

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: November 7, 2018
RE: Development Loan Application – Malone Park Commons

The enclosed Development Loan application has been submitted for consideration at the November 14, 2018, CCDC Board Meeting.

Project: Malone Park Commons (SE corner of Main & Saffarans)

Applicant: Malone Park, LLC
Mr. Andre Jones, Operating Partner
Mr. Curtis Jones, Operating Partner
516 Tennessee St. Suite 123
Memphis, TN 38103

Current Owner: MLB-Uptown, LLC
2600 Thousand Oaks Blvd.
Memphis, TN 38118

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

Site Control: The applicant has an option to purchase the site.

Project Description: The project site includes approximately half of a single block in the Uptown neighborhood. The block is bound by Saffarans to the north, Second Street to the east, Greenlaw to the South and Main Street to the west.

The 0.76-acre site has been owned by the Memphis Land Bank since 2006. The property is a brownfield site that received environmental remediation in the form of a 2-foot clay cap to make it usable for redevelopment. Following a re-platting of the block in 2006 by the Belz/Turley Partnership, four homes were built on the southern half of the site.

The applicant is now planning an ambitious project to redevelop the remaining vacant property on the block with a 25-unit rental housing community. The project will feature a variety of small unit types including studios, four-

plexes, and live work buildings surrounding a park-like space. The design intent is to add neighborhood-scale infill rental housing that is compatible with existing homes and buildings in Uptown.

The proposed unit mix includes the following:

- One (1) 340 sq. ft. detached studio
- One (1) 340 sq. ft. attached studio
- One (1) 504 sq. ft. attached 1-BR apartment
- Eight (8) 504 sq. ft. four-plex 1-BR apartments
- Six (6) 504 sq. ft. detached 1-BR cottages
- Four (4) 700 sq. ft. live/work style apartments
- Four (4) 1120 sq. ft. detached 2-BR cottages

Subject to the applicant receiving all required approvals, construction could begin in Q2 2019 and be completed in Q1 2021.

Project Budget:

The following budget describes the overall financial structure of the project.

Sources:

Project Debt	\$1,724,763	(73%)
Owner’s Equity	\$435,000	(18%)
CCDC Development Loan	\$200,000	(9%)
Total Sources	\$2,359,763	(100%)

Uses:

Property Acquisition	\$50,000	(2%)
Hard Costs	\$1,750,841	(74%)
Soft Costs	\$304,674	(14%)
Financing Fees	\$17,248	(0.5%)
Other misc. uses	\$25,000	(1%)
Equity pay down (YR 2)	\$200,000	(8%)
Professional Fees	\$12,000	(0.5%)
Total Uses	\$2,359,763	(100%)

Dev. Loan Program:

The Development Loan can be used for commercial 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 lower monthly payments.

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.

Design Review:

The applicant will submit design plans to the DRB in the coming months.

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.

The following estimated costs are subject to the EBO program:

Hard Costs	\$1,750,841
Soft Costs/Professional Services	\$316,674
Total	\$2,067,515

According to the above estimates, a 25% level of M/WBE inclusion for the combined hard and soft costs will be approximately **\$516,879**.

Staff Evaluation:

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 housing development in Uptown is highly consistent with the DMC's dual goals of increasing population density and improving commercial property values through high-quality commercial development. The project also increases Downtown housing options by adding unique product to the market.

Additionally, the applicant for the project is an emerging developer with strong ties to the Uptown neighborhood.

Earlier this year, the CCDC made improvements to the Development Loan program to encourage its use by small and emerging developers. These changes included increasing the maximum loan amount, lowering the interest rate and fees, and allowing a loan up to the full cap of \$200,000 for most projects. Growing the Memphis development ecosystem and supporting emerging and new developers is an important goal of the DMC and CCDC.

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.