

# Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)  
From: DMC Staff  
Date: November 1, 2022  
RE: PILOT Application: 47 S. Main St.

---

The enclosed PILOT application has been submitted for consideration at the November 8, 2022, CCRFC Board Meeting.

**Project:** **47 S. Main**

---

Applicant: Nat D. Newburger  
P.O. Box 945  
Memphis, TN 38101

Applicant's Request: 10-year PILOT for the renovation of 47 S. Main into a mixed-use development with 8 residential units and 13,500 sq. ft. of commercial space.

Included Parcels: Parcel ID: 002039 00009C

Project Description: The subject property is 47 S. Main Street, a historic commercial building on the Main Street mall (c. 1872). The ground floor of the building was most recently occupied by a Family Dollar, but the space has now been vacant for several years. With the assistance of a PILOT, the applicant plans on renovating the ground floor and basement into a combined 13,500 sq. ft of leasable commercial space, and to create 8 market rate residential units on the floors above. The 6,750 sq. ft. basement space will be accessible through a separate entrance on the ground floor, and the remaining 6,750 sq. ft. of space on the ground floor can be divided into two separate retail bays or combined as a single bay. The apartment units will be lofts, with natural light and access to a rooftop deck facilitated by a pop-up structure built on the existing roof.

If a PILOT is approved, the applicant plans on starting construction in Q2 of 2023 and finishing construction in Q1 of 2024.

Project Budget: The total development cost of the project is approximately \$3,691,4. 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:**

Project Debt	\$2,768,357	(75%)
Owner's Equity	\$922,786	(25%)
<b>Total Sources</b>	<b>\$3,691,143</b>	<b>(100%)</b>

**Uses:**

Land & Building Purchase	\$325,000	(9%)
Construction Costs	\$3,057,150	(83%)
Soft Costs	\$207,500	(5%)
Financing Fees	\$69,693	(2%)
PILOT Fee	\$31,800	(1%)
<b>Total Uses</b>	<b>\$3,691,143</b>	<b>(100%)</b>

Project Grading:

Per the CCRFC's PILOT grading system, the project achieves an unadjusted grade of up to 15.5 Years:

Primary Qualifications:

Residential (6 to 10 units) 2 Years

Secondary Qualifications:

Retail (10,000 to 14,999 SF+) 1.5 Years

Total Project Development Costs:

\$1-5 Million 1 Year

Priorities & Initiatives

Located within CBID 3 Years

On Main to Main Route 3 Years

NR Contributing Structure 4 Years

Enhanced Architectural Lighting 1 Year

**Total: 15.5 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 (MWBs) 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.
- The applicant will advertise and host a pre-bid conference to allow MWBE general contractors and subcontractors an opportunity to ask questions and learn more about the job opportunity. DMC staff will be invited to attend the pre-bid conference to observe.
- The applicant will contact a minimum of 3 certified MWBE general contractors and provide each a fair opportunity to submit a bid and be considered for the 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:

Construction Costs	\$3,057,150
Soft Costs	\$207,500
<b><u>Total Eligible Costs</u></b>	<b><u>\$3,264,650</u></b>

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$816,162**.

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 **\$9,276**. 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 **\$20,450**. This represents a **120% 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 **\$111,738**.

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.

Increasing activity and reducing blight on the Main Street Mall is one of the DMC's top priorities. Main Street is the heart of the Downtown Core, drawing thousands of pedestrians – residents, workers, and visitors -- every day. Vacant buildings create gaps in the fabric of the street, making it feel less interesting and safe, and generating negative perceptions of Downtown. The proposed project will replace a vacant storefront with up to three new active retail spaces on Main Street, add new residents to the street, and help to preserve one of Downtown's oldest buildings.

**Recommendation:**

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