

# Center City Development Corporation

## Board Meeting

To: Center City Development Corporation (CCDC)  
From: DMC Staff  
Date: October 11, 2023  
RE: Development Loan Request – 409 S. Main St.

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The enclosed Development Loan application has been submitted for consideration at the October 18, 2023, CCDC Board Meeting.

**Project:** **409 S. Main Street**

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Applicant/Owner: Jared Welch  
409 S. Main Street  
Memphis, TN 38103

Applicant's Request: Development Loan in an amount up to \$100,000.

Project Description: The subject property is a 3-story commercial building at the southwest corner of South Main Street and Huling Avenue. Constructed circa 1910, this historic building recently served as event space on the third floor and hosted the Puck Food Hall on the ground floor. The applicant purchased the building after it fell into vacancy and has active plans to open two new businesses in the building.

The applicant proposes to open a new full-service restaurant, Fabel, on the ground floor and will operate a second commercial business, Lucky Cowboy bar, in the basement. The third floor will continue to be used as rental event space. The second floor is currently vacant and could be used as a future speculative office space or event space for rent.

It is worth noting that the applicant did not originally plan to request DMC incentives for this project. As a result, some of the interior work has already been completed at this time. However, the project budget now has a sizable financial gap due to increased costs and unforeseen issues. Contingent on CCDC approval of a Development Loan, the applicant expects the ground floor work to be complete by the end of Q1 2024, if not sooner.

Development Loan Budget: Staff recommends a Development Loan of up to \$100,000 to help cover the following permanent improvements that remain before the building can receive a Use & Occupancy Permit and become fully active again.

**Scope Item:**

Electrical work	\$100,000	(64%)
New fire sprinkler heads	\$25,000	(16%)
Mechanical chase improvements	\$7,500	(5%)
Fire-rated vestibule	\$7,900	(5%)
Sewer line repairs	\$15,000	(10%)
<b>Total Sources</b>	<b>\$155,400</b>	<b>(100%)</b>

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 Development Loan Program typically has a maximum loan amount of \$200,000 per project, but staff is recommended a lower loan amount in this case due to strong demand for CCDC resources during this challenging economic period. DMC Staff supports a lower loan amount in this case as a strategy for balancing competing interests while still finding ways to support as many worthy commercial development projects as possible.

Design Review: The Development Loan in this case will be used for interior improvements only. As such, Design Review Board (DRB) review and approval will likely not be required except for any exterior signage or other major exterior changes, if planned. The applicant will submit design plans to the DRB if required in the 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.

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 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 regular updates to DMC staff detailing the project status and level of MWBE involvement at each major phase of the project.

Minimum MWBE Goal:

As mentioned previously, the applicant did not originally plan to request DMC incentives for this project. As a result, some of the work has already been completed at this time. Moreover, other portions of the work have already been contracted. The project now has a financial gap that must be closed due to material and labor cost increases. The applicant is fully committed to making a best faith effort to proactively bid out all portions of the remaining work that have not already been contracted. While this is not ideal, staff is in

support of trying to find a way to assist this applicant in their attempts to finish the project and open it successfully. **The EBO program will apply to any portions of the work not already contracted and/or completed.**

Assuming a minimum of \$182,200 of work remains to be contracted or completed, a 25% level of MWBE inclusion will be approximately **\$45,550.**

**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.

Simply put, approving a Development Loan in this case will help close a challenging financial gap and allow the project to move forward as planned. Staff recommends structuring this support as a typical Development Loan focused on the permanent electrical work and similar permanent building improvements that are still open to a competitive bidding process. The high-priority location of this vacant building in the heart of the South Main neighborhood is a key consideration in the staff's support of this request.

Filling all ground floor commercial vacancies along South Main Street is a critical part of implementing the Downtown Retail Strategy. A key focus of that strategy is to increase the density of retail offerings and fill gaps in ground-floor activity within established retail nodes, especially South Main. Reanimating empty or underutilized buildings helps build the compact critical mass of customers and commercial offerings required for a vibrant retail district. Vacant buildings discourage walkability and can contribute to perceptions of disinvestment, blight, and safety issues.

**Recommendation:**

**Staff recommends approval of a Development Loan in an amount up to \$100,000, based on approved receipts and subject to all standard closing requirements and conditions.**