

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: April 5, 2022  
RE: PILOT Application: 633 Monroe Ave.

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The enclosed PILOT application has been submitted for consideration at the April 12, 2022, CCRFC Board Meeting.

**Project:** **633 Monroe Avenue**

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**Applicant:** It's Not Me It's You, LLC  
9277 Cordova Park Rd.  
Cordova, TN 38018

**Representatives:** Mr. Jon Hodge & Mr. Reuben (Tripp) Atkinson III

**Applicant's Request:** 10-year PILOT for renovation of a vacant 3-story building for ground-floor commercial space and up to 5 apartments on the upper floors.

**Included Parcel:** Parcel ID: 007031 00005

**Project Description:** The subject property (0.172 acres) is a vacant 3-story building located at the intersection of Monroe Avenue and Marshall Avenue in the Edge District. The 11,872 sq. ft. building has sat vacant and blighted for many years.

The building was subject to a 2019 DMC lawsuit in Environmental Court due to the blighted and dangerous condition of the building. The previous owner made several court-mandated structural repairs to stabilize the building prior to actively marketing the property for sale. The applicant has now purchased the property. Following PILOT approval, the applicant plans to begin construction within 90 days. Once started, construction is expected to take approximately 12 months to complete.

**Project Budget:** The total development cost of the project is approximately \$2,810,000. To be eligible for a PILOT, the value of the proposed building renovations, site improvements, or new construction must be equal to, or greater than, at least 60% of the total project cost. Based on the preliminary budget, the project meets this requirement.

The following describes the overall sources and uses of funding:

**Sources:**

Bank Loan	\$2,337,500	(83%)
Owner's Equity	\$412,500	(15%)
DMC EIG Grant*	\$60,000	(2%)
<b>Total Sources</b>	<b>\$2,810,000</b>	<b>(100%)</b>

**Uses:**

Property Acquisition	\$700,000	(25%)
Hard Costs	\$1,960,000	(70%)
Soft Costs	\$122,206	(4%)
PILOT Fee	\$27,794	(1%)
<b>Total Uses</b>	<b>\$2,810,000</b>	<b>(100%)</b>

*\*Pending Center City Development Corporation (CCDC) approval.*

Project Grading:

Per the CCRFC's PILOT grading system, the project achieves a maximum grade of up to 10.5 Years:

**Primary Qualification:**

Residential (2-5 units) 1 Year

**Secondary Qualification:**

Retail (below 5,000 sf) 0.5 Year

**Total Project Development Costs:**

\$1-\$5 Million 1 Year

**Priorities & Initiatives**

Located within CBID 3 Years

Located within Edge neighborhood 3 Years

Permanent public art 1 Year

Enhanced architectural lighting 1 Year

**Maximum Grade: 10.5 Years**

**Applicant's Request: 10 Years**

EBO Program:

Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC), or any of its affiliate boards, shall include a best faith effort to attain no less than 25% participation by minority and/or women-owned businesses (MWBES) in the project's development costs (design soft costs 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 CCRFC reserves the right to cancel the incentive.**

Outreach & Inclusion Plan: The specific steps required for each applicant to be compliant with the DMC's EBO Program will take into consideration the size, scope of work, and development costs associated with the project. At the time of PILOT application, it is typically too early in the process 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 meet and coordinate with minority-owned business assistance organizations such as the Memphis Area Minority Contractors Association (MAMCA) and the Mid-South Minority Business Council Continuum (MMBC) to make their members aware of the project and any contracting and sub-contracting opportunities.
- 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 advertise and host a pre-bid conference to allow MWBE general contractors and subcontractors an opportunity to ask questions and learn more about the job opportunity. DMC staff will be invited to attend the pre-bid conference to observe.
- The applicant will contact a minimum of 3 certified MWBE general contractors and provide each a fair opportunity to submit a bid and be considered for the work.
- Once a general contractor is identified, 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 pre-bid conference attendance sheet.
- 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:

Based on the current information provided by the applicant, the estimated EBO-eligible costs for this project are as follows:

Hard Construction Costs	\$1,960,000
Soft Costs	\$122,206

**Total Eligible Costs                      \$2,082,206**

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$520,552**.

Parking Strategy:

The applicant has discussed parking requirements with their proposed lender. The potential lender is satisfied with the amount of paid public parking available within the neighborhood, including on-street parking and off-street parking lot and garage facilities. More than 160 on-street parking spaces are found within the immediate area.

Moreover, the applicant has negotiated a long-term agreement to lease up to 15 spaces from Premium Parking at a nearby facility, if needed, to support the planned residential units in the property. DMC staff is fully satisfied that the applicant has a reasonable plan in place for providing the parking needed to support this new development.

Design Review Board:

The applicant will submit plans to the DRB in the coming months.

Estimated Payments:

The current annual city and county taxes on the subject property total approximately **\$7,556**. A PILOT would allow for the full redevelopment of a long-term vacant property.

During the 10-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$14,804**. This represents a **96% increase** from the amount of taxes currently generated by the property.

Without a PILOT and the resulting investment of this project, the subject property would generate only **\$75,560** in city and county property tax over the next 10 years. Over the course of the 10-year PILOT term, the property will now pay approximately **\$148,036** in taxes, a cumulative increase in taxes of over **\$72,477** to the City & County as a result of the PILOT.

Staff Evaluation:

Based on the submitted application and the accompanying pro forma, DMC staff agrees with the applicant that a PILOT is needed for the project to be economically viable, attract bank financing, and warrant equity investment.

The DMC's Strategic Plan encourages the following: facilitating and accelerating real estate development, incentivizing development when necessary to increase investment and economic development, and fighting blight to improve the visual appearance of the built environment.

Located prominently at the intersection of Monroe and Marshall, this project clearly aligns with the DMC goal of reducing vacancy and combatting blight along primary commercial corridors and at important gateways. Moreover, the site is centered within the Edge District Retail Node. The BuildDowntown Master Plan and Downtown Retail Strategy both emphasize the need to reduce blight and vacancy within established retail nodes like the Edge District. The redevelopment of 633 Monroe will fill a key gap in vibrancy and street level activity in a burgeoning Downtown neighborhood.

Since early 2014, the DMC and its affiliate Boards have made a concerted effort to attract private investment to the Edge neighborhood. Consistent with this strategy, the CCRFC approved PILOTs for a range of neighborhood projects such as The Rise Apartments, Orion Federal Credit Union, Leo Events, the Glass Factory, and the Cycle Shop building. In addition, the Center City Development Corporation (CCDC) has invested more than \$1.54M in loans and grants to directly support property development, small businesses, entrepreneurship and strategic neighborhood initiatives in the Edge. While the transformation at 633 Monroe will certainly be impactful, it

is also closely aligned with a much broader strategy that is having a positive impact in this important Downtown neighborhood.

**Recommendation:**

**Staff recommends approval of a 10-year PILOT subject to the applicant achieving the proposed grading enhancements and meeting all standard closing requirements and conditions.**