

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: September 27, 2021
RE: Retail Tenant Improvement (TI) Grant Request – Inkwell, 631 Madison Ave.

The enclosed Retail Tenant Improvement Grant has been submitted for consideration at the September 30, 2021 special-called meeting of the CCDC Board of Directors.

Project: Inkwell, 631 Madison Ave.

Tenant/Business Owner: Ben Colar
Inkwell
631 Madison Ave.
Memphis, TN 38103

Property Owner: PKM
676 Marshall Ave. Ste. 101
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. between Neely St. and N. Orleans St. The project includes a 6,199 sq. ft. one-story commercial building built in 1938.

The existing building was previously split into two (2) uses: commercial space for Alexander Marble & Tile in the northern portion of the building and apartments for an adult entertainment venue to the south. The northern commercial portion of the building has sustained damage from past events over the years and has since been covered in EIFS, a synthetic stucco, to cover all of the windows, eliminating transparency into and out of the space.

On January 20, 2021, the CCDC approved a \$80,000 Exterior Improvement Grant (EIG) to help the property owner transform the building. The owner's proposed renovations include demolition of the EIFS façade to create a new storefront and full renovation of the vacant building for a commercial tenant space on Madison Avenue and apartment units to the rear.

Inkwell, a new cocktail lounge, will be the tenant moving into the front commercial space along Madison Avenue once the

building renovations are complete. Inkwell is requesting a Retail TI Grant to help make permanent interior tenant improvements to transform the space into a useable condition.

The applicant has made a clear commitment to the neighborhood by signing a 5-year lease and investing significant resources in the project. Although the applicant has already signed the lease, DMC staff had been in communication with the applicant about the possibility of this potential grant request well before that time. Construction has started and is expected to be complete in Q4 2021.

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 Interior Budget: The overall interior budget includes the following sources:

CCDC Retail TI Grant	\$30,000	(31%)
Property Owner	\$45,000	(46%)
Tenant's Equity	\$22,954	(23%)
Total	\$97,954	(100%)

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

Millwork and bar counter	\$11,000	(20%)
Tenant's share of buildout*	\$45,000	(80%)
Total	\$56,000	(100%)

**Inkwell will pay approximately \$45,000 to complete permanent tenant improvements including necessary electrical, mechanical, and plumbing repairs. These uses are all eligible under the Retail TI Grant program. The property owner is responsible for the other half of the cost, approximately \$45,000.*

Design Review: DRB has reviewed and approved the project in June 2021. Exterior signage for the tenant will require DRB approval prior to installation.

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 following key steps will likely be included in the 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 budget of \$56,000, a 25% level of MWBE inclusion is approximately **\$14,000.**

Maximum Retail TI Grant: 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:

$$\$4.00 \times 1,600 \text{ sq. ft.} \times 5 \text{ Years} = \$32,000$$

(Note: grant capped at \$30,000 max)

Policy Considerations: At the August 14, 2019 CCDC meeting, the Board made a policy change to limit incentives to one per property in most

cases. The goal of this policy change is to use CCDC resources efficiently while leveraging private investment to the fullest extent possible. However, the policy memo did outline examples where an exception could be considered for a high-impact project or a strategically significant property if doing so closely aligns with DMC's priorities and Retail Strategy.

Staff suggests that combining both the Retail TI Grant and EIG Grant on a single property could be appropriate in some cases where the tenant is not directly benefiting from a grant to the property owner. In staff's opinion, this type of policy exception is especially compelling in instances where the CCDC is able to proactively support a MWBE business opening a ground-floor location within a targeted retail node.

Staff Evaluation:

DMC staff is in full support of the applicant's request for a Retail TI Grant. The subject property is a strategically important vacancy in the heart of the Edge District retail node, one of the top focus areas for implementation of the Downtown Retail Strategy.

Located prominently on Madison Avenue, this project clearly aligns with our goals of reducing vacancy and combatting blight along primary commercial corridors and at important gateways into Downtown. Increasing the density of commercial offerings within the targeted retail nodes is the aim of this grant program. Moreover, the Downtown Retail Strategy recognizes that increasing the number of women and/or minority-owned Downtown businesses is a critical part of achieving our overarching goal of building a Downtown for everyone. Approving a Retail TI Grant in this case will directly support the efforts of a local African-American business owner as he makes a considerable investment in an exciting Downtown project.

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.