

Center City Revenue Finance Corporation Board Meeting

To: Center City Revenue Finance Corporation (CCRFC)
From: DMC Staff
Date: September 10, 2024
RE: PILOT Application: 47 S. Main St.

The enclosed PILOT application has been submitted for consideration at the September 17, 2024, CCRFC Board Meeting.

Project: **47 S. Main Street**

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

Applicant's Request: 10-year PILOT for the full renovation of 47 S. Main as a commercial mixed-use building

Included Parcel: 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 store, but the space has now been vacant for several years.

The CCRFC approved a 10-year PILOT for this property in November 2022. That project contemplated a mixed-use development with 8 residential apartment units and 13,500 sq. ft. of commercial space. The estimated development cost was approximately \$3.6M at that time. Unfortunately, the developer was unable to move forward with that version of the project due to escalating costs. However, the developer has been working in good faith to find a revised version of the project that can move forward at this time.

The applicant is requesting a 10-year PILOT for a revised development project that no longer includes a residential multifamily component. Staff is recommending that this project be treated as a new PILOT request given the material change in development program, scope, and budget. The revised project will now include a mix of commercial tenant space and upper floor office space. The basement and ground floor will feature a total of 13,500 sq. ft. of rentable commercial space. It is anticipated that the

ground-floor will be configured for two commercial tenant spaces and the basement would be made available for another single-tenant commercial space. The upper floor will provide 6,750 sq. ft. of commercial office space for lease. With the assistance of a PILOT, the applicant plans to begin construction in Q4 2024 and be complete by Q3 2025.

Project Budget:

The total development cost of the project is approximately \$2,149,507. 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:

Owner’s Equity	\$2,149,507	(100%)
Total Sources	\$2,149,507	(100%)

Uses:

Land & Building Purchase	\$360,000	(17%)
Hard Construction Costs	\$1,302,000	(60%)
Soft Costs	\$230,000	(11%)
PILOT Fee	\$17,507	(1%)
Tenant Allowance	\$240,000	(11%)
Total Uses	\$2,149,507	(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 (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.
- As part of the pre-bid conference outreach strategy, 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:

Hard Construction Costs	\$1,302,000
Soft Costs	\$230,000
<u>Total Eligible Costs</u>	<u>\$1,532,000</u>

According to the above estimates, a 25% level of MWBE inclusion for the eligible costs will be approximately **\$383,000**.

Parking Strategy: More than 160 on-street parking spaces and several public parking garages are found within the immediate area. The applicant is satisfied with the amount of paid public parking available within the neighborhood, including on-street parking and off-street parking lot and garage facilities.

Design Review Board: Exterior renovation work at this site received an EIG grant from the Center City Development Corporation (CCDC) previously. That work received DRB. The applicant will submit plans to the DRB in the future if exterior improvements are planned beyond the original scope of approval from DRB.

Estimated Payments: The current annual city and county taxes on the subject property total approximately **\$11,034**. A PILOT would allow for the full redevelopment of a long-term vacant property.

During the 10-year PILOT term, the annual payment in lieu of taxes is estimated to equal approximately **\$16,276**. This represents a **44% increase** from the amount of taxes currently generated by the property.

Without a PILOT and the resulting investment of this project, the subject property would generate only **\$110,340** in city and county property tax over the next 10 years. Over the course of the 10-year PILOT term, the property will now pay approximately **\$162,762** in taxes, a cumulative increase in taxes of over **\$52,420** to the City & County as a result of the PILOT.

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 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 and vacancy 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 office tenants to the street, and help to preserve one of Downtown's oldest buildings.

Recommendation:

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