

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: August 2, 2022
RE: PILOT Application: University Lofts (440 Monroe Ave)

The enclosed PILOT application has been submitted for consideration at the August 9, 2022, CCRFC Board Meeting.

Project: **440 Monroe Ave**

Applicant: Parker Sitton
Six Land Company, LLC
215 Union St, STE 400
Jonesboro, AR 72401

Applicant's Request: 12 year PILOT for a multifamily project with 105 furnished apartment units.

Included Parcels: Parcel ID: 007002 00006C
Parcel ID: 007002 00004C

Project Description: The site of the proposed project includes two existing commercial buildings and a large surface lot near the northeast corner of Monroe and Lauderdale in the Edge. The first commercial building is 440 Monroe, a 12,000 SF building currently occupied by Holliday Events and Flowers. The second building is 16 Monroe, a 29,800 SF vacant warehouse building to the north of 440 Monroe, with a small frontage on Lauderdale. The accessory surface lot covers 78% of the property's primary frontage on Monroe.

The applicant proposes demolishing the existing buildings on the site, and constructing a new podium-style multifamily building with 89 parking spaces on the ground floor, and 105 apartment units on the three floors above. The apartments will be targeted to the employees and students of the surrounding Medical District, and others who would be attracted to the convenience of a furnished apartment option.

If a PILOT is approved for the project, construction will likely begin in Q4 of 2022 and be complete in Q2 of 2025.

Project Budget:

The total development cost of the project is approximately \$20,429,456. 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:

Debt	\$16,000,000	(78%)
Equity	\$4,429,456	(22%)
Total Sources	\$20,429,456	(100%)

Uses:

Acquisition	\$3,000,100	(14.7%)
Construction Costs	\$15,324,114	(75%)
Contingency	\$175,000	(.9%)
Professional Fees	\$765,315	(3.7%)
Financing Fees	\$863,014	(4.2%)
PILOT Fee	\$301,913	(1.5%)
Total Uses	\$20,429,456	(100%)

Project Grading:

Per the CCRFC’s PILOT grading system, the project achieves an unadjusted grade of up to 21 Years:

Primary Qualifications:

Residential (+51 units) 6 Years

Total Project Development Costs:

+\$20 Million 5 Years

Priorities & Initiatives

Located within CBID 3 Years

Located within the Edge Neighborhood 3 Years

Census Tract with Poverty > 20% 2 Years

Permanent Public Art 1 Year

Enhanced Architectural Lighting 1 Year

Total: 21 Years

Applicant’s Request: 12 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.
- 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	\$15,324,114
Professional Fees	\$765,315
Total Eligible Costs	\$16,089,429

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$4,022,357**.

Housing Policy: Multi-family developments with 51 or more units are subject to the Downtown PILOT Program’s affordable housing policy. This policy states that 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 **\$11,540**. A PILOT would allow for significant new infill development and residential density on the subject property

During the 12-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$86,219**. This represents a **647% increase** from the amount of taxes currently generated by the property.

Over the course of the 12-year PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$896,150**. Without a PILOT and the resulting investment of this project, the subject property is expected

to generate only **\$138,480** in city and county property tax over the next 12 years.

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.

Downtown's Edge district has grown dramatically over the last five years, with investments ranging from large projects like the redevelopment of the former Wonder Bread site, to the opening of local businesses like Inkwell and High Cotton. The proposed project will add over 100 new residents to this growing neighborhood, and offer a new type of multifamily housing that will broaden the choices available in Downtown, especially for the professionals and students of the Medical District. These new residents will help support the growing array of local businesses in the neighborhood, resulting in a stronger, more vibrant neighborhood.

Recommendation:

Staff recommends approval of a 12-year PILOT subject to meeting all standard closing requirements and conditions.