

Center City Development Corporation Board Meeting

To: Center City Development Corporation (CCDC)
From: DMC Staff
Date: August 12, 2020
RE: Retail Tenant Improvement (TI) Grant Request – Paper & Clay

The enclosed Retail Tenant Improvement Grant has been submitted for consideration at the August 19, 2020, CCDC Board of Directors Meeting.

Project: **Paper & Clay, 525 S. Main St.**

Tenant/Business Owner: Brit McDaniel
Paper & Clay
486 N. Hollywood St.
Memphis, TN 38112

Property Owner: Paul Tashie & Philip Woodard
5235 Shady Grove Rd.
Memphis, TN 38120

Applicant's Request: \$30,000 Retail Tenant Improvement (TI) Grant.

Project Description: The subject property is located on the west side of South Main Street, just north of the intersection with G.E. Patterson Ave. The applicant, Paper & Clay, plans to fully renovate the commercial space and move their retail and studio operations to the South Main neighborhood.

Paper & Clay is a Memphis-based company producing and selling handmade ceramic wares. The company is known for its modern design, one-of-a-kind color palette and reputation for locally-made products.

Paper & Clay started in 2013 with a Kickstarter campaign that funded their first kiln and pottery wheel in a 100 sq. ft. studio in the Cooper-Young neighborhood. Over time, the owner established a following on social media and her designs began to draw attention from publications such as Design*Sponge, New York Magazine, Anthology and Apartment Therapy. In late 2014, Paper & Clay cemented a partnership with the national retailer Anthropologie.

Over the past 7 years, this business has received numerous awards (Garden & Gun Made in the South Awards Runner-Up 2015; Gold at ETSY Open Call), have been included in publications such as Southern Living and HGTV Magazines, and have partnerships with prominent brands like Food52 and West Elm. An expanded customer base and increased demand necessitated a bigger studio space. In early 2017, Paper & Clay moved into their current space in the Broad Avenue Arts district.

The continued growth of the business is prompting another expansion into a larger footprint. In addition to more work space, relocating Paper & Clay to 525 S. Main will allow the business to have an on-site retail shop, in addition to ample workshop and studio space. This location was most recently used as a pop-up for Bumpus Harley-Davidson.

Following CCDC approval of a Retail TI Grant, the applicant intends to sign a 5-year lease and start construction in September, 2020. The retail component is scheduled to be open by December 1, 2020. The studio operations will move into the space in January, 2021.

Scope of Work: The Retail Tenant Improvement Grant program is designed to encourage new businesses to open ground-floor locations along priority corridors and within targeted retail nodes. The Grant is reimbursable and requires the applicant to provide receipts of completed work.

Overall Project Budget: The overall project budget includes the following sources:

CCDC Retail TI Grant	\$30,000	(65%)
Business Owner’s Equity	\$12,000	(26%)
FF&E (not grant eligible)	\$4,000	(9%)
Total	\$46,000	(100%)

Work Eligible for TI Grant: Permanent improvements that are potentially-eligible for reimbursement under the Retail TI Grant program include the following:

Façade lighting & painting	\$1,500	(4%)
Select interior demolition	\$1,200	(3%)
Custom cabinet for elec. panel	\$3,500	(8%)
Wood flooring in retail space	\$3,000	(7%)
Interior walls/doors/clearstory	\$3,800	(9%)
Interior painting & door	\$2,600	(6%)

Point of sale counter	\$1,800	(4%)
Electrical/plumbing	\$5,000	(12%)
Historic finish on north wall	\$600	(1.5%)
Built-in workstations	\$1,500	(4%)
Kitchenette build out	\$2,000	(5%)
ADA bathroom repairs	\$1,500	(3.5%)
New glass garage door	\$3,000	(7%)
Industrial work sinks	\$2,500	(6%)
Architecture fees	\$3,000	(7%)
Contractor fees	\$5,500	(13%)
Total	\$42,000	(100%)

Design Review: DRB review will be required for signage and any other exterior improvements.

EBO Program: Any project that is awarded financial incentives from the Downtown Memphis Commission (DMC) shall include a best faith effort to reach no less than 25% participation by minority and/or women owned businesses (MWBE) in the project's development cost (design 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 CCDC will cancel the incentive.**

Outreach & Inclusion Plan: 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. At the time of incentive application, it is typically too early 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 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 contact a minimum of 3 certified MWBE general contractors and proactively invite them to submit a bid.

- 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 similar information.
- 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: With an estimated Retail TI Grant budget of \$42,000, a 25% level of MWBE inclusion for that work is approximately **\$10,500.**

Maximum Grant Amount: For this program, the maximum grant amount is based on the size of the retail space and length of the lease. Larger spaces with longer leases qualify for larger grants. The Retail TI Grant program is capped at \$30,000 per project, regardless of size or length of lease.

The following formula is used to determine the maximum amount:

$$\$4.00 \times 1,875 \text{ sq. ft.} \times 5 \text{ Years} = \$37,500 \text{ (max grant capped at } \$30,000)$$

Staff Evaluation: DMC staff is in full support of the applicant’s request. The subject property is a strategically important vacancy in the heart of the South Main Retail Node, one of the top focus areas for implementation of the Downtown Retail Strategy.

Paper & Clay is exactly the kind of locally-owned small business that the Retail TI Grant is designed to help recruit. The business has a strong online presence, a reputation for high-quality design, and a solid track record of growth. By locating in the South Main neighborhood, Paper & Clay will be able to diversify their sales through the addition of a retail showroom and prime storefront in addition to online sales and wholesaling to national retailers.

Moreover, the Downtown Retail Strategy strongly suggests that the DMC focus its efforts to attract small-scale/micro-manufacturing businesses to the South Main neighborhood. These maker businesses produce artisan goods in small quantities and require workshop space irrespective of location. Paper & Clay matches that definition as a maker-business with the ability to add a retail component.

Staff Recommendation: **Staff recommends approval of a Retail Tenant Improvement Grant in an amount up to \$30,000, based on approved receipts and subject to all standard closing requirements.**