

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: June 7, 2022
RE: PILOT Application: Rise on the Ravine

The enclosed PILOT application has been submitted for consideration at the June 14, 2022, CCRFC Board Meeting.

Project: Rise on the Ravine (Rise Apartments - Phase II)

Applicant: 480 Union Partners, LLC

Mr. Ethan Knight, Representative
700 Colonial, STE 105
Memphis, TN 38117
Cordova, TN 38018

Mr. John Tirrill, Representative
5605 Glenridge Dr. STE 880
Atlanta, GA 30342

Applicant's Request: 20-year PILOT for new construction of 266 apartment units and a 320-space parking garage for Phase II of The Rise redevelopment project.

Included Parcels:	<u>Parcel ID #</u>	<u>Assessed Value</u>
	007003 00012	\$178,160
	007003 00014	\$144,400
	007003 00009	\$72,480
	007003 00010	\$14,880
	007003 00011	\$2,000
	007031 00022	\$51,920
	007031 00002	\$222,600

Project Description: The subject property (approximately 3.05 acres) consists of seven contiguous parcels of vacant land and underutilized commercial buildings on the north side of Union Avenue in the heart of the Edge neighborhood. The site is located on both the east and west sides of The Ravine, a new linear urban park currently under construction.

The developer plans to demolish the existing buildings on site in order to build a new apartment community with 266 units and a 320-space parking garage on site.

The applicant purchased the property and now has full site control over all included parcels. Following PILOT approval, the applicant plans to begin construction in Q1 2023. Once started, construction is expected to take approximately 24 months to complete and be fully completed in Q1 2025.

Project Budget:

The total development cost of the project is approximately \$79,638,952. 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	\$55,747,267	(70%)
Owner’s Equity	\$23,891,686	(30%)
Total Sources	\$79,638,952	(100%)

Uses:

Land Purchase	\$2,230,000	(3%)
Construction	\$71,065,262	(89%)
Professional Fees	\$2,468,637	(3%)
Financing Fees	\$2,299,024	(2.5%)
Other Soft Costs	\$576,029	(1%)
PILOT Fee	\$1,000,000	(1.5%)
Total Uses	\$79,638,952	(100%)

Project Grading:

Per the CCRFC’s PILOT grading system, the project achieves a maximum grade of up to 22 Years:

Primary Qualification:

Residential (+51 units) 6 Years

Secondary Qualification:

Parking (301-400 cars) 1 Year

Total Project Development Costs:

+\$20M Million 5 Year

Priorities & Initiatives

Located within CBID 3 Years

Located within Edge neighborhood	3 Years
+20% Poverty Census Tract	2 Years
Permanent public art	1 Year
Enhanced architectural lighting	1 Year

Maximum Grade: 22 Years

PILOT Request: 20 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 developer 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 at the property 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 developer will work in good faith to identify any opportunities for a joint venture, partnership, teaming agreement, or similar creative approach to provide MWBE general contractors an opportunity to participate in the project to gain new experience with projects of this size and scale.
- 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. 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	\$71,065,262
Professional Fees	\$2,468,637
<u>Total Eligible Costs</u>	<u>\$73,533,899</u>

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$18,383,474.**

Parking Strategy: The proposed project will replace an underutilized surface parking lot in the heart of the Edge neighborhood. The 320-space garage planned by the applicant will provide adequate parking to satisfy the new parking demand created by the

266-unit apartment units. It is estimated that approximately 10% of the spaces will be available for hourly transient public parking. Unlike the nearby Rise I parking garage, no public garage funding or Downtown Mobility Authority (DMA) funding is included in this project. The developer is paying the full cost to build the parking garage.

Housing Policy:

This project will require compliance with the CCRFC's Affordable Housing Requirement. Per the PILOT policies, multi-family developments with 51 or more units are subject to, and must be compliant with, DMC's affordable housing policy. Per the policy, at all times during the PILOT term, at least twenty percent (20%) of the residential units shall be occupied by or held available solely for individuals and families of low and moderate income such that the percentage of median gross income shall not exceed eighty percent (80%) of the median gross income for Shelby County, Tennessee.

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 **\$50,669**. A PILOT will allow for the full redevelopment of this underutilized and partially vacant property.

During the 20-year PILOT term, the annual payment in lieu of taxes to the City and County is estimated to equal approximately **\$421,766**. This represents a **730% increase** from the taxes currently generated by the property.

Without a PILOT and the resulting redevelopment, the property would only pay around \$1M in property taxes over the next 20 years. Approving a PILOT allows the project to move forward and will generate significantly more taxes as a result. Over the course of the 20-year PILOT term, the property will pay approximately **\$8,435,320** in taxes, a cumulative increase of over **\$7.4M** in new property tax to the City & County as a direct result of this 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.

Originally established as the auto row of Memphis with dealerships, auto paint shops, and even a manufacturing plant, the Edge District saw a long, slow decline as most auto-oriented businesses vacated the area. However, the district is experiencing a major resurgence, due in large part to the developer's efforts to redevelop the former Wonder Bread Bakery and several surrounding parcels. Moreover, the new Ravine Park will help attract people and new commercial investment to this burgeoning neighborhood.

This PILOT request represents Phase II of a major investment to transform the neighborhood with hundreds of new apartment units. The resulting population density will help increase commercial vibrancy in the neighborhood and support new and existing small businesses in the Edge. This project helps build population density within the urban core and is clearly aligned with the guiding principles of the BuildDowntown Master Plan and Memphis 3.0 Comprehensive Plan.

Recommendation:

Staff recommends approval of a 20-year PILOT subject to the applicant achieving the proposed grading enhancements and meeting all standard closing requirements and conditions.