

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: September 6, 2022  
RE: PILOT Application: Greyhound Bus Complex (525 and 475 N. Main Ave)

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The enclosed PILOT application has been submitted for consideration at the September 13, 2022, CCRFC Board Meeting.

**Project: Greyhound Bus Complex**

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Applicant: Gabe Velasquez  
November 6 Investments, LLC  
825 Valleybrook Dr.  
Memphis, TN 38119

Applicant's Request: 10-year PILOT for a mixed-use development with 68 residential units, 38,840 SF of commercial space, 15 artist studios, and storage space.

Included Parcels: Parcel ID: 001020 00001C  
Parcel ID: 001019 00002

Project Description: The primary site of the project is the historic Dixie Greyhound Bus Lines Complex, which occupies the block at the northwest corner of Main Street and Sycamore Avenue. The project also includes a vacant parking lot at the southwest corner of Main and Sycamore. The Greyhound Bus Lines Complex, which is individually listed on the National Register of Historic Places, includes the former headquarters of the Dixie Greyhound Bus Lines (c. 1936) as well as an even older building which was originally a Schlitz brewery (1902). The property is currently used as a self-storage facility, with some accessory office space, as well as artist studios.

The applicant plans on renovating the existing historic buildings into multifamily and commercial space, and constructing two new buildings with additional multifamily and commercial on the same block. The vacant parking lot to the south will be redeveloped with a new-construction building that will be used to house the existing storage and art studio business that currently occupies the historic Greyhound buildings. An existing surface lot on the site

will provide 65 parking spaces. The total development will include five buildings:

- **Building 1 – Historic Greyhound Office Building**
  - Adaptive reuse with 43 apartment units.
- **Building 2**
  - Three-story new construction with 25 apartment units.
- **Building 3**
  - One-story new construction with 2,500 SF of commercial / retail space.
- **Building 4 – Historic Schlitz Brewery / Bus Barn**
  - Adaptive reuse with 36,340 SF of commercial / retail space.
- **Building 5**
  - Four-story new construction with 474 self-storage units, and 15 artist studios.

If a PILOT is approved, the applicant plans on starting construction in Q3 of 2022, and finishing construction in Q4 of 2023.

Project Budget:

The total development cost of the project is approximately \$40,733,429. 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:**

|                   |              |         |
|-------------------|--------------|---------|
| Owner Equity      | \$4,709,183  | (11.6%) |
| Tax Credit Equity | \$3,513,445  | (8.6%)  |
| Commercial Equity | \$3,997,400  | (9.8%)  |
| Bank Loan         | \$28,513,400 | (70%)   |

|                      |                     |               |
|----------------------|---------------------|---------------|
| <b>Total Sources</b> | <b>\$40,733,429</b> | <b>(100%)</b> |
|----------------------|---------------------|---------------|

**Uses:**

|                          |              |       |
|--------------------------|--------------|-------|
| Acquisition              | \$4,197,000  | (10%) |
| Construction Costs       | \$31,960,190 | (78%) |
| Soft Costs               | \$1,917,611  | (5%)  |
| Op. Reserves & Financing | \$2,277,879  | (6%)  |
| PILOT Fee                | \$380,748    | (1%)  |

|                   |                     |               |
|-------------------|---------------------|---------------|
| <b>Total Uses</b> | <b>\$40,733,429</b> | <b>(100%)</b> |
|-------------------|---------------------|---------------|

Project Grading:

Per the CCRFC’s PILOT grading system, the project achieves an unadjusted grade of up to 24 Years:

|   |                        |
|---|------------------------|
| <u>Primary Qualifications:</u>          |                        |
| Residential (+51 units)                 | 6 Years                |
| <u>Secondary Qualifications:</u>        |                        |
| Retail (30,001 SF+)                     | 3 Years                |
| <u>Total Project Development Costs:</u> |                        |
| +\$20 Million                           | 5 Years                |
| <u>Priorities &amp; Initiatives</u>     |                        |
| Located within CBID                     | 3 Years                |
| Census Tract with Poverty > 20%         | 2 Years                |
| NR Individually Listed Structure        | 5 Years                |
| <b>Total:</b>                           | <b>24 Years</b>        |
| <b><u>Applicant's Request:</u></b>      | <b><u>10 Years</u></b> |

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 contractors and tradespeople to perform the needed work.
- The applicant will advertise and host a pre-bid conference to allow MWBE 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:

|                    |              |
|--------------------|--------------|
| Construction Costs | \$31,960,190 |
| Soft Costs         | \$1,917,611  |

**Total Eligible Costs                      \$33,877,801**

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$8,469,450.**

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 **\$54,091**. A PILOT would allow for significant new infill development and residential density on the subject property

During the 10-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$190,374**. This represents a **252% increase** from the amount of taxes currently generated by the property.

Over the course of the 10-year PILOT term, the cumulative increase in taxes generated by this property would be approximately **\$1,362,830**. Without a PILOT and the resulting investment of this project, the subject property is expected to generate only **\$540,913** in city and county property tax over the next 10 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.

The Greyhound Bus Complex is a prominent historic property, covering an entire block in the Uptown neighborhood. The proposed development will preserve the existing historic buildings, and introduce additional residential and commercial space through the new buildings on the site. The resulting development will build on the growing momentum in the Uptown neighborhood, which includes large developments like the Snuff District, as well as smaller infill like Malone Park Commons. The adaptive reuse of the Greyhound Complex will help preserve an important part of the neighborhood's character, while adding

new residents and commercial space that will contribute to a more vibrant public realm.

**Recommendation:**

**Staff recommends approval of a 10-year PILOT subject to meeting all standard closing requirements and conditions.**