

## Request for Expressions of Interest

# Downtown Memphis PILOT Program Review

### THE OPPORTUNITY

The Center City Revenue Finance Corporation (CCRFC) and the Downtown Memphis Commission (DMC) are searching for an economic development consultant to conduct a review of the Downtown Payment In Lieu Of Taxes (PILOT) program. The main purpose of this review is to evaluate whether the current PILOT program is providing the public benefits it was designed to deliver, and to recommend policy changes if necessary.

The Downtown Property PILOT offers developers a partial tax freeze for substantial development projects in Downtown Memphis.

- During the length of a PILOT, property owners make payments equivalent to the pre-development tax assessment of the property, plus 25 percent of the post-development increase in assessed value.
- The length of a PILOT is determined by a grading system based on public priorities.
- **A project must meet two tests to be eligible for PILOT consideration:**
  - 60% or more of the total project cost (including acquisition) must be hard construction costs.
  - The applicant must demonstrate that the project is not financially viable without the PILOT incentive (the “But-For” test).

The time is ripe to reevaluate current PILOT policies. Public priorities have shifted in recent years, signaled by the adoption of a new city comprehensive plan, and a master plan for Downtown Memphis. Market conditions have also changed rapidly, moving from a post-recession lull to a Downtown boom, and then to the uncertainty of the COVID pandemic and its aftermath

The Downtown PILOT program has been the primary tool for economic development in Downtown Memphis for over forty years – ensuring that this program is still doing its job is vital for both Downtown Memphis and the city as a whole. With finite demand for new development over the next decade, the CCRFC will need to use the Downtown PILOT strategically to build density, fill gaps in vibrancy, and combat inequity and disinvestment. The PILOT program will also need to balance the need to incentivize large, catalytic projects with the ability to enable small-scale infill and renovation projects that can provide opportunities for emerging developers. Perhaps most importantly, the PILOT program must make financial sense for the city, providing a net financial benefit rather than a drain on public resources.

## **KEY QUESTIONS**

This review will help DMC Staff & the CCRFC Board answer the following key questions:

- 1) Is the CCRFC PILOT program delivering the desired results of growing the tax base and helping projects happen that couldn't otherwise?
- 2) Can the But-For Test be formalized to provide clearer guidelines for financial analysis to aid staff review and create a more predictable process for developers?
- 3) Are there any other policy changes that should be considered to maximize the public benefit of this vital economic development tool?

## **POTENTIAL SCOPE OF WORK**

While the final scope of work will be negotiated with the selected service provider, the following scope outlines the major issues and topics identified by DMC staff.

### **1. CURRENT PROGRAM REVIEW**

- History and enabling legislation
- Comparison with other state PILOT programs
- CCRFC Board composition & role
- Program structure and function
- Current grading criteria
- But-For Test
- 60% Rule
- Affordable housing requirements
- Energy efficiency
- Equal Business Opportunity (EBO) Program
- List of approved projects & growth of tax base
- Reinvestment of PILOT fees
- General observations

### **2. POTENTIAL PROGRAM/POLICY CONSIDERATIONS**

- Application requirements
- Grading criteria
- PILOT length
- Reporting & transparency
- Emerging developers & infill
- Alignment with current plans
- Mobility & parking

- Other suggestions

### 3. BUT-FOR TEST

- Advantages & limitations of the current approach
- Complicating factors for setting return threshold standards
  - Risk
  - Location
  - New construction or adaptive reuse
  - Use/product type
  - Parking
  - Owner-occupied commercial vs. speculative construction
  - Single-user vs. multi-tenant
  - Developer's experience, balance sheet, and existing banking relationships
  - Capital stack
  - Financing terms
  - Exit strategy & holding period for ownership/equity
  - Other public support or incentives
  - Alternative investment options
- Options for formalizing the process to determine eligibility & economic need

### 4. CONCLUSIONS & DELIVERABLES:

- Policy changes to consider, if needed
- Suggested grading criteria adjustments
- Set goal for average PILOT length
- But-For Test Improvements
- Areas of further study
- Recommended next steps & timeline

## TIMELINE

- **June 30, 2021:** REOI Issued
- **July 30, 2021:** Responses due
- **August 30, 2021:** Consultant selected by DMC staff
- **September 2021:** CCRFC approves consultant, final budget, and scope of work
- **September 15, 2021:** Consultant given notice to proceed
- **December 14, 2021:** Target date for complete first draft of study
- **February 2022:** Present final study recommendations to CCRFC board

## COMMITMENT TO DIVERSITY & INCLUSION

Increasing opportunities for minority and women-owned businesses (MWBs) in all phases of the commercial development process is a high priority for the DMC. In all of its work, the DMC's goal is to provide an equal opportunity for MWBEs to bid on all eligible aspects of a project, including contracting and subcontracting opportunities. The DMC's EBO program requires that any service provider proactively

reach out to MWBEs and hold a fair and open bidding process for any contracting and subcontracting opportunities, with the goal of reaching 25% or more participation from MWBEs.

## **REOI SUBMISSION INSTRUCTIONS**

### **Required Information**

If your firm is interested in this opportunity, please provide the following information in a single PDF:

1. Cover letter & expression of interest.
2. Statement of qualifications & resumes of key staff that will be assigned to the project.
3. List of relevant project experience with links to download the final work product, if public.
4. Client references for 2-3 relevant projects.
5. Any other information needed to communicate the firm's ability to perform the scope of work.
6. Budget estimate for completing the project.

### **Submission Due Date**

All responses to this REOI must be submitted to the DMC by 12:00 PM CST on July 30, 2021. Respondents must submit a digital PDF of the entire submission via email to Abram Lueders at [alueders@downtownmemphis.com](mailto:alueders@downtownmemphis.com) prior to this deadline. Please format the document to fit 8.5 x 11 size. A maximum length of 15 pages is preferred.

### **Equal Opportunity Statement**

The DMC is an equal opportunity employer and will select a proposal without regard to age, disability, religion, creed or belief, political affiliation, race, sex, or ethnicity.

### **Right to Revise, Reissue, or Cancel REOI**

The DMC may need to request additional information from the respondents as part of the selection process once finalist firms have been identified. The DMC reserves the right to not select a proposal as a result of this process. In that event, the DMC may, or may not, elect to reissue the REOI if deemed necessary to solicit additional interest in the project.

**If you have any questions, please contact:**

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