

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: November 11, 2021
RE: Development Loan Request – 1400 Madison

The enclosed Development Loan application has been submitted for consideration at the November 17, 2021, CCDC Board Meeting.

Project: **1400 Madison**

Applicant/Owner: Kinsey Thompson
1951 Westbriar Dr.
Cordova, TN 38016

Applicant's Request: Development Loan in an amount up to \$200,000.

Project Description: The subject property is a two-story commercial building at the northwest corner of Madison and Watkins, in the Medical District subarea of the CBID. The building was originally constructed circa 1910 with a bakery located on the ground floor and a residence above. In 1944, the building was converted into a dry cleaning business, with a prominent neon sign reading "Krosstown Kleaners," which has become a neighborhood landmark. The building has now been vacant for several years following the closure of the dry cleaning business.

The applicant recently purchased 1400 Madison for conversion into an event venue with five apartment units on the second floor. After years of neglect, the building will require extensive renovations to bring it back to active use. Interior work on the property will include extensive plumbing, HVAC, and electrical work throughout the building. Apartments will be built out on the second floor, and the ground floor will be reconfigured to include two reception rooms, a prep kitchen, and a bar near the entry. Exterior work will include repairing and replacing windows, masonry painting and repair, as well as extensive improvements to the building's side yard, which will be enclosed with a brick and wrought-iron fence and used as an outdoor event space.

Overall Budget:

The following is the overall budget for the renovation of 1400 Madison:

Sources:

Bank Financing	\$432,043	(58%)
Owner's Equity	\$115,000	(15%)
CCDC Dev. Loan	\$200,000	(27%)
Total Sources	\$747,043	(100%)

Uses:

Construction Costs	\$661,695	(88.6%)
FF&E	\$40,000	(5.4%)
Working Capital	\$20,000	(2.7%)
Soft Costs	\$10,000	(1.3%)
Financing Fees	\$12,348	(1.7%)
Professional Fees	\$3,000	(.4%)
Total Uses	\$747,043	(100%)

Dev. Loan Program:

The Development Loan can be used for commercial building renovations, site improvements, and new construction. Building system improvements, permanent HVAC equipment, and first floor, non-residential tenant improvements that are permanent in nature are also eligible uses. Removable fixtures and equipment and soft costs are not eligible expenses under the program. The Development Loan is permanent financing at an interest rate of 1%. While the loan has a 10-year term, the amortization schedule is based on a 20-year period in order to offer lower monthly payments.

The program has a maximum loan amount of \$200,000 per project. The following scope items are potentially eligible for the Development Loan program:

Development Loan Uses:

Plumbing	\$43,374	(10%)
HVAC	\$96,706	(23%)
Electrical	\$62,500	(15%)
Roofing	\$22,500	(5%)
Carpentry & Framing	\$58,197	(14%)
Drywall	\$35,950	(8%)
Flooring	\$36,555	(9%)
Masonry (Int. and Ext.)	\$47,500	(11%)

Concrete (Int. and Ext.)	\$21,292	(5%)
Total Eligible Uses	\$424,574	(100%)

Design Review: The applicant will submit design plans to the DRB in the near future.

EBO Program: Any project that is awarded a financial incentive from the DMC must comply with the Equal Businesses Opportunity (EBO) Program. The EBO program requires that the applicant make a best faith effort to reach no less than 25% participation by minority and women-owned businesses (MWBE) for the portion of the project scope that is eligible for bidding or subcontracting. The portion of a project subject to meeting the EBO requirements typically involves the hard and soft costs for design & construction.

Outreach & Inclusion Plan: The specific steps required for each applicant to be compliant with the DMC’s EBO Program takes into consideration the size, scope of work, and development costs associated with the project. The applicant had already begun interviewing several MBE certified General Contractors at the time of submitting this application. The applicant has a clear understanding of the EBO Program and has worked with the DMC staff to identify the following key steps that will be included in their Outreach & Inclusion Plan:

- 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 continue identifying qualified tradespeople to perform the needed work.
- 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 similar materials.

- 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: With an estimated budget of \$664,695 for construction costs and professional fees, a 25% level of MWBE inclusion will be approximately **\$166,173**.

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

Staff supports the applicant’s request for a Development Loan. The Krosstown Kleaners building at 1400 Madison is a prominent historic commercial building on an important corridor in the Medical District. But the current condition of the building is very poor, and without investment, it is likely to deteriorate even further. The proposed renovation of the building will stabilize the building, restore its appearance, and put it back into active use.

Recommendation: **Staff recommends approval of a Development Loan in an amount up to \$200,000, based on approved receipts and subject to all standard closing requirements and conditions.**