

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: June 9th, 2021
RE: Retail Tenant Improvement (TI) Grant Request – Capsule, LLC.

The enclosed Retail Tenant Improvement Grant has been submitted for consideration at the June 16th, 2021, CCDC Board of Directors Meeting.

Project: Capsule, 145 Madison Ave.

Applicant: Luther Caesar Speight IV
Capsule, LLC
10 S. Main St. Unit #1401
Memphis, TN 38103

Applicant's Request: \$30,000 Retail Tenant Improvement (TI) Grant.

Project Description: The subject property is located on the south side of Madison Ave., just east of South Second St. It is adjacent to Fam restaurant and is right across the street from The Brass Door and a new coffee shop under construction. The applicant, Capsule LLC, plans to fully renovate the ground floor commercial space. The building owner is 90% finished with renovation of the second floor as a separate commercial space for event rentals.

Capsule previously operated under the name Archive, located on the corner of Summer Ave. and Highland St. Archive opened in September of 2019 but due to the pandemic, they were unable to stabilize their business and decided to utilize that time to enhance their business model. Capsule will be an upgraded sneaker, vintage, and streetwear retail experience. The company sources its inventory through walk-in customers, wholesale warehouses, trade shows and conventions, retail releases, and select local brands.

145 Madison Ave. was previously retrofitted as a jewelry store, Jack Yacoubian Jewelers. The existing storefront design with glass display cases will be used to market Capsule's inventory, however the interior will be completely

remodeled. The existing wooden wall paneling will be removed to expose the original brick and plaster, recapturing the building's original character. The holes in the walls will be filled and will be painted and protected with a plaster sealer. New electrical, plumbing, and HVAC will bring the space back into operable use.

Framing and sheetrock will be necessary to upgrade the office, restroom, fitting rooms, and main entrance. A cash wrap will be built as a permanent fixture to service customers. The restroom will also be upgraded with repaired tile, plumbing and ceiling improvements.

Following CCDC approval of a Retail TI Grant, the applicant intends to sign a 3-year lease and start construction. The retail component is scheduled to be open by late summer.

Scope of Work: The Retail Tenant Improvement Grant program is designed to encourage new businesses to open ground-floor locations along priority corridors and within targeted retail nodes. The Grant is reimbursable and requires the applicant to provide receipts of completed work.

Overall Project Budget: The overall project budget includes the following sources:

CCDC Retail TI Grant	\$30,000	(87%)
Business Owner's Equity	\$ 4,500	(13%)
Total	\$34,500	(100%)

Work Eligible for TI Grant: Permanent improvements that are potentially-eligible for reimbursement under the Retail TI Grant program include the following:

Select Demo & Framing	\$4,500	(13%)
Sheetrock	\$4,000	(12%)
Electrical	\$9,000	(26%)
Plumbing	\$1,500	(4%)
HVAC	\$8,500	(25%)
Cash Wrap	\$2,500	(7%)
Paint	\$3,500	(10%)
Misc. Repairs	\$1,000	(3%)
Total	\$34,500	(100%)

Design Review: DRB review will be required for any exterior improvements and signage.

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. At the time of incentive application, it is typically too early to identify specific contractors or sub-contractors that will ultimately be involved in the construction. However, the applicant has a clear understanding of the EBO Program and has worked with 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 identify qualified general contractors and 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 information.
- 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 Retail TI Grant budget of \$34,500, a 25% level of MWBE inclusion for that work is approximately **\$8,625.**

Maximum Grant Amount: For this program, the maximum grant amount is based on the size of the retail space and length of the lease. Larger spaces with longer leases qualify for larger grants. The Retail TI Grant program is capped at \$30,000 per project, regardless of size or length of lease.

The following formula is used to determine the maximum amount:

$\$4.00 \times 3,300 \text{ sq. ft.} \times 3 \text{ Years} = \$39,600$
(max grant capped at **\$30,000**)

Staff Evaluation: DMC staff is in full support of the applicant's request. The subject property is a strategically important vacancy in the Main St. Retail Node, one of the top focus areas for implementation of the Downtown Retail Strategy.

A goal of the Downtown Memphis Retail Strategy is to support the marketing of local businesses for Memphians and to build a strong critical mass of stores and activities within existing retail nodes. Capsule is the type of locally-owned small business that the Retail TI Grant is designed to help recruit.

Density in retail offerings make a node more appealing to potential customers, with the convenience of being able to browse at a few stores at once. The addition of a transparent commercial space, surrounded by restaurants and activity, in place of a blighted storefront, will make a noticeable impact on the Madison Ave. corridor.

Staff Recommendation: Staff recommends approval of a Retail Tenant Improvement Grant in an amount up to \$30,000, based on approved receipts and subject to all standard closing requirements.