

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: September 4, 2018
RE: PILOT Request – 1619 Monroe

The enclosed request is for consideration at the September 11, 2018, CCRFC Board Meeting.

Project: **1619 Monroe**

Applicant/Owner: Amin Zaki
1619 Monroe LLC
7842 Farmington Blvd
Germantown, TN 38138

Applicant's Request: 9-Year PILOT for the construction of a 10-unit apartment development in Midtown.

Included Parcels: 017040 00004C

Project Scope: The proposed project is an apartment development composed of ten townhouse-style units. The development site is a currently vacant lot (.54 acres) on Monroe Avenue, between Avalon and Belvedere.

Each of the ten units will have two bedrooms and approximately 1,200 square feet of living space, spread out across two stories. The units will be split between two mirrored buildings, with a landscaped interior courtyard in between. Twenty-four parking spaces will be wrapped behind the building, accessible via a drive that fronts on Monroe.

Development Budget: The total development cost is approximately \$2,253,411. 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.

Sources:

Project Debt \$1,600,000 (72%)

Equity	\$653,411	(28%)
Total Sources	\$2,253,411	(100%)
<u>Uses:</u>		
Land Acquisition	\$200,000	(9%)
Hard Costs	\$1,739,725	(77%)
Soft Costs	\$291,375	(13%)
PILOT Fee	\$22,311	(1%)
Total Uses	\$2,253,411	(100%)

PILOT Grade:

Per the PILOT scoring system, the project achieves a base grade of 6 years and could achieve a total of 3 years with approved public art, architectural lighting, and MLGW Energy Advantage certification.

Primary Qualification:

Residential (6-10 rooms) 2 Years

Total Project Development Costs:

\$1-5 Million 1 Years

Priorities & Initiatives:

Located Within CCRFC Boundaries 1 Years

Census Tract w/ Poverty Rate >20% 2 Years

Optional Credits:

Public Art 1 Year

Enhanced Architectural Lighting 1 Year

MLGW Energy Advantage Certification 1 Year

Total Base Grade: 6 Years

Total Grade with Art, Lighting, and Energy: 9 Years

Applicant's Request: 9 Years

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 (M/WBEs) 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.

The following project costs are subject to the EBO program:

Hard Costs	\$1,739,725
Soft Costs	\$291,375
Total	\$2,031,100

According to the above estimates, a 25% level of M/WBE inclusion for the combined hard and soft costs will be approximately **\$507,775**.

Design Review Board: The applicant will submit design plans to the DRB in the coming months.

Estimated Payments: The current annual city and county taxes on the property total **\$3,571**. During the 9-year PILOT term, the annual payment in lieu of taxes would equal approximately **\$13,656**. This represents a **282%** increase from the amount of taxes currently generated by the property. Over the course of the PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$90,763**.

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.

Staff agrees with the applicant that a PILOT is needed for the project to be economically viable, attract financing, and warrant equity investment.

Staff is supportive of the proposed development at 1619 Monroe. The project will create 10 new apartment units on a currently unproductive and vacant site. The development is appropriately scaled for the street, which features several existing apartment buildings of a similar density, including the Marilyn at 1639 Monroe, which the applicant previously renovated. Although the project is modest in scale, 1619 Monroe is an incremental step toward the city's goal of building up, and not out, in Memphis's core neighborhoods.

Recommendation: **For these reasons, staff recommends approval of a PILOT up to 9 years in length, subject to all standard approval requirements and conditions.**