

100 North Main Memo - Jan 2022





To: Downtown Mobility Authority (DMA) Board of Directors
From: DMC Staff & 100 N. Main RFP Committee
Date: January 19, 2022
RE: 100 N. Main Request for Proposals - Staff Recommendation

Background:

The Downtown Memphis Commission and its affiliate agencies partnered with the City of Memphis on a bold strategy to acquire, reposition, and redevelop the blighted property at 100 N. Main and the adjacent parcels. Following a 90-day due diligence period, the property was purchased in March 2021 by the DMA, a DMC affiliate, using the PILOT Extension Fund. The use of the PILOT Extension Fund required approval by the DMA, the Center City Revenue Finance Corporation (CCRFC), the City of Memphis Mayor, Memphis City Council, the Shelby County Mayor, and the Shelby County Commission.

The \$10.75M purchase price included 9 total parcels and 2 acres in the heart of the Downtown Core. The 37-story main tower building was originally built in 1965 and is approximately 579,000 square feet in gross area. When it was in use, the net rentable area of the building was approximately 429,000 square feet. The structure has remained vacant since June 2014. The tower building was added to the National Register of Historic Places in April 2015. The overall site also includes four smaller historic buildings totaling around 50,000 square feet, a temporary dog park, and a surface parking lot.

RFP Committee:

The 100 N. Main RFP Committee was formed to help DMC staff create a Request for Proposals (RFP) soliciting redevelopment proposals for the acquired property, reviewing the submissions, and ultimately providing advice on which developer to select. The selected developer will own the property subject to the terms of a development agreement. With the support of DMC staff, the following individuals served as advisors on the RFP Committee:

- Paul Young, DMC President & CEO
- Williams Brack, DMC Board of Directors
- Elliot Embry, DMA Board of Directors
- Anton Mack, CCDC Board of Directors
- Esther Sykes-Wood, Shelby County Land Bank
- Demar Roberts, DMC Board of Directors
- Colin McDoniel, DRB Board of Directors

- Doug McGowen / Dan Springer, City of Memphis
- Sean Norris, CCRFC Board of Directors
- Rev. Scott Walters, Calvary Church
- Tony Bologna, Consultant to DMC Staff
- James McLaren, DMA/CCRFC Legal Counsel

Request for Proposals (RFP) Document:

DMC staff worked collaboratively with the Committee to draft an [RFP document](#) describing this unique development opportunity. On June 15, 2021, the DMC issued a formal Request for Proposals inviting qualified firms to submit a proposal for the redevelopment of the entire site. The property is being offered in “as-is” condition.

The RFP was shared proactively and advertised to a local, regional, and national audience. This was done to ensure that the applicant pool was not limited to only local firms. DMC staff led over 30 tours of the building with interested developers, design professionals, and other stakeholders. DMC staff worked with media partners to have stories about the 100 N. Main redevelopment effort placed on broadcast, print, and digital outlets, including national exposure via [Next City](#) and [AIA Architect Magazine](#).

In addition to this media coverage, the RFP was promoted prominently on the [DMC website](#) and through relevant organizations including the American Planning Association (APA), International Council of Shopping Centers (ICSC), Urban Land Institute (ULI), National Trust for Historic Preservation (NTHP), International Downtown Association (IDA), and the Tennessee Historical Commission (THC). Moreover, DMC staff conducted research to identify regional and national developers who might be interested in the RFP. As a result, over 300 direct emails were proactively sent to developers with an invitation to explore the opportunity and tour the site if interested. This comprehensive outreach strategy was instrumental in attracting interest from eleven local and national development teams.

The RFP stated the following project goals:

- Create a high-quality development that appropriately fits the downtown context and exemplifies design excellence.
- Develop the entire 2-acre site in a manner that builds compact critical mass, increases density, and significantly grows the tax base.
- Improve the pedestrian experience and support increased mobility options.
- Establish a clear commitment to diversity and inclusion by including Minority and Women-Owned Business Enterprise (MWBES) in the project’s ownership, design, and construction.
- Create a mixed-use project that adds 18-hour vibrancy to the neighborhood.

- Adaptive reuse of the existing buildings and new infill development on the surface parking lot is the preferred strategy, if economically viable.
- Leverage public parking as an amenity to support Downtown growth and unlock development potential.
- Use available development incentives efficiently to maximize public benefit and minimize public costs.

Evaluation Process:

Eleven responses were submitted by the August 31, 2021, application deadline. Ten of the proposals were found to be complete and advanced for initial interviews with DMC staff and the Committee. The main goal of the first round of interviews was to identify firms with the most relevant experience. The RFP placed a clear priority on selecting a developer with a proven track record of financing and delivering high-quality commercial projects of a similar scale and level of complexity to 100 N. Main. The proposal also needed to be economically sound, supported by realistic market assumptions, and not face insurmountable regulatory hurdles or constraints.

As a result of a detailed review of each proposal and 10 interviews, the following six teams were advanced for second-round interviews:

- 100 North Main Development Partners (Representative - Kevin Woods)
- Russell Glen & Matthews Southwest (Representative – Terrence Maiden)
- Alexander Company (Representative – Joseph Alexander)
- Block RES & Sunflower Dev. Group (Representative – Aaron Mesmer)
- Flaherty & Collins (Representative – David Flaherty)
- Carlisle Development Company, LLC (Representative – Chance Carlisle)

The second round of interviews provided an opportunity to ask detailed questions about each plan and challenge the various development assumptions contained within the proposals. All 6 of the finalist proposals contemplated the adaptive reuse of the 37-story tower and some type of infill development in the existing surface parking lot. The development programs of each proposal were largely similar, with the most common being a mix of commercial uses, including hospitality, residential, office, parking, and ground-floor retail.

After conducting two rounds of interviews, it was the opinion of the Committee that several of the finalist firms were well-qualified and likely able to successfully deliver a high-quality redevelopment project. After significant deliberation, a consensus emerged from DMC staff and the RFP Committee to identify the 100 North Main Development Partners team, led by Kevin Woods, as the preferred development team.

Recommended Team:

100 N. Main Development Partners is led by Kevin Woods and includes Billy Orgel, Jay Lindy, Adam Slovis, and Michael McLaughlin as team partners. Members of this team have significant experience in Downtown Memphis redevelopment projects. The developer's most relevant project examples include the following:

- Tennessee Brewery, 495 Tennessee Street; Adaptive reuse and new construction for 273 apartments, office, retail, and parking. (\$52.5M)
- Conwood/Snuff District, Uptown Memphis; Adaptive reuse and planned new construction for 725 apartments, office, retail, and parking. (+\$205M)
- Oliver & Stewart Buildings, 99-105 S. Front Street; Adaptive reuse for 111 apartments and 1,500 sf commercial. (\$31.5M)
- Madison Midtown, 1544 Madison Avenue; New construction for 220 apartments. (\$40.1M)
- FedEx Logistics HQ, 145 Lt. George W Lee Avenue; 200,000 sf office renovation. (\$62.5M)

Conceptual Development Plan:

While the final development budget and development program will normally evolve during the due diligence and design development period, the following points describe key components of the current proposal:

- \$267,818,004 total development budget for renovation of the existing tower and new infill development with structured parking on the south half of the site.
- Development team will pay DMA \$10,000,000 to acquire the 2-acre site in a fee simple transaction.
- Existing tower will be renovated to include approximately 180-210 apartments, full-service hotel with 154-200 keys, renovation of the 420-space parking garage, 60,000 sf office space for the City of Memphis, and 38,000 sf retail, restaurant, and rooftop amenities.
- New infill construction on the southern half of the site will include approximately 140 apartments, 3,000 sf ground-floor retail, and a new parking structure with 352 parking spaces.
- Development team will utilize the previously-approved \$10M Accelerate Memphis grant funding for public infrastructure, public parking, and blight remediation.
- 20-year PILOT contemplated with the option to go to the State of Tennessee to request a 30-year PILOT if deemed necessary to make the project economically viable.
- Developer will pursue Federal Historic Tax Credits as a key part of the capital stack.
- To fill a project gap of approximately \$14M, the developer is exploring the potential to bond against available revenue streams such as the TDZ surcharge, parking operating income, and other sources when identified.

Commitment to Diversity and Inclusion:

The development team is committed to working with the DMC, the City of Memphis, and local minority business councils in a focused effort to maximize MWBE participation in all project phases, including design, construction, and equity ownership.

All contractors and subcontractors involved in this project will be required to meet or exceed the minimum requirements of the DMC's Equal Business Opportunity (EBO) program. The development team has a commitment to inclusion that will extend far beyond the minimum requirements of the EBO program. Even at this early stage in the development process, a number of MWBE consultants have already been identified as team members during the pre-development stage. While always subject to change based on consultants' availability and project need, the following team members are MWBE certified:

- Allworld Project Management: Project Coordination & Management
- M&M Enterprises: Apartment Leasing & Management
- Carpenter Law, PLLC: Bond Counsel
- Judith Johnson & Associates: Historic Preservation
- Design Love Studio: Architecture
- Innovative Engineering Services (IES): Mechanical, Electrical, Plumbing, and Fire Protection

In addition, the development team has already started the process of reaching out to local minority investors to gauge their level of interest in contributing at-risk equity investment to the project. That work continues. Based on these preliminary discussions and enthusiastic responses, the development team hopes to achieve +30% in local minority investor participation with respect to the total number of equity partners. Also, the team has identified several MBE-owned office tenants and retail businesses who have expressed an initial interest in learning more about locating their businesses and retail operations in the project. In summary, DMC staff is highly confident in the ability of this development team to successfully meet the top project goal of including women and people of color throughout the project's ownership, design, and construction.

Next Steps & Staff Recommendation:

A two-step approval process is being recommended. As a first step, DMC staff is requesting that the DMA select the 100 North Main Development Partners team, led by Kevin Woods, as the preferred development team today. The developer will have exclusive rights to perform any necessary due diligence and refine the design and development proposal at their own expense. It is anticipated that the developer will need to expend significant financial resources on exploratory work, design, and related due diligence to ascertain the current condition of the building and create a more accurate development budget based on additional architectural design and engineering work. During this due diligence period, the DMA will still own the property as it does today. Concurrently with this due diligence period, DMC staff and legal

counsel will negotiate specific terms of a development agreement needed prior to the transfer of the property.

The developer expects to complete due diligence within 180 days following DMA approval. Following that point, DMC staff will present a formal development agreement for consideration and approval by the DMA Board of Directors prior to the property being transferred to the developer as the second step. The development agreement will provide that the property will not transfer until the closing of the developer's financing.

Following property transfer, construction is estimated to take approximately 28 months for the tower renovation and new infill construction on the south half of the site.

Conclusion:

While several of the teams could likely tackle this important project, DMC staff believes that the team led by Kevin Woods is best positioned to successfully deliver a high-quality project that meets the identified project goals for several key reasons.

First, the most important consideration for the RFP Committee is to select a partner with demonstrated experience. The 100 North Main Development Partners have an impressive portfolio of local projects involving both complex adaptive reuse and new construction. This team has a proven history of transforming long-vacant Downtown Memphis property and putting blighted buildings back into productive use. Local knowledge and experience often bring more realistic expectations and a better understanding of the Downtown Memphis market. Additionally, local experience and a demonstrated ability to attract equity and financing to a Downtown Memphis project are key considerations and decrease the risk to the DMC, DMA, and City of Memphis that the project will stall and not come to fruition.

Second, the development proposal is one of the most sizable with respect to the total development budget, overall density, and height for new construction on the south half of the site. The conceptual design plan proposes a scale of development that appropriately fits the Downtown context and helps achieve the project goals of building compact critical mass, increasing density, and significantly growing the tax base.

Lastly, the proposal includes a significant payment for the acquisition of the property. Most of the development proposals contemplated paying only nominal consideration, or nothing, for this 2-acre site. While not the single most important factor to consider, the \$10M payment allows DMA/DMC an opportunity to reinvest these funds into another priority property. While real progress has been made to develop Downtown Memphis over the past decade, much work remains. The 100 N. Main RFP process illustrates how creative problem solving can be used to make progress on long-vacant problem properties. Replenishing this funding source will allow this important work to continue.