

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: September 6, 2022  
RE: PILOT Application: 34 Crump Blvd.

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

**Project:** 34 Crump Blvd.

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Applicant: James Little  
JEL Developments  
6584 Poplar Ave. Suite 325  
Memphis, TN 38138

Applicant's Request: 10-year PILOT for a mixed-use project with 29 apartment units, two live-work units, and 2,700 SF of ground floor commercial space.

Included Parcels: Parcel ID: 012053 00011C  
Parcel ID: 012053 00003

Project Description: The site of the proposed project consists of two adjacent vacant lots with frontage on E.H Crump Boulevard on the property's south side, and West Virginia Avenue on the property's north side. The lots are located in the middle of the block bounded by Kentucky St. on the west and Florida St. on the east.

The proposed development would infill the currently vacant lots with three buildings:

- **Building A** – A three-story multifamily building fronting Virginia Ave. with 12 apartment units, including 2 live-work units with entrances on Virginia.
- **Building B** – A three-story multifamily building located directly to the south of Building A, with 11 apartment units.
- **Building C** – A three-story mixed-use building fronting E.H. Crump with 8 apartment units and 2790 SF of commercial space on the ground floor.

The development's multifamily unit mix will be split between 15 2-bedroom units, and 16 1-bedroom units. In

addition to taking utilizing of nearby on-street parking, the development will include a screened parking lot located between buildings B and C containing 28 parking spaces.

If a PILOT is approved for the project, the applicant estimates that construction will start in Q2 of 2023, and will be completed in Q2 of 2024.

Project Budget:

The total development cost of the project is approximately \$5,627,711. 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	\$4,502,169	(80%)
Equity	\$1,125,542	(20%)
<b>Total Sources</b>	<b>\$5,627,711</b>	<b>(100%)</b>

**Uses:**

Acquisition	\$20,500	(.4%)
Construction Costs	\$4,910,625	(87%)
Soft Costs	\$419,875	(7.5%)
Financing Fees	\$225,108	(4%)
PILOT Fee	\$51,603	(1%)
<b>Total Uses</b>	<b>\$5,627,711</b>	<b>(100%)</b>

Project Grading:

Per the CCRFC’s PILOT grading system, the project achieves an unadjusted grade of up to 11.5 Years:

**Primary Qualifications:**

Residential (26 - 50 units) 5 Years

**Secondary Qualifications:**

Retail (<5,000 SF) .5 Years

**Total Project Development Costs:**

\$5 - \$10 Million 2 Years

**Priorities & Initiatives**

Located within CBID 3 Years

Enhanced Architectural Lighting 1 Year

**Total:** **11.5 Years**

**Applicant's Request:** **10 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.
- 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	\$4,910,625
Soft Costs	\$419,875
<b><u>Total Eligible Costs</u></b>	<b><u>\$5,330,500</u></b>

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$1,332,625**.

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 **\$458**. 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 **\$24,389**. This represents a **5225% 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 **\$239,310**. Without a PILOT and the resulting investment of this project, the subject property would likely remain low in value and continue generating approximately **\$458** in city and county property tax annually.

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 proposed project will fill what is currently vacant lot with a thoughtfully designed mixed-use development that makes the most of a challenging site. The smaller scale of the project, and the relatively large unit sizes make it a unique addition to the Downtown residential market, complementing existing South End multifamily developments, including the adjacent Crescent Bluff apartments, and the newly-completed National Rose Co. apartments. The project also helps add visible investment and activity to E.H Crump Blvd., which serves as a key southern gateway to the CBID.

**Recommendation:**

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