

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: September 9, 2020
RE: Exterior Improvement Grant Request, 2 N. Main St.

The enclosed Exterior Improvement Grant application has been submitted for consideration at the September 16, 2020, CCDC Board Meeting.

Project: **2 N. Main St.**

Property Owner: Max Cookes
Drapac Capital Partners
1031 Marietta St. NW, Suite A
Atlanta, GA 30318

Representative: Katie Flaim
St. Bourke Asset Management
1123 Zonolite Rd. NE, Suite 30
Atlanta, GA 30306

Applicant's Request: Exterior Improvement Grant in an amount up to \$100,000.

Project Description: The subject property is located at the northeast corner of N. Main Street and Madison Avenue, along the Main St. Mall. The 0.25-acre site contains a 32,788 sq. ft. 2-story historic commercial building. The structure, built in 1910, has been occupied by Walgreens on the ground floor for over 65 years. The applicant has worked diligently to negotiate a new long-term lease to keep Walgreens in Downtown Memphis, proposing major interior and exterior renovations that elevate the existing Walgreens store to a flagship store, along with second floor office and/or residential space. The upper floor is currently vacant. The owner is exploring redevelopment potential while actively leasing the space through a local commercial broker.

Contingent upon CCDC and DRB approvals, construction is expected to begin in November 2020. Full renovation should be complete in February 2021.

EIG Budget:

The Exterior Improvement Grant (EIG) is designed to help Downtown commercial property owners and businesses make high-quality cosmetic improvements to the exterior of their property. A secondary goal of the grant is to help new and existing businesses succeed by enhancing their curb appeal in ways that might not be possible without assistance.

The Exterior Improvement Grant is for exterior work only and requires minimum leverage of 1 to 1. The maximum grant for this location (Main Street Mall) is \$100,000.

The following budget describes the EIG scope:

Sources:

Owner's match	\$231,970	(70%)
CCDC EIG	\$100,000	(30%)
Total Sources	\$331,970	(100%)

Uses:

General Conditions	\$ 17,104	(5%)
Demolition	\$ 7,600	(2%)
Masonry/ Tuck-Pointing	\$ 10,500	(3%)
Exterior Paint/ Finishes	\$ 21,280	(6%)
Concrete	\$ 3,050	(1%)
Electric & Exterior lighting	\$ 21,350	(6%)
Millwork & Casework	\$ 5,000	(2%)
Steel Wrap Panel	\$ 54,400	(16%)
Glass & Glazing	\$ 72,364	(22%)
Signage	\$ 58,760	(18%)
Contractor Fee	\$ 18,271	(6%)
Permitting & Design Fees	\$ 12,112	(4%)
Contingency 10%	\$ 30,179	(9%)
Total Uses	\$331,970	(100%)

Design Review:

This project will be submitted for review and approval at an upcoming meeting of the Design Review Board (DRB).

EBO Program:

Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC) shall include a best faith effort to reach no less than 25% participation by minority and/or women owned businesses (MWBE) in the project's development cost (design 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 CCDC will cancel the incentive.**

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. At the time of incentive application, it is typically too early 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 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 contact a minimum of 3 certified MWBE general contractors and proactively invite them to submit a bid.
- 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 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 EIG budget of \$331,970, a 25% level of MWBE inclusion for that work is approximately **\$82,993**.

Staff Evaluation: Staff is supportive of approving an Exterior Improvement Grant for this project given its location along the Main St. Mall. The storefront at 2 N. Main St. is a prominent

commercial space along Main St. and Madison Ave. with a second story that is a highly desirable location for future multi-family or office use. Improving property conditions and incentivizing Downtown development when necessary is a priority for the DMC, especially along the Main St. Mall.

In its current condition, the building has seen little improvement since the original opening of Walgreens in the 1950's. The proposed exterior improvements will drastically enhance the existing building with a clean, modern look. Although Walgreens's business model has evolved to prefer a smaller footprint, a drive-thru and onsite parking, the applicant has worked extensively to ensure that Downtown Memphis keeps this prominent commercial tenant along the Main St. Mall. The proposed improvements to the ground floor have been instrumental in securing the long-term negotiations with Walgreens. In addition, the improvements to the second floor will be marketed through CBRE's local team to secure a tenant for either multi-family use or office space.

The Exterior Improvement Grant provided by the DMC will contribute to the \$730,000 overall budget of the entire project to reconfigure the building. \$400,000 is planned for interior improvements, while \$331,970 has been allocated for the exterior. The Exterior Improvement Grant will help to cover a portion of the cost for exterior repairs and improvements that are visible from the street or public sidewalk, enhancing the curb appeal and improving the exterior appearance of a key building along the Main St. Mall.

Recommendation:

Staff recommends approval of an Exterior Improvement Grant in an amount up to \$100,000, based on approved receipts and subject to all standard closing requirements and conditions.