%	0%	0%	0%	0%	1%	1%	1%	1%	1%

PILOT Request	
Requested PILOT Term (years)	11.0
Project Type	New & Rehab
Located in the CBID?	No
Current Amounts	
Base Appraisal	\$748,500
Base Assessment	\$299,400
Annual City Tax on Base Assessment	\$9,795
Annual County Tax on Base Assessment	\$12,365
Annual RE Taxes on Base Assessment	\$22,160
Project Costs	
Acquisition Cost	\$915,000
Hard Costs	\$1,800,000
Soft Costs	\$113,000
Total Project Costs w/o PILOT fee	\$2,828,000
Hard Costs Investment Check - 63.6%	YES
Public grants eligible for PILOT fee basis reduction	\$0
PILOT fee basis	\$2,828,000
PILOT fee	\$42,420
Total Project Costs w/ PILOT fee	\$2,870,420
Valuation & CBID Assessment	
Base Appraisal	\$748,500
Percentage of Hard Costs	\$1,260,000
Estimated Appraisal after Improvements	\$2,008,500
Estimated Assessment after Improvements	\$803,400
Estimated Annual CBID Assessment after Improvements	\$0
Annual RE Taxes	
<i>Hypothetical annual taxes without PILOT*</i>	
Estimated Hypothetical Annual City Tax without PILOT*	\$26,283
Estimated Hypothetical Annual County Tax without PILOT*	\$33,180
Estimated Hypothetical Total Annual Taxes without PILOT*	\$59,463
<i>Estimated annual taxes with PILOT</i>	
Estimated Annual City Tax with PILOT	\$13,917
Estimated Annual County Tax with PILOT	\$17,569
Estimated Total Annual Taxes with PILOT	\$31,486
Estimated Annual Benefit	\$27,978
Cumulative RE Taxes	
<i>Hypothetical cumulative taxes without PILOT*</i>	
Estimated Hypothetical Cumulative City Tax without PILOT*	\$289,114
Estimated Hypothetical Cumulative County Tax without PILOT*	\$364,985
Estimated Hypothetical Total Cumulative Taxes without PILOT*	\$654,098
<i>Estimated cumulative taxes with PILOT</i>	
Estimated Cumulative City Tax with PILOT	\$153,086
Estimated Cumulative County Tax with PILOT	\$193,259
Estimated Total Cumulative Taxes with PILOT	\$346,345
Estimated Cumulative Benefit over 11-Year PILOT	\$307,754
Estimated Cumulative Increase in Taxes due to PILOT	\$102,585

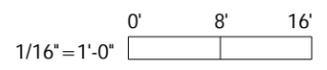
*Staff has concluded that this project would not go forward without a PILOT. Hence, the "Estimated Hypothetical" amounts are fictional/moot numbers used to calculate the benefit of the PILOT to the project. The benefit figure does not represent lost tax revenue to the City or County. Without the PILOT, the property would remain unimproved and the tax assessment would continue to be based upon the unimproved value. With the PILOT, the amount listed above as "Estimated Cumulative Increase in Taxes due to PILOT" would be the approximate benefit over the PILOT term to the City and County from newly generated property tax revenue. That amount does not include any new sales taxes that will be generated by the construction and operation of the project. Furthermore, after the PILOT term has finished, it is expected that the annual taxes will be approximate to the amount listed as "Estimated Hypothetical Total Annual Taxes without PILOT".

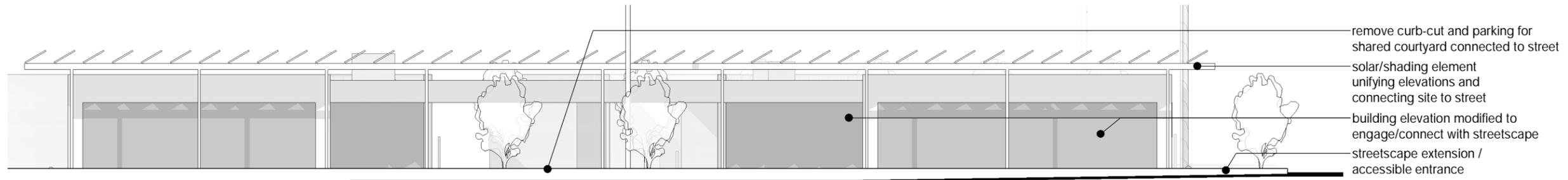


a | site plan

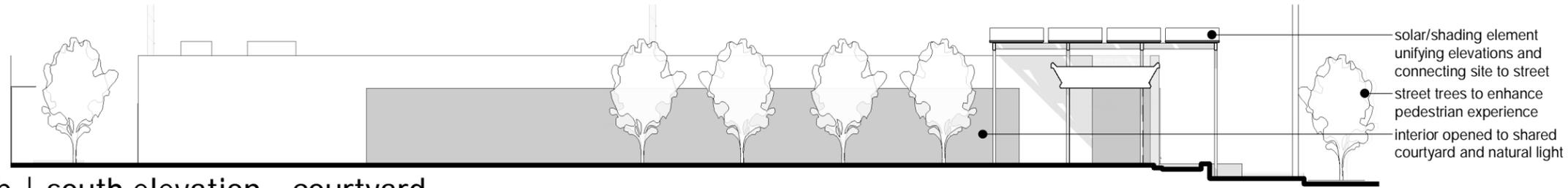


a | floor plan

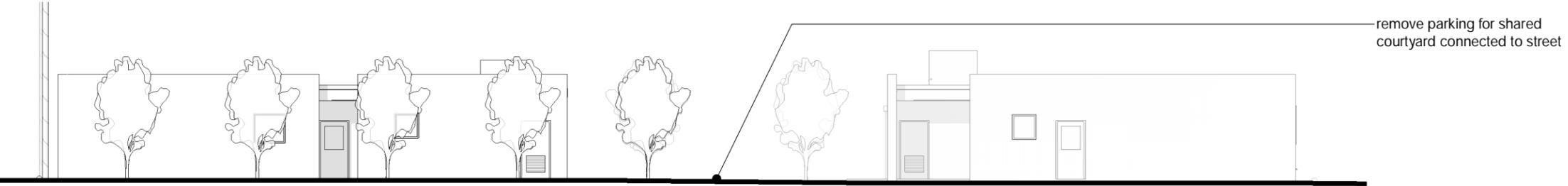




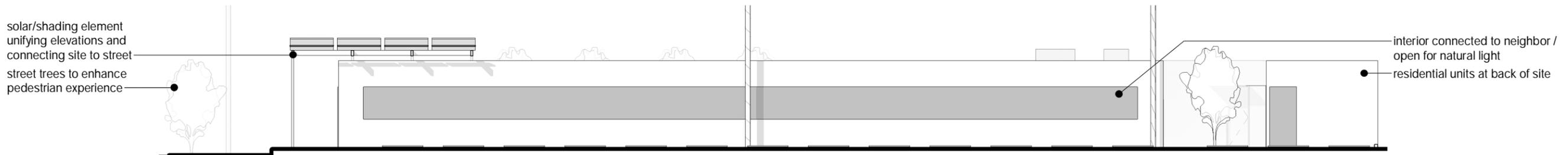
a | east elevation - cooper st.



b | south elevation - courtyard

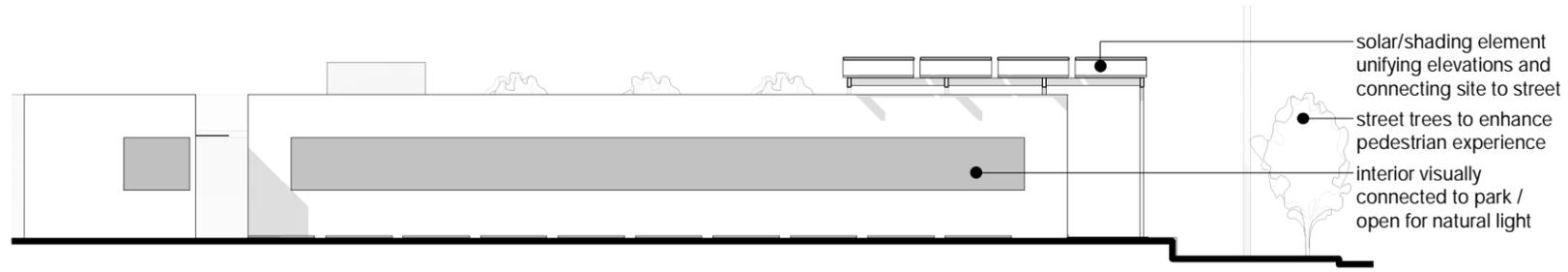


c | west elevation - alley

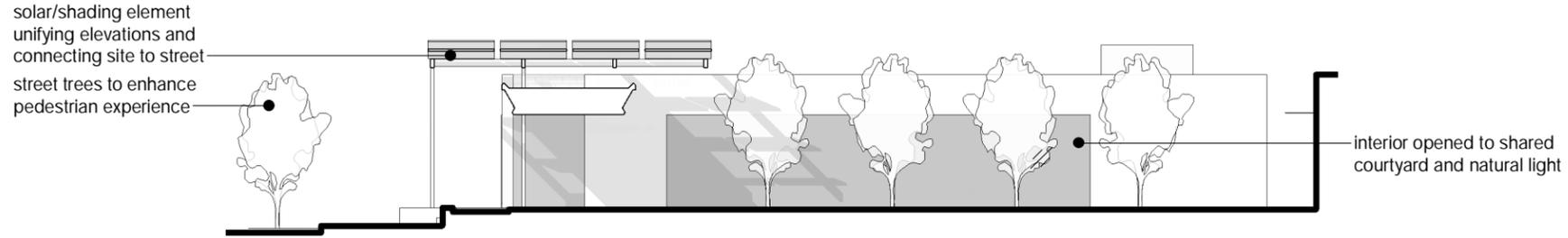


d | north elevation - parking

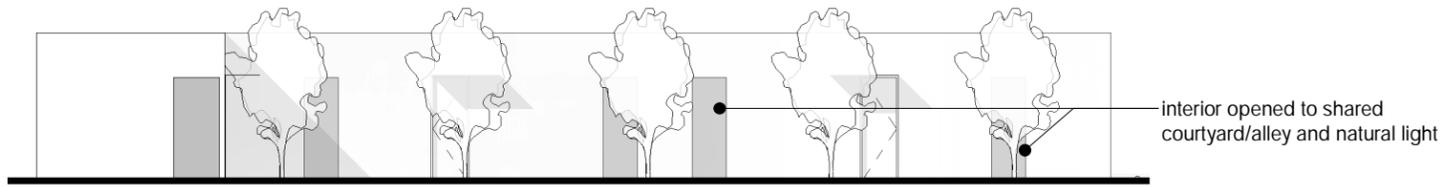




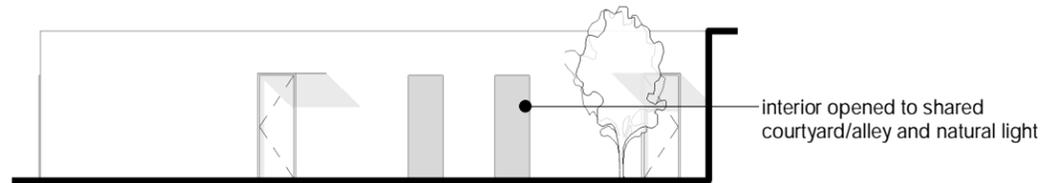
e | south elevation - higbee ave.



f | north elevation - courtyard



g | east elevation - alley



h | north elevation - alley