

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: February 10, 2021
RE: South City Good Neighbor Grant & Development Loan Request, 337 S. 4th St.

The enclosed South City Good Neighbor Grant & Development Loan applications have been submitted for consideration at the February 17, 2021, CCDC Board Meeting.

Project: 337 S. 4th St. (Brown Girls Inc., LLC)

Applicant/Owner: Brown Girls Inc., LLC
337 S. 4th St.
Memphis, TN 38126

Project Contacts: Candace Gregory
4914 W. Lions Gate Dr.
Memphis, TN 38116

Brandon Ingram
337 S. 4th St.
Memphis, TN 38126

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

South City Good Neighbor Grant in an amount up to \$50,000.

Project Description: The subject property consists of a .125 acre parcel at 337 S. 4th St. and an adjacent .135 acre parcel to the west. The site contains a two-story 9,498 sq. ft. vacant building, built in 1920. The applicant is proposing a complete renovation of the commercial structure into a mixed-use building with retail on the ground floor and residential units on the second floor. The adjacent lot will be used as parking for the site.

This major renovation will include fifteen (15) retail spaces, twelve (12) of which will operate as micro-suites. Four (4) multi-family apartment units will be accessible through an exterior staircase along the western façade of the building.

The applicant is requesting CCDC approval for both a South City Good Neighbor Grant (SCGN) and a Development Loan. SCGN grant funds of \$50,000 will be used to renovate the building exterior including tuck-point and masonry work,

brick repair, new steel doors and frames, a new storefront, windows and exterior paint. The \$200,000 Development Loan will assist with interior building improvements such as structural improvements, a new elevator, and building improvements such as electrical work.

Contingent upon CCDC and DRB approvals, construction will begin in March 2021. Construction is expected to take approximately eleven (11) months, and be completed by January 2022.

Overall Budget:

The following budget describes the overall project:

Sources:

Owner's Equity	\$230,000	(10%)
CCDC Development Loan	\$200,000	(8%)
CCDC SCGN Grant	\$50,000	(2%)
<u>Bank Financing</u>	<u>\$1,920,000</u>	<u>(80%)</u>
Total Sources	\$2,400,000	(100%)

Uses:

Hard Construction Costs	\$1,460,120	(60%)
Soft Costs	\$549,726	(23%)
Professional Fees	\$207,623	(9%)
<u>Financing Fees</u>	<u>\$182,531</u>	<u>(8%)</u>
Total Uses	\$2,400,000	(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 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. As permanent financing, the final loan amount is reimbursable and based on approved receipts.

The following budget describes the Development Loan scope of work:

Uses:

Interior wall construction	\$50,000	(25%)
New interior elevator	\$100,000	(50%)
Exterior stair metal posts	\$35,000	(18%)
Erection of structural steel framing	\$6,000	(3%)

<u>Electrical</u>	<u>\$9,000</u>	<u>(5%)</u>
Total Dev. Loan Uses	\$200,000	(100%)

SCGN Budget:

The South City Good Neighbor Grant is a special program offered by the Downtown Memphis Commission (DMC) and the Center City Development Corporation (CCDC) in partnership with the City of Memphis Division of Housing and Community Development (HCD) and the South City Choice Neighborhood Initiative (CNI). This grant is designed to help commercial property owners and businesses in the South City Neighborhood make exterior improvements to their property.

The South City Good Neighbor Grant is for exterior work only and provides up to 90% of the total project cost up to \$50,000.

Sources:

Owner-funded	\$50,000
<u>South City Good Neighbor Grant (CCDC)</u>	<u>\$50,000</u>
Total Sources	\$100,000

Uses:

Concrete	\$10,000
Tuck Pointing	\$15,000
Brick Repair/Patch/Replace	\$18,000
Trim	\$15,000
Steel Doors & Frames	\$7,000
Storefronts & Windows	\$20,000
<u>Painting</u>	<u>\$15,000</u>
Total Uses	\$100,000

Design Review:

The applicant will submit design plans to the DRB following CCDC Approval.

EBO Program:

EBO Program: Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC) shall include a best faith effort to reach no less than 25% participation by minority and/or women owned businesses (MWBE) in the project's development cost (design 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 CCDC will cancel the incentive.**

Outreach & Inclusion Plan:

The specific steps required for each applicant to be compliant with the DMC's EBO Program takes into

consideration the size, scope of work, and development costs associated with the project. The applicant had already begun interviewing several MBE certified General Contractors at the time of submitting this application. The applicant has a clear understanding of the EBO Program and has worked with the DMC staff to identify the following key steps that will be included in their Outreach & Inclusion Plan:

- The applicant will use the City of Memphis Business Diversity & Compliance Registry and the resources at the Shelby County Office of Equal Opportunity Compliance to continue identifying qualified tradespeople to perform the needed work.
- The applicant will contact a minimum of 3 certified MWBE businesses for each trade or type of subcontractor needed, and provide each a fair opportunity to submit a bid and be considered for the work.
- Once the service providers have been identified, the applicant will submit the form titled “Proposed Utilization Plan” to DMC staff for review and approval. The applicant will also be asked to provide a full record of the outreach steps taken and the results thus far. This documentation can include items such as a phone call log, copies of emails, meeting notes, and similar materials.
- After construction has started, the applicant will provide monthly updates to DMC staff detailing the project status and level of MWBE involvement at each major phase of the project.

Minimum MWBE Goal: With an estimated total project budget of \$2,400,000, a 25% level of MWBE inclusion is approximately **\$600,000**.

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.

The South City Good Neighbor Grant was created to encourage property investment within the South City

neighborhood and to help new businesses succeed by enhancing their curb appeal.

Staff is supportive of the applicant's request for a Development Loan and South City Good Neighbor grant for several reasons. First, the project will put a long-vacant building and lot located on a major corridor back into productive use through the use of high quality materials.

Secondly, the project will increase commercial and residential density with the addition of new apartment units and retail space in the Downtown Core. Filling in the gaps, increasing the customer base, and replacing vacancy with new commercial activity are vital to creating a climate for Downtown retail to be successful.

Thirdly, this project will support an emerging developer and fill a critical gap in the project's financing. This project will help to encourage other small development projects to join the larger, on-going development plans occurring in the South City and South Main neighborhoods.

Recommendation:

Staff recommends approval of a Development Loan in an amount up to \$200,000 and a South City Good Neighbor Grant in an amount up to \$50,000, based on approved receipts and subject to all standard closing requirements and conditions.