

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: December 5, 2023
RE: PILOT Application: 2010 Court Avenue Apartments

The enclosed PILOT application has been submitted for consideration at the December 12, 2023 CCRFC Board Meeting.

Project: **2010 Court Avenue Apartments**

Applicant: Alfredo Cerpa
Cerpa Construction, LLC
1201 Sycamore View Rd.
Memphis, TN 38134

Applicant's Request: 10-year PILOT for new construction of a multifamily building with 10 apartment units and off-street parking.

Included Parcels: Parcel ID: 017061 00011
Parcel ID: 017061 00012

Project Description: The subject property includes two adjacent parcels (0.25 acres) located on the north side of Court Avenue, just west of the intersection with N. Morrison Street. The site currently contains a 1-story single-family residence in an area with a mix of multi-family buildings, single-family homes, neighborhood commercial, and the Turner Dairy production facility.

The applicant proposes to demolish the existing 1,200 sq. ft. building on site and replace it with new construction of a 10-unit multi-family apartment building and off-street parking lot with 10 spaces. The new 2-story building will be approximately 7,828 sq. ft. in area and feature an exterior material palette designed to fit well within the neighborhood context and will include brick, lap siding, and cementitious panels.

If a PILOT is approved for the project, construction is planned to commence in Q1 2024 and be substantially complete in Q2 2025.

Project Budget: The total development cost of the project is approximately **\$1,575,502**. 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	\$1,260,402	(80%)
Equity	\$315,100	(20%)
Total Sources	\$1,575,502	(100%)

Uses:

Property Acquisition	\$200,000	(12.5%)
Hard Costs	\$1,146,000	(73%)
Soft Costs	\$94,868	(6%)
Financing Fees	\$120,526	(7.5%)
Estimated PILOT Fee	\$14,109	(1%)
Total Uses	\$1,575,502	(100%)

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 project to be compliant with the DMC's EBO Program will take into consideration the size, scope of work, and associated development costs. In this case, the PILOT applicant is also the owner of Cerpa Construction LLC, a locally-owned MWBE construction and development firm pursuing infill new construction and redevelopment projects while also providing general contracting services for other clients.

It is expected that the applicant will serve as the general contractor for this project. At the time of PILOT application, it is typically too early in the process to identify all of the specific 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 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 sub-contractors and 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 a 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 Costs	\$1,146,000
Soft Costs	\$94,868
Total Eligible Costs	\$1,240,868

According to the above estimates, a 25% level of MWBE inclusion for the eligible hard and soft costs will be approximately **\$310,217**.

Parking Strategy: Parking will be provided on site in a secure 10-space lot located to the east of the main building.

Design Review Board: The applicant will submit plans to the DRB in the coming months.

Estimated Payments: The current annual combined city and county taxes on the subject property total approximately **\$4,550**. A PILOT would allow for new infill development and additional residential density in the core city.

During the 10-year PILOT term, the combined annual payment in lieu of taxes to the City and County is estimated to equal approximately **\$11,194**. This represents a **146% increase** from the amount of taxes currently generated by the property. Over the course of the 10-year PILOT term, the cumulative increase in City and County taxes generated by this property will be approximately **\$66,431**.

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 and attract the required debt and equity.

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 in the core city.

Supporting infill development and attracting new investment to the core city is a top priority for the CCRFC and the City of Memphis. While the project is modest in size, increasing population density through appropriate infill development is an important step toward the city's goal of building up, and not out, in Memphis' core neighborhoods like Midtown.

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